



**IMEEI**  
内蒙古能建

**內蒙古能源建設投資股份有限公司**  
**Inner Mongolia Energy Engineering Co., Ltd.**

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

Stock Code: 1649

**GLOBAL OFFERING**

Sole Sponsor, Sole Global Coordinator and Sole Lead Manager  
Joint Bookrunners



## IMPORTANT

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



### INNER MONGOLIA ENERGY ENGINEERING CO., LTD.

### 內蒙古能源建設投資股份有限公司

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

Number of Offer Shares under the Global Offering	:	735,000,000 H Shares (comprising 700,000,000 H Shares to be offered by the Company and 35,000,000 H Shares to be sold by the Selling Shareholders, subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	73,500,000 H Shares (subject to adjustment)
Number of International Offer Shares	:	661,500,000 H Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$1.68 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	RMB1.00 per H Share
Stock code	:	1649

*Sole Sponsor, Sole Global Coordinator and Sole Lead Manager*



*Joint Bookrunners*



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

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

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, July 10, 2017 (Hong Kong time) and, in any event, not later than Monday, July 17, 2017 (Hong Kong time). The Offer Price will be not more than HK\$1.68 and is currently expected to be not less than HK\$1.60 per Offer Share. If, for any reason, the Offer Price is not agreed by Monday, July 17, 2017 (Hong Kong time) between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders), the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Share are required to pay, on application, the maximum Offer Price of HK\$1.68 for each Hong Kong Offer Share together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$1.68.

**The Sole Global Coordinator, on behalf of the Underwriters, and with our consent (for ourselves and on behalf of the Selling Shareholders) may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK\$1.60 to HK\$1.68) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at [www.imeec.cn](http://www.imeec.cn) and on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.**

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

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

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

June 30, 2017

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## EXPECTED TIMETABLE

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Latest time for completing electronic applications under <b>White Form eIPO</b> service through the designated website <a href="http://www.eipo.com.hk">www.eipo.com.hk</a> <sup>(2)</sup> . . . . .	11:30 a.m. on Monday, July 10, 2017
Application lists open <sup>(3)</sup> . . . . .	11:45 a.m. on Monday, July 10, 2017
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms . . . . .	12:00 noon on Monday, July 10, 2017
Latest time for completing payment of <b>White Form eIPO</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . .	12:00 noon on Monday, July 10, 2017
Latest time for giving <b>electronic application instructions</b> to HKSCC <sup>(4)</sup> . . .	12:00 noon on Monday, July 10, 2017
Application lists close <sup>(3)</sup> . . . . .	12:00 noon on Monday, July 10, 2017
Expected Price Determination Date <sup>(5)</sup> . . . . .	Monday, July 10, 2017
(1) Announcement of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares, to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before . . . . .	Monday, July 17, 2017
(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this prospectus . . .	Monday, July 17, 2017
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and our Company's website at <a href="http://www.imeec.cn">www.imeec.cn</a> <sup>(6)</sup> from . . . . .	Monday, July 17, 2017
Results of allocations in the Hong Kong Public Offering will be available at <a href="http://www.iporesults.com.hk">www.iporesults.com.hk</a> with a "search by ID" function from . . . . .	Monday, July 17, 2017
Dispatch of H Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before <sup>(7)(9)</sup> . . . . .	Monday, July 17, 2017
Dispatch of refund cheques and White Form e-Refund payment instructions (if applicable) in respect of wholly or partially successful applications or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before <sup>(8)(9)</sup> . . . . .	Monday, July 17, 2017
Dealings in the H Shares on the Stock Exchange expected to commence on . . . . .	Tuesday, July 18, 2017

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## EXPECTED TIMETABLE

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**The application for the Hong Kong Offer Shares will commence on Friday, June 30, 2017 through Monday, July 10, 2017, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Hong Kong Stock Exchange trading fees) will be held by the receiving banks on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Monday, July 17, 2017. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, July 18, 2017.**

- (1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, July 10, 2017, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Monday, July 10, 2017 and, in any event, not later than Monday, July 17, 2017. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) by Monday, July 17, 2017, the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) H Share certificates for the Hong Kong Offer Shares will only become valid certificates of title at 8:00 a.m. on Tuesday, July 18, 2017 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid do so at their own risk.
- (8) White Form e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.
- (9) Applicants who have applied on **WHITE** Application Forms or **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or H Share certificates in person from our Company’s H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Monday, July 17, 2017 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection may not authorize any other person to collect on their behalf.

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## EXPECTED TIMETABLE

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Applicants being corporations who is eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering may collect their refund cheques, if any, in person but may not elect to collect their H Share certificates as such H Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

H Share certificates and/or refund cheques (if applicable) for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected H Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus.

**The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.**

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## CONTENTS

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*This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Lead Manager, the Joint Bookrunners, the Underwriters, any of our or their respective directors or advisers, or any other person or party involved in the Global Offering. Information contained on our website, located at [www.imeec.cn](http://www.imeec.cn), does not form part of this prospectus.*

	<i>Page</i>
<b>Expected Timetable</b> .....	i
<b>Contents</b> .....	iv
<b>Summary</b> .....	1
<b>Definitions</b> .....	11
<b>Glossary of Technical Terms</b> .....	22
<b>Forward-Looking Statements</b> .....	26
<b>Risk Factors</b> .....	27
<b>Waivers from Strict Compliance with the Listing Rules</b> .....	59
<b>Information about this Prospectus and the Global Offering</b> .....	63
<b>Directors, Supervisors and Parties Involved in the Global Offering</b> .....	68
<b>Corporate Information</b> .....	72
<b>Industry Overview</b> .....	74
<b>Regulatory Environment</b> .....	86

---

## CONTENTS

---

	<i>Page</i>
<b>History and Corporate Structure</b> .....	101
<b>Business</b> .....	113
<b>Connected Transactions</b> .....	192
<b>Directors, Supervisors and Senior Management</b> .....	201
<b>Share Capital</b> .....	220
<b>Substantial Shareholders</b> .....	225
<b>Relationship with the Controlling Shareholder</b> .....	226
<b>Financial Information</b> .....	242
<b>Future Plans and Use of Proceeds</b> .....	294
<b>Cornerstone Investor</b> .....	296
<b>Underwriting</b> .....	299
<b>Structure of the Global Offering</b> .....	309
<b>How to Apply for Hong Kong Offer Shares</b> .....	319
<b>Appendix I – Accountants’ Report</b> .....	I-1
<b>Appendix II – Unaudited Pro Forma Financial Information</b> .....	II-1
<b>Appendix III – Taxation and Foreign Exchange</b> .....	III-1
<b>Appendix IV – Summary of Principal Legal and Regulatory Provisions</b> .....	IV-1
<b>Appendix V – Summary of Articles of Association</b> .....	V-1
<b>Appendix VI – Statutory and General Information</b> .....	VI-1
<b>Appendix VII – Documents Delivered to the Registrar of Companies and Available for Inspection</b> .....	VII-1

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” beginning on page 27 of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are a large comprehensive power industry solutions provider in China, focusing on power grid and new energy projects. We provide a comprehensive range of solutions, including survey, design and consultancy, construction contracting and maintenance and overhaul services to serve the full life-cycle of power projects and the entire value chain of the power engineering industry. We primarily provide services to energy and power companies in Inner Mongolia and other provinces in China. In recent years, we also started to provide survey, design and consultancy services overseas, such as in Pakistan, Indonesia, Cambodia, Mongolia, Tajikistan and Kyrgyzstan. According to the F&S Report, in 2015, we ranked fourth among PRC comprehensive power industry solutions providers in terms of revenue, second among PRC provincial power grid engineering and construction enterprises in terms of net profit, and ninth among PRC new energy engineering and construction enterprises in terms of revenue. In terms of new installed capacity of wind power and photovoltaic power projects in 2015, we were the largest engineering and construction company for wind power and solar power projects in Inner Mongolia.

In June 2015, we started our trading business on a trial basis. We engage in the purchase and sale of selected commodities, which primarily include petroleum products, coal and chemical raw materials, based on business opportunity, customer demand and profitability. We intend to expand our trading business and develop our expertise in commodity markets to help us build our centralized procurement platform for our construction contracting business.

In 2014, 2015 and 2016, our revenue was RMB3,845.9 million, RMB6,533.3 million and RMB9,782.1 million, respectively. Our profit for the same periods was RMB203.4 million, RMB302.4 million and RMB617.2 million, respectively.

Our business segments include the following:

#### **Survey, Design and Consultancy**

Our survey, design and consultancy business, one of our core businesses, covers various services throughout the stages of preliminary discussion, definition and implementation, including master planning, proposal studies, environmental impact assessment, feasibility studies, project application report, basic engineering, detailed engineering and project management. We provide survey, design and consultancy services mainly to power grids, wind power, solar power and fossil-fuel power companies in China and abroad.

We believe our survey, design and consultancy expertise allows us to maintain an industry-leading position in China in the fields of power grid projects with various voltage levels, UHV AC/DC power grid projects, air-cooling units, wind power plants, photovoltaic power plants and solar thermal power plants. We also engage in the fields of ultra-supercritical or supercritical coal-fired generation units, large-scale CCPP, integration of wind power, solar power and storage, micro-power grid and biomass power generation. We believe we are a leading designer of new energy and power grid projects in China. According to the F&S Report, in 2015, our survey, design and consultancy business enjoyed a market share of 61.4% in Inner Mongolia of survey and design projects for power transmission and transformation of 220kV and above in terms of completed contract value, a market share of 13.8% in Inner Mongolia's photovoltaic market in terms of installed capacity and a market share of 34.9% in Inner Mongolia's fossil-fuel power projects in terms of installed capacity. For the UHV transmission power grid market, in 2015, we participated in all such projects in Inner Mongolia and several others in other provinces. In terms of installed capacity of wind power projects in 2015, we were the largest survey, design and consultancy company for wind power projects in Inner Mongolia, with a 37.9% market share.

In 2014, 2015 and 2016, we submitted a total of 99, 196 and 182 tenders, respectively, in relation to our survey, design and consultancy business. Our tender success rates in terms of tender numbers for the same periods were 54.5%, 40.3% and 69.8%, respectively.



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## SUMMARY

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### **Construction Contracting**

The construction contracting business is one of our core businesses. We mainly provide construction services for power grid projects and large-scale power generation projects in China. In addition, we engage in other infrastructure construction projects. According to the F&S Report, in 2015, in Inner Mongolia, we had a 62.6% market share of construction projects for power transmission and transformation of 220kV and above in terms of completed contract value, a 18.9% market share in the wind power project construction market in terms of installed capacity, a 23.5% market share in the photovoltaic power project construction market in terms of installed capacity and a 14.2% market share in the fossil-fuel project construction market in terms of installed capacity.

In 2014, 2015 and 2016, we submitted a total of 443, 406 and 424 tenders, respectively, in relation to our construction contracting business. Our tender success rates in terms of tender numbers for the same periods were 41.1%, 43.3% and 34.0%, respectively.

Our trade and bills receivable turnover days for our construction contracting segment increased from 151 days in 2014 to 170 days in 2015 and to 225 days in 2016, primarily because of (i) the increase in the number of EPC projects undertaken, which resulted in a higher amount of trade receivables due to the procurement of equipment used for the projects, and (ii) the increase in the number of new energy projects undertaken which granted our customers longer payment settlement periods, resulting in a higher amount of trade receivables.

### **Trading**

We started our trading business in June 2015 on a trial basis. We engage in the purchase and sale of selected commodities, which primarily include petroleum products, coal and chemical raw materials, based on business opportunity, customer demand and profitability. We may act as principal under our trading business or agent in respect of certain trading transactions. In trading transactions where we act as principal, we purchase goods from various suppliers and the goods will be delivered to us as the customer. We subsequently source for potential customers and sell the goods to them under a separate contract. As an agent, we facilitate the sale and purchase of goods between the supplier and the end customer. We would first confirm our customers' needs, and would then source for suppliers to meet such customers' needs. We intend to expand our trading business and develop our expertise in the commodity markets to help us build our centralized procurement platform for our construction contracting business. We believe that a centralized procurement platform could enhance our collective bargaining power with suppliers and lower our procurement costs for construction contracting projects, particularly EPC projects, which in turn would improve the profit margin of our construction contracting business.

Our gross profit margin decreased from 19.9% in 2014 to 15.6% in 2015, primarily due to the increased revenue contribution from our trading business, which had a relatively lower gross profit margin as compared with our other businesses as our trading business is volume driven and requires less technical capability and expertise compared with our other businesses. Our average trade and bills receivables turnover days decreased from 230 days in 2014 to 175 days in 2015, partly because of the commencement of our trading business in June 2015, which has a higher turnover rate of trade and bill receivables as compared with our other businesses. Excluding the trade and bills receivables and the revenue attributable to our trading business, our average trade and bills receivables turnover days would have been 218 days in 2015. Our trade and bills receivable turnover days for our trading segment was 28 days in 2015 in respect of the period after we commenced our trading business in June 2015 and 72 days in 2016, primarily because we were growing our trading business in 2016 and were looking to establish and develop relationships with certain of our key customers by offering longer credit terms to such customers. Therefore, our Directors are of the view that the increase in the turnover rate of the trade and bills receivable for our trading business segment did not reflect a deterioration of collectability of trade receivables for such business segment.

### **Power Project Operation and Other Businesses**

We invest in and operate power generating projects. As of December 31, 2016, we owned one operating wind power project in Inner Mongolia with a consolidated installed capacity of 199MW. In addition, we also have a number of pending wind power, solar power, and fossil-fuel power projects. See "Business – Power Project Operation and Other Businesses" beginning on page 161 of this prospectus. We also engage in maintenance and overhaul services for power projects, property development and power equipment manufacturing.

## SUMMARY

### Revenue

The table below sets forth our segment revenue (after intersegment eliminations) in absolute amount and as a percentage of total revenue during the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
Survey, design and consultancy .....	500.3	13.0%	522.0	8.0%	567.8	5.8%
Construction contracting .....	2,974.2	77.3	4,029.3	61.7	6,072.8	62.1
Trading <sup>(1)</sup> .....	–	–	1,481.2	22.7	2,228.1	22.8
Power project operation and other businesses .....	371.4	9.7	500.8	7.6	913.4	9.3
<b>Total</b> .....	<b><u>3,845.9</u></b>	<b><u>100.0%</u></b>	<b><u>6,533.3</u></b>	<b><u>100.0%</u></b>	<b><u>9,782.1</u></b>	<b><u>100.0%</u></b>

(1) Trading is a new business which we launched in June 2015, and therefore we did not generate any revenue from trading business in 2014.

Our revenue increased by 49.7% from RMB6,533.3 million in 2015 to RMB9,782.1 million in 2016, due to the increase in segment revenue from our (i) survey, design and consultancy business, primarily as a result of the growth of this business, (ii) construction contracting business, primarily as a result of the growth of this business and (iii) power project operation and other businesses primarily as a result of the recognition of revenue from our completed housing development project in 2016. We also recognized revenue arising from the commencement of our trading business in June 2015. Our gross profit margin was 15.6% in 2015 and 15.2% in 2016, which remained generally stable.

Our revenue increased by 69.9% from RMB3,845.9 million in 2014 to RMB6,533.3 million in 2015, due to the increase in revenue from our survey, design and consultancy business, construction contracting business and power project operation and other businesses, primarily as a result of the growth of these businesses. We also recognized revenue arising from the commencement of our trading business in June 2015. Our gross profit margin decreased from 19.9% in 2014 to 15.6% in 2015, primarily due to the increased revenue contribution from our trading business, which had a relatively lower gross profit margin as compared to our other businesses.

The following table sets forth a breakdown of our segment revenue and as a percentage of total revenue generated in terms of geographical locations during the periods indicated:

Location	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
Inner Mongolia .....	3,578.2	93.0	4,818.6	73.7	6,755.0	69.1
Other parts of the PRC .....	256.9	6.7	1,710.6	26.2	3,027.1	30.9
Overseas .....	10.8	0.3	4.1	0.1	–	–
<b>Total</b> .....	<b><u>3,845.9</u></b>	<b><u>100.0%</u></b>	<b><u>6,533.3</u></b>	<b><u>100.0%</u></b>	<b><u>9,782.1</u></b>	<b><u>100.0%</u></b>

### OUR COMPETITIVE STRENGTHS

We believe we have, among other things, the following advantages that differentiate us from our competitors:

- We are an industry leader in power engineering in China. Our business is established in resource-rich Inner Mongolia and spreads across China and extends to surrounding countries;
- We provide a comprehensive offering across the entire value chain and are capable of engaging in the design, construction, maintenance and overhaul services for all power sources and power grids; and
- We are able to capitalize on the opportunities in the fast growing areas of China's power engineering industry focusing on the construction of power grid and new energy projects.

### OUR STRATEGIES

We implement a development strategy that centers on integrating our power industry solutions and diversifying our project mix. Our goal is to become a leading integrated power construction and

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## SUMMARY

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investment group in China with an international reputation. In order to achieve our strategic goals, we plan to adopt, among other things, the following development strategies:

- Reinforce the leading position of our core businesses in Inner Mongolia and other provinces throughout China;
- Extend our strength in our core businesses to related sectors and selectively expand our other businesses; and
- Actively adapt to the evolving power industry and capture emerging business opportunities.

### RISK FACTORS

There are certain risks relating to an investment in the Offer Shares. These risks can be characterized as: (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the Global Offering. We believe that the following are some of the major risks that we face, among other things:

- Our business is affected by the general economy in China and the growth of the engineering and construction markets in China, particularly in Inner Mongolia;
- We face competition in the markets in which we operate, which could materially and adversely affect our business;
- We are exposed to substantial potential risks and liabilities associated with our construction contracting business; and
- Our trading business has a limited history and a lower profit margin compared with our other businesses.

### CUSTOMERS AND SUPPLIERS

In 2014, 2015 and 2016, 34.2%, 23.8% and 18.1%, respectively, of our revenue was attributable to our largest customer. For the same periods, approximately 53.2%, 47.1% and 39.2%, respectively, of our revenue was attributable to our five largest customers. During the Track Record Period, our largest customers typically comprised large power generation and power grid companies operating in Inner Mongolia, as well as trading companies following the commencement of our trading business in June 2015. Due to the limited number of large power generation and power grid companies operating in Inner Mongolia, we repeatedly deal with such customers in our construction contracting business and thus generated a significant portion of our revenue from such customers. We have maintained business relationships with such major customers for over five years and will continue to foster strong business relationships with them. The revenue contribution from our trading customers is relatively large because we typically purchase and sell commodities in large quantities, resulting in large transaction volumes compared to our other businesses.

In 2014, 2015 and 2016, 16.8%, 24.9% and 30.4%, respectively, of our consolidated purchases were attributable to our largest five external suppliers. For the same periods, approximately 7.2%, 7.6% and 15.8%, respectively, of our consolidated purchases were attributable to our largest supplier. During the Track Record Period, our largest suppliers typically comprised construction raw material suppliers and construction subcontractors, as well as trading or manufacturing companies following the commencement of our trading business in June 2015. All of our major customers and suppliers mentioned above were Independent Third Parties. To the knowledge of our Directors, none of the Directors and their respective associates or any shareholders who hold more than 5% of our issued share capital have any interest in the aforementioned customers or suppliers.

### BACKLOG AND NEW CONTRACT VALUE

#### Backlog

Backlog represents our estimate of the contract value of work that remains to be completed as of a certain date. The contract value represents the amount that we expect to receive under the terms of the contract assuming the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles. See “Risk Factors – Risks Relating to Our Business and Industry – Backlog is subject to unexpected adjustments and cancellations and, therefore, may not be indicative of our future results of operations.” The following table sets forth the aggregate contract value of projects in the backlog of our survey, design and consultancy business and construction contracting business as of the dates indicated:

## SUMMARY

	As of December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
<b>Survey, design and consultancy business</b> .....	1,351.8	32.9	1,215.9	30.7	1,276.9	17.8
– Power grid .....	588.3	14.3	544.6	13.8	686.2	9.6
– Wind power .....	215.4	5.2	170.7	4.3	180.1	2.5
– Solar power .....	47.9	1.2	68.2	1.7	72.0	1.0
– Fossil-fuel power .....	497.9	12.1	430.5	10.9	338.6	4.7
– Others <sup>(1)</sup> .....	2.4	0.1	1.9	0.0	–	–
<b>Construction contracting business</b> .....	2,752.3	67.1	2,740.1	69.3	5,907.4	82.2
– Power grid .....	1,401.9	34.2	1,863.4	47.1	1,999.6	27.8
– Wind power .....	148.4	3.6	111.8	2.8	1,718.6	23.9
– Solar power .....	67.4	1.6	155.5	3.9	1,516.9	21.1
– Fossil-fuel power .....	349.9	8.5	106.3	2.7	231.2	3.2
– Others <sup>(1)</sup> .....	784.7	19.1	503.0	12.7	441.1	6.1
<b>Total</b> .....	<b>4,104.1</b>	<b>100.0</b>	<b>3,955.9</b>	<b>100.0</b>	<b>7,184.3</b>	<b>100.0</b>

(1) Others refers to municipal work projects and building construction projects.

The estimated revenue which we expect to recognize in 2017 from the aggregate backlog of our survey, design and consultancy business and our construction contracting business as of December 31, 2016 is RMB3,963.5 million. Our backlog and our estimated revenue to be recognized from our backlog are subject to certain uncertainties such as the subsequent termination or modification of the contracts or delays in the performance of the contracts. As a result, such estimates of revenue which we expect to recognize from our backlog should not be taken as an indicator of our future earnings.

### New Contract Value

The value of a contract is the amount that we expect to receive under the terms of the contract if the contract is performed in accordance with its terms. New contract value represents the aggregate value of contracts that we entered into during a specified period. The following table sets forth the aggregate value of new contracts we entered into in respect of our survey, design and consultancy business and construction contracting business for the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
<b>Survey, design and consultancy business</b> .....	684.9	15.5	621.8	9.7	590.1	5.9
– Power grid .....	433.9	9.8	418.7	6.5	367.3	3.7
– Wind power .....	75.9	1.7	73.0	1.1	62.0	0.6
– Solar power .....	44.2	1.0	56.7	0.9	45.2	0.5
– Fossil-fuel power .....	128.2	2.9	73.4	1.1	105.6	1.1
– Others <sup>(1)</sup> .....	2.7	0.1	0.0	0.0	10.0	0.1
<b>Construction contracting business</b> .....	3,720.6	84.5	5,812.1	90.3	9,462.5	94.1
– Power grid .....	1,743.5	39.6	2,154.6	33.5	2,434.0	24.2
– Wind power .....	500.7	11.4	1,190.4	18.5	2,540.8	25.3
– Solar power .....	562.9	12.8	1,955.4	30.4	3,901.0	38.8
– Fossil-fuel power .....	322.9	7.3	96.7	1.5	306.8	3.1
– Others <sup>(1)</sup> .....	590.6	13.4	415.0	6.4	280.0	2.8
<b>Total</b> .....	<b>4,405.5</b>	<b>100.0</b>	<b>6,433.9</b>	<b>100.0</b>	<b>10,052.7</b>	<b>100.0</b>

(1) Others refer to municipal work projects and building construction projects.

### Completed Contract Value

Completed contract value represents the aggregate value of contracts that we completed during a specified period.

In 2015, the aggregate value of the contracts we completed in respect of our power grid, wind power, solar power, fossil-fuel and other (comprising municipal work projects and building construction projects) construction projects was RMB1,693.1 million, RMB1,227.0 million, RMB1,867.3 million, RMB340.3 million and RMB696.7 million, respectively. In 2016, the aggregate

## SUMMARY

value of the contracts we completed in respect of our power grid, wind power, solar power, fossil-fuel and other (comprising municipal work projects and building construction projects) construction projects was RMB2,297.9 million, RMB933.9 million, RMB2,539.6 million, RMB182.0 million and RMB341.9 million, respectively. The aggregate value of the contracts we completed in respect of our survey, design and consultancy business in 2015 and 2016 is RMB757.7 million and RMB529.1 million, respectively.

### SELECTED HISTORICAL FINANCIAL DATA

The following tables present our summary consolidated financial information as of the dates and for the periods indicated. We have derived this summary from our financial information set forth in the Accountants' Report in Appendix I to this prospectus. You should read this summary in conjunction with our consolidated financial information included in the Accountants' Report in Appendix I to this prospectus, including the accompanying notes and the information set forth in "Financial Information" beginning on page 242 of this prospectus.

#### Summary Consolidated Statements of Profit or Loss

	Year ended December 31,		
	2014	2015	2016
	<i>(RMB in millions)</i>		
<b>Revenue</b> .....	<b>3,845.9</b>	<b>6,533.3</b>	<b>9,782.1</b>
Cost of sales .....	(3,080.5)	(5,512.8)	(8,291.7)
<b>Gross profit</b> .....	<b>765.4</b>	<b>1,020.5</b>	<b>1,490.4</b>
Other income .....	9.0	29.1	72.2
Other expenses .....	(9.6)	(3.2)	(8.8)
Other gains and losses .....	(22.3)	(64.8)	(13.5)
Selling and distribution expenses .....	(1.4)	(6.2)	(15.3)
Administrative expenses .....	(456.5)	(568.6)	(612.6)
Finance income .....	40.7	33.8	18.1
Finance costs .....	(61.2)	(59.3)	(170.1)
<b>Profit before tax</b> .....	<b>264.1</b>	<b>381.3</b>	<b>760.4</b>
Income tax expense .....	(60.7)	(78.9)	(143.2)
<b>Profit for the year</b> .....	<b>203.4</b>	<b>302.4</b>	<b>617.2</b>

#### Summary Consolidated Statements of Financial Position

	As of December 31,		
	2014	2015	2016
	<i>(RMB in millions)</i>		
Non-current assets .....	1,532.9	1,573.4	2,854.8
Current assets .....	6,527.6	8,260.5	10,671.9
<b>Total assets</b> .....	<b>8,060.5</b>	<b>9,833.9</b>	<b>13,526.7</b>
Current liabilities .....	5,052.2	5,961.5	7,081.6
Non-current liabilities .....	839.7	849.9	2,980.2
<b>Total liabilities</b> .....	<b>5,891.9</b>	<b>6,811.4</b>	<b>10,061.8</b>
<b>Total equity</b> .....	<b>2,168.6</b>	<b>3,022.5</b>	<b>3,464.9</b>

#### Summary Consolidated Statements of Cash Flows

	Year ended December 31,		
	2014	2015	2016
	<i>(RMB in millions)</i>		
Net cash from/(used in) operating activities .....	843.8	(994.1)	(1,691.6)
Net cash (used in)/from investing activities .....	(58.2)	396.2	(1,914.6)
Net cash from financing activities .....	367.8	677.9	2,983.7
<b>Net increase/ (decrease) in cash and cash equivalents</b> .....	<b>1,153.4</b>	<b>80.1</b>	<b>(622.5)</b>
Cash and cash equivalents at the beginning of the year .....	924.6	2,078.0	2,158.0
<b>Cash and cash equivalents at the end of the year</b> .....	<b>2,078.0</b>	<b>2,158.0</b>	<b>1,535.5</b>

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## SUMMARY

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In 2015, our net cash used in operating activities was RMB994.1 million, which was primarily due to (i) the increase of RMB1,270.4 million in trade and bills receivables as an increased proportion of our projects undertaken were EPC projects, which result in a higher amount of trade receivables due to the procurement of equipment used for the project, and the commencement of our trading business in June 2015; and (ii) the increase of RMB396.8 million in prepayments, deposits and other receivables as we made prepayments to suppliers of our trading business and construction contracting business and paid tender bonds and performance bonds to our customers.

In 2016, our net cash used in operating activities was RMB1,691.6 million, which was primarily due to (i) the increase of RMB3,134.0 million in trade and bills receivables as an increased proportion of our projects undertaken were EPC projects, which resulted in a higher amount of trade receivables due to the procurement of equipment used for the project, and the commencement of our trading business in June 2015; and (ii) the decrease of RMB317.4 million in other payables and accruals as a result of the recognition of revenue for our completed housing development project.

### Key Financial Ratios

The following table sets forth certain of our financial ratios as of the dates and for the periods indicated:

	As of or for the year ended December 31,		
	2014	2015	2016
Current ratio (times) .....	1.3	1.4	1.5
Quick ratio (times) .....	1.3	1.3	1.5
Gearing ratio <sup>(1)</sup> .....	29.5%	34.5%	120.0%
Net debt to equity ratio .....	(90.5)%	(44.5)%	62.7%
Return on assets .....	2.6%	3.4%	5.3%
Return on equity .....	10.6%	11.7%	19.0%

(1) Gearing ratio represents total interest-bearing debts divided by total equity at the end of each period.

The commencement of our trading business in June 2015 resulted in an increase in our bank and other borrowings as a result of the increase in our capital requirements. This has contributed to the increase in our gearing ratio in 2015 and 2016.

### RECENT DEVELOPMENTS

#### Suspension of approval of new wind power projects

The Inner Mongolia Development and Reform Commission has suspended the approval of new wind power projects in 2016. Our Directors are of the view that such suspension did not have any material impact on the Group's financial and operational positions for the following reasons:

- (i) in respect of our survey, design and consultancy business segment and our construction contracting business segment: (a) our existing uncompleted wind power projects are either under construction or have obtained regulatory approval; (b) while similar suspension policies have also been implemented in Heilongjiang, Jilin, Ningxia, Gansu and Xinjiang, such suspension policies are not expected to have an impact on the Group's business expansion in the future as we do not have any existing or pending wind power business in these areas subject to such suspension and since 2016 we have expanded our wind power business outside of Inner Mongolia in areas not subject to such suspension. In 2016, our business outside of Inner Mongolia accounted for 30.9% of our total revenue; and (c) we intend to participate in more photovoltaic power projects in light of the decrease in wind power project opportunities in Inner Mongolia. In 2016, photovoltaic power projects accounted for 39.3% of our total new contract value while wind power projects only accounted for 25.9% of our total new contract value; and
- (ii) in our power project operation and other businesses segment: (a) our existing wind power investment project, the Hengrun wind power plant, is already in operation and therefore is not subject to the suspension of approval of new wind power projects; and (b) our existing pending projects are mainly solar power projects and our investment in wind power projects in Inner Mongolia has seen a gradual decline in recent years.

#### Future plans to issue corporate bonds and medium-term notes in China

On August 18, 2016, our Board of Directors and shareholders approved our future plans to issue corporate bonds and medium-term notes in China for replenishing our working capital, each with a

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## SUMMARY

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maximum principal amount of RMB1.2 billion. In January 2017, we submitted an application for the proposed offering of corporate bonds to the Shanghai Stock Exchange for approval. We intend to submit an application for the proposed offering of medium-term notes to the National Association of Financial Market Institutional Investors in China for approval in the second half of 2017. Once approved, we may issue a portion or all of such corporate bonds or medium-term notes in one or multiple tranches at any time following such approval. The exact timing, principal amount and terms of our proposed debt offerings are still subject to market conditions, regulatory approvals and our working capital needs. As such, we may or may not choose to offer any corporate bonds or medium-term notes in the near term.

### **Continued growth of our coal trading business**

We foresee strong growth potential for our coal trading business and expect that our coal trading business will continue to expand in 2017 and contribute to a greater proportion of our Group's total revenue. We intend to strengthen our relationship with our existing customers and grow our customer base for our coal trading business. We also intend to further refine our coal trading processes to improve operational and cost efficiency and reduce risk.

### **Entering into and subsequent transfer of coal underwriting arrangement**

In order to capitalize on the strong demand for coal in recent years and secure a stable supply of coal for our growing coal trading business, IM Products Company, in its ordinary course of business, entered into three coal underwriting agreements with Inner Mongolia Mengxing Products Co., Ltd. (“**IM Mengxing**”) on October 6, 2016 and a supplemental coal underwriting agreement on March 19, 2017, for a term of four years and three months, in respect of the underwriting of the sale of coal from three coal mines (the “**Amended Coal Underwriting Agreements**”). Upon further evaluation of the Amended Coal Underwriting Agreements by our Directors, on May 22, 2017, IM Products Company, IM Energy Group, IM Mengxing, the controlling shareholder of IM Mengxing and our Company entered into an agreement (“**Coal Underwriting Transfer and Provision of Custodial Service Agreement**”), which became effective on June 20, 2017 (the “**Effective Date**”), pursuant to which IM Products Company transferred all of its rights and obligations under the Amended Coal Underwriting Agreements to IM Energy Group and IM Energy Group undertook to appoint IM Products Company as a custodian in respect of the Amended Coal Underwriting Agreements to manage and supervise the performance of the Amended Coal Underwriting Agreements and coordinate and assist with the sale of coal purchased by IM Energy Group under the Amended Coal Underwriting Agreements.

See “Business – Trading Business – Entering into and subsequent transfer of coal underwriting arrangement” for further details. For further details on the custodial service provided by IM Products Company to IM Energy Group, please refer to the section headed “Connected Transactions” in this prospectus. See “Relationship with the Controlling Shareholder – Delineation of Business – B. Coal underwriting arrangement of IM Energy Group transferred from our Group pursuant to the Coal Underwriting Transfer and Provision of Custodial Service Agreement” for further details on the basis on which our Directors are of the view that the potential competition between our Group and IM Energy Group is extremely limited.

### **Financial results since December 31, 2016**

For the five months ended May 31, 2017, our revenue decreased compared to the corresponding period in 2016, primarily due to the decrease in revenue from our trading business and our power project operation and other business. The decrease in revenue from our trading business was primarily due to our reduction in trading in petroleum products in light of the prevailing market conditions for such products in 2017. The decrease in revenue from our power project operation and other business was primarily due to the decrease in revenue from our property development activities, as we had sold a significant portion of our completed housing development project in 2016. Our gross profit for the five months ended May 31, 2017 decreased compared to the corresponding period in 2016, however our gross profit margin increased due to the increased profitability of our power project operation and other business, because our property development activities, which generally had a lower profit margin, contributed to a smaller proportion of our revenue from our power project operation and other businesses. Our financial performance for the five months ended May 31, 2017 is assessed based on the latest available consolidated management amounts of the Group and should not be taken as an indication of our performance for the rest of 2017.

We had experienced stronger revenue and profit growth in 2016 as a result of the significant growth in business activities of some of our key operating subsidiaries which were newly established in 2014 and 2015, including IM International Construction Company and IM Planning Design Institute. We expect more moderate revenue and profit growth in 2017 compared to 2016 as we intend

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## SUMMARY

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to maintain a steady level of business activity for 2017. Also, downward pressure on the price of electricity generated by wind power and photovoltaic power plants in 2017 may impact the profitability of our construction contracting projects in respect of such power plants. Therefore, our profit margin for the year ending December 31, 2017 may be lower compared to our profit margin for the year ended December 31, 2016.

Our Directors have confirmed, after performing all of the due diligence that the Directors consider appropriate, that there is no event which could materially affect the information shown in our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus since December 31, 2016, and as of the date of this prospectus there has been no material adverse change in our financial or trading position or prospects.

### OUR CONTROLLING SHAREHOLDER

As of the Latest Practicable Date, IM Energy Group, our Controlling Shareholder and one of our promoters, directly held 99.5% of our total issued share capital and indirectly held 0.5% of our total issued share capital through IM Sulige Company, another promoter of our Company. Immediately following the completion of the Global Offering, IM Energy Group will hold approximately 72.5% of our total issued share capital directly and indirectly through IM Sulige Company (assuming no Over-allotment Option is exercised), and will remain as our Controlling Shareholder. Our Directors believe that the potential competition between our Group and IM Energy Group is extremely limited. See "Relationship with the Controlling Shareholder – Delineation of Business" beginning on page 226 of this prospectus.

### APPLICATION FOR THE OFFER SHARES

The application for the Hong Kong Offer Shares will commence on Friday, June 30, 2017 through Monday, July 10, 2017, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Hong Kong Stock Exchange trading fees) will be held by the receiving banks on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Monday, July 17, 2017. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, July 18, 2017.

### OFFERING STATISTICS

The numbers in the following table are based on the assumptions that (i) the Global Offering has been completed and 735,000,000 (of which 35,000,000 are current shares to be sold) H Shares are issued and sold in the Global Offering, (ii) the Over-allotment Option is not exercised, and (iii) 2,800,000,000 Shares are issued and outstanding following the completion of the Global Offering.

	<u>Based on an Offer Price of HK\$1.60 per H Share</u>	<u>Based on an Offer Price of HK\$1.68 per H Share</u>
Market capitalization of H Shares after completion of the Global Offering . . . . .	HK\$1,232.0 million	HK\$1,293.6 million
Unaudited pro forma adjusted net tangible assets per Share <sup>(1)</sup> . . . . .	RMB1.54	RMB1.55

(1) The unaudited pro forma adjusted net tangible assets per Share was calculated after adjustments as specified in Appendix II to this prospectus. It does not take into account the special dividends, details of which are disclosed in the section headed "Financial Information – Dividends" in this prospectus.

### USE OF PROCEEDS

Assuming an Offer Price of HK\$1.64 per H Share (being the mid-point of the stated range of the Offer Price of between HK\$1.60 and HK\$1.68 per H Share), we estimate that we will receive net proceeds of approximately HK\$1,023.4 million from the Global Offering after deducting (i) the net proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering, and (ii) the underwriting commissions and other estimated expenses in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set out below:

- Approximately 55%, or HK\$562.9 million, will be used for developing and constructing our pending construction contracting projects;



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## SUMMARY

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- Approximately 15%, or HK\$153.5 million, will be used for purchasing additional construction equipment and machinery for our construction contracting business, primarily truck-mounted cranes and crawler cranes;
- Approximately 20%, or HK\$204.7 million, will be used for partially or fully repaying two RMB200.0 million loans from Agricultural Bank of China (Hohhot Xincheng branch), each of which has an annual interest rate of 4.35% and will mature in January 2018; and
- Approximately 10%, or HK\$102.3 million, will be used for working capital and general corporate purposes.

For more details, see “Future Plans and Use of Proceeds” beginning on page 294 of this prospectus.

### DIVIDENDS

During the Track Record Period, we did not declare or pay any dividends. We currently do not have a fixed dividend payout ratio, and we cannot assure you that dividends will be declared or paid in the future. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flow, financial condition, payments by our subsidiaries of cash dividends to us, future prospects and other factors that our Directors may consider important.

In accordance with the Provisional Regulation Relating to Corporate Reorganization of Enterprises and Related Management of State-owned capital and Financial Treatment (the “**Provisional Regulations**”) issued by the MOF, which became effective on August 27, 2002, and the Reorganization Agreements, IM Energy Group is entitled to a dividend in an amount equal to our retained earnings for the period from January 1, 2016 to May 31, 2016, being the date of establishment of our Company (the “**Pre-establishment Dividend**”). In addition, pursuant to a shareholders’ resolution on July 9, 2016, IM Energy Group and our other existing shareholder prior to the Global Offering are entitled to a special dividend in an amount equal to our retained earnings from June 1, 2016 to June 30, 2017 (the “**Special Dividend**”). We expect to pay the remaining amount of the Aggregate Dividend from the cash flow generated from our operating activities, and we will not make such payment until our Directors are satisfied that we have sufficient cash and cash equivalents and that such payment will have no adverse impact on our financial position or results of operations. In particular, we will not use the proceeds from the Global Offering to pay the remaining amount of the Aggregate Dividend. Based on our latest management accounts, we estimate that the Pre-establishment Dividend and the Special Dividend (collectively, the “**Aggregate Dividend**”) will be approximately RMB874.7 million in aggregate. We will prepay RMB690.3 million of the Aggregate Dividend to IM Energy Group prior to the Listing Date. Such prepaid Aggregate Dividend will be used to offset in full the obligation of IM Energy Group to pay RMB690.3 million to IM Products Company under the Coal Underwriting Transfer and Provision of Custodial Service Agreement. The actual amount of the Aggregate Dividend will be determined after a special audit by an independent accounting firm in the PRC to be conducted after the Global Offering. After the completion of the special audit, we will make an announcement regarding the actual amount of the Aggregate Dividend before we pay the remaining amount of such Aggregate Dividend. We expect to pay the remaining amount of such Aggregate Dividend within six months after the Listing Date. New shareholders after the Global Offering will not be entitled to the Aggregate Dividend. Our retained earnings accrued from July 1, 2017 onwards will be shared among our existing shareholders and new shareholders. See “Financial Information – Dividends” beginning on page 288 of this prospectus.

### LISTING EXPENSES

Listing expenses represent sponsor fees, professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. Assuming an Offer Price of HK\$1.64 per H Share (being the mid-point of the stated range of the Offer Price of between HK\$1.60 and HK\$1.68 per H Share), we estimate that our listing expenses will be approximately RMB108.6 million, of which a total amount of RMB87.9 million will be deducted from equity. With regard to the remaining RMB20.7 million of our listing expenses, (i) RMB0.5 million of such expenses which were incurred during the Track Record Period have been charged to our consolidated statement of profit or loss and other comprehensive income for 2016, (ii) RMB15.8 million of such expenses which were incurred or which will be incurred between January 1, 2017 and the Listing Date have been or will be charged to our consolidated statement of profit or loss and other comprehensive income for 2017, and (iii) RMB4.4 million of such expenses which will be incurred after the Listing Date will be charged to our consolidated statement of profit or loss and other comprehensive income for 2017. Our Directors do not expect such expenses to materially impact our results of operations in 2017.

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## DEFINITIONS

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

“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Applications Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles of Association” or “Articles”	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix V to this prospectus
“associate(s)” or “close associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CFDA”	China Food and Drug Administration (國家食品藥品監督管理總局)
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“CIETAC”	China International Economic and Trade Arbitration Commission
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Inner Mongolia Energy Engineering Co., Ltd. (內蒙古能源建設投資股份有限公司), a joint stock company with limited liability established under the laws of the PRC, the predecessor of which is Inner Mongolia Keyi Energy Engineering Co., Ltd. (內蒙古科宜能源建設有限責任公司), a limited liability company established in the PRC on March 24, 2016, and renamed and converted to a joint stock company with limited liability on May 31, 2016
“Company Law” or “PRC Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People’s Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on December 28, 2013 to take effect on March 1, 2014
“connected person(s)” or “core connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of our Company
“Domestic Share(s)”	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“EIT Law”	Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“Exchange Participant(s)”	a person (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange

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## DEFINITIONS

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“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent consulting firm which provides market research and analysis across multiple industries
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by the <b>White Form eIPO</b> Service Provider, Computershare Hong Kong Investor Services Limited
“Group,” “our Group,” “we” or “us”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
“H Share(s)”	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HK\$” or “HK dollars”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKIAC”	Hong Kong International Arbitration Center
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Offer Shares”	the 73,500,000 H Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in “Structure of the Global Offering”)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described

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## DEFINITIONS

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	in “Structure of the Global Offering”) at the Offer Price plus brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, on and subject to the terms and conditions described in this prospectus and on the Application Forms as further described in “Structure of the Global Offering – The Hong Kong Public Offering”
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting – Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement on Thursday, June 29, 2017 relating to the Hong Kong Public Offering and entered into by, among others, our Company and the Hong Kong Underwriters, as further described in “Underwriting – Underwriting Arrangements and Expenses”
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“IM Energy Group”	Inner Mongolia Energy Engineering (Group) Co., Ltd. (內蒙古能源建設投資(集團)有限公司), a wholly state-owned company with limited liability established in the PRC on March 28, 2014, the Controlling Shareholder and one of the promoters of our Company, and thus a connected person of our Company
“IM International Construction Company “	Inner Mongolia Energy Engineering International Engineering Construction Investment Co., Ltd. (內蒙古能建國際工程建設投資有限公司), a limited liability company established in the PRC on December 1, 2015 and a wholly-owned subsidiary of our Company
“IM Keyi Company”	Inner Mongolia Keyi Energy Engineering Co., Ltd. (內蒙古科宜能源建設有限責任公司), a limited liability company established in the PRC on March 24, 2016, the predecessor of our Company

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## DEFINITIONS

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“IM No. 1 Power Company”	Inner Mongolia No. 1 Power Construction Engineering Co., Ltd. (內蒙古第一電力建設工程有限責任公司), a limited liability company established in the PRC on June 10, 1985 and a wholly-owned subsidiary of our Company
“IM No. 3 Power Company”	Inner Mongolia No. 3 Power Construction Engineering Co., Ltd. (內蒙古第三電力建設工程有限責任公司), a limited liability company established in the PRC on June 1, 1990 and a wholly-owned subsidiary of our Company
“IM Planning Design Institute”	Inner Mongolia Energy Planning Design Institute Co., Ltd. (內蒙古能源規劃設計研究院有限公司) (previously known as Inner Mongolia Energy Engineering Design & Consulting Co., Ltd. (內蒙古能建工程設計諮詢有限公司)), a limited liability company established in the PRC on December 24, 2014 and a wholly-owned subsidiary of our Company
“IM Power Company”	Inner Mongolia Power Construction (Group) Co., Ltd. (內蒙古電力建設(集團)有限公司), a limited liability company established in the PRC on June 1, 2015 and a wholly-owned subsidiary of our Company
“IM Power Group”	Inner Mongolia Power (Group) Co., Ltd. (內蒙古電力(集團)有限責任公司), a limited liability company established in the PRC on July 23, 1991, wholly-owned by Inner Mongolia SASAC and an Independent Third Party
“IM Products Company”	Inner Mongolia Energy Engineering Products Co., Ltd. (內蒙古能建物產有限公司), a limited liability company established in the PRC on June 9, 2015 and a wholly-owned subsidiary of our Company
“IM Property Service Company”	Inner Mongolia Energy Engineering Property Service Co., Ltd. (內蒙古能建物業服務有限公司), a limited liability company established in the PRC on June 8, 2015 and a wholly-owned subsidiary of our Company
“IM Sulige Company”	Inner Mongolia Sulige Gas Power Generation Co., Ltd. (內蒙古蘇里格燃氣發電有限責任公司), a limited liability company established in the PRC on April 15, 2005, a wholly-owned subsidiary of IM Energy Group and one of the promoters and Shareholders of our Company, and thus a connected person of our Company
“IM Survey & Design Institute”	Inner Mongolia Power Survey & Design Institute Co., Ltd. (內蒙古電力勘測設計院有限責任公司), a limited liability company established in the PRC on November 2, 1991 and a wholly-owned subsidiary of our Company

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## DEFINITIONS

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“IM Transition & Transformation Company”	Inner Mongolia Electric Power Transition & Transformation Co., Ltd. (內蒙古送變電有限責任公司), a limited liability company established in the PRC on August 1, 2001 and a wholly-owned subsidiary of our Company
“Independent Third Party(ies)”	person(s) or company(ies) which is(are) not a connected person(s) (as defined in the Hong Kong Listing Rules) of our Company
“Inner Mongolia SASAC”	State-owned Assets Supervision and Administration Commission of the People’s Government of Inner Mongolia Autonomous Region (內蒙古自治區人民政府國有資產監督管理委員會)
“International Offer Shares”	the 661,500,000 H Shares initially offered by our Company and sold by the Selling Shareholders for subscription or purchase pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company and sold by the Selling Shareholders pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in “Structure of the Global Offering”)
“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S, for subscription or purchase (as the case may be) at the Offer Price, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in “Structure of the Global Offering”
“International Underwriters”	the group of international underwriters that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around Monday, July 10, 2017 by, among others, our Company (for itself and on behalf of the Selling Shareholders) and the International Underwriters in respect of the International Offering, as further described in “Underwriting – The International Offering”
“Joint Bookrunners”	China International Capital Corporation Hong Kong Securities Limited and BOCI Asia Limited
“Latest Practicable Date”	June 20, 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication

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## DEFINITIONS

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“Listing”	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or around Tuesday, July 18, 2017, on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“Mandatory Provisions”	Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) on August 27, 1994
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會)
“NEA”	National Energy Administration (國家能源局)
“NSSF”	National Council for Social Security Fund of the PRC (中華人民共和國全國社會保障基金理事會)
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of not more than HK\$1.68 and expected to be not less than HK\$1.60, at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in “Structure of the Global Offering – Pricing of the Global Offering”



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## DEFINITIONS

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“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company and the Selling Shareholders to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company and the Selling Shareholders may be required to allot, issue or sell up to an aggregate of 110,250,000 additional H Shares (for which our Company may be required to allot and issue up to an aggregate of 105,000,000 additional H Shares and the Selling Shareholders may be required to sell up to 5,250,000 additional H Shares) at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in “Structure of the Global Offering” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC government”	the government of the People’s Republic of China
“Price Determination Agreement”	the agreement to be entered into by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholders) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Monday, July 10, 2017 (Hong Kong time) on which the Offer Price is determined, or such later time as the Sole Global Coordinator (on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholders) may agree, but in any event no later than Monday, July 17, 2017
“Prospectus” or “prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Province” or “province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“Regulation S”	Regulation S under the U.S. Securities Act

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## DEFINITIONS

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“Reorganization”	the reorganization undergone by our Group in preparation for the Listing as described in “History and Corporate Structure – Reorganization”
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
“Sale Shares”	the 35,000,000 H Shares to be converted from an equal number of ordinary shares of the Company with a nominal value of RMB1.00 each held by the Selling Shareholders to be offered for sale by the Selling Shareholders as part of the International Offering at the Offer Price, subject to any adjustment and, where relevant, any additional H Shares which may be sold pursuant to the exercise of the Over-allotment Option, and references to “Sale Shares” shall include, where the context requires, the ordinary shares from which the Sale Shares are converted
“SAT”	State Administration of Taxation of the PRC (國家稅務總局)
“Securities Law”	Securities Law of the People’s Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“Selling Shareholders”	IM Energy Group and IM Sulige Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, comprising Domestic Share(s) and H Share(s)
“Shareholders(s)”	holder(s) of the Share(s)
“Sole Global Coordinator”	China International Capital Corporation Hong Kong Securities Limited
“Sole Lead Manager”	China International Capital Corporation Hong Kong Securities Limited

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## DEFINITIONS

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“Sole Sponsor”	China International Capital Corporation Hong Kong Securities Limited
“Special Regulations”	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
“Stabilizing Manager”	China International Capital Corporation Hong Kong Securities Limited
“State Council”	State Council of the People’s Republic of China (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Supervisor(s)”	supervisor(s) of our Company
“Supervisory Committee”	the supervisory committee of our Company
“Thirteenth Five-year Plan”	the Thirteenth Five-Year Plan Guidelines for National Economic and Social Development of the PRC (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》)
“Track Record Period”	the period comprising the three years ended December 31, 2014, 2015 and 2016
“U.S.” or “United States”	the United States of America, its territories, its possessions and the states of the United States and the District of Columbia
“US\$,” “USD” or “U.S. dollars”	U.S. dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s own name

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## DEFINITIONS

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“ <b>White Form eIPO</b> ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of <b>White Form eIPO</b> at <b>www.eipo.com.hk</b>
“ <b>White Form eIPO</b> Service Provider”	Computershare Hong Kong Investor Services Limited
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
“%”	per cent

*In this prospectus, the terms “associate,” “close associate,” “connected person,” “connected transaction,” “controlling shareholder” and “substantial shareholder” shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.*

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

*For ease of reference, the names of the PRC-established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.*

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## GLOSSARY OF TECHNICAL TERMS

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“AC”	alternating current, being electricity which reverses its direction many times a second at regular intervals
“auxiliary power”	electricity consumed by a power project in the course of generation
“Belt and Road”	a development strategy and framework, proposed by the People’s Republic of China that focuses on connection and cooperation among countries primarily in Eurasia, which consists of two main components, the land-based “Silk Road Economic Belt” and oceangoing “Maritime Silk Road”
“biomass”	plant material, vegetation or agricultural waste used as a fuel or energy source
“CAGR”	compound annual growth rate
“CCPP”	combined cycle power plant
“CFB boiler”	circulating fluidized bed boiler
“clean energy”	energy, that when generated, causes little or no harm to the environment, including natural gas and hydrocarbon energy generated using fuel efficient technologies that reduce pollutants.
“cogeneration”	combined heat and power; cogeneration is the use of a heat engine or a power plant to simultaneously generate both electricity and heat
“consolidated installed capacity”	the aggregate amount of installed capacity of our wind power project
“construction contracting”	a method of contracting a part or the whole of the project, by which the contractor performs the construction work in accordance with the construction plan and design supplied by the customers and is generally only responsible for the construction work. The project owner is generally responsible for the procurement of raw materials and controls the project timetable
“consultancy”	the entire process of the provision of consultancy services, based on independent, scientific and equitable principles,

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## GLOSSARY OF TECHNICAL TERMS

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	applying multi-disciplinary knowledge and experience as well as modern technology and management, for the investment decisions and implementation of construction and works by government departments and investors
“DC”	direct current, being electricity which flows in one direction through the conductor
“desulfurization”	chemical process, to remove sulfur dioxide (SO <sub>2</sub> ) during fuel combustion
“direct air-cooling”	a kind of technology where emission of the turbine is cooled by ambient air through heat exchange between air and steam in the radiator. The cooling air is usually provided by machinery ventilation. The turbine emission of this power generation technology is directly cooled and condensed by air in the radiator
“EPC” or “engineering, procurement and construction”	a common form of contracting arrangement whereby the contractor is commissioned by the project owner to carry out such project work as design, procurement, construction and trial operations, or any combination of the above, either through the contractor’s own labor or by subcontracting part or all of the project work, and be responsible for the quality, safety, timely delivery and cost of the project
“fossil-fuel power”	the production of power through burning fossil fuel such as coal, natural gas or petroleum
“gearing ratio”	calculated as net debt divided by total equity
“GW”	a measure of electric power equal to 1,000,000,000 watts, alternatively 1GW equals to 1,000,000 kW
“hydropower”	the production of power through the use of the gravitational force of falling or flowing water
“km”	kilometer, or one thousand meters
“kV”	kilovolt, or one thousand volts
“kW”	a measure of electric power equal to 1,000 watts

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## GLOSSARY OF TECHNICAL TERMS

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“kWh”	kilowatt-hour, a unit of energy. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a power generator producing one thousand watts for one hour
“MTBE”	methyl tert-butyl ether, used in gasoline as an octane booster and oxygenate
“MVA”	megavolt ampere
“MW”	a measure of electric power equal to 1,000,000 watts, alternatively 1MW equals 1,000 kW
“on-grid tariff”	the selling price of electricity for which a power generating project could sell the electricity it generated to the power grid companies, usually denominated in RMB per kWh
“photovoltaic” or “PV”	the direct conversion of light into electricity using semiconductor devices
“projects under construction”	projects for which the construction work has commenced
“PVC”	polyvinyl chloride, the third-most widely produced plastic, after polyethylene and polypropylene
“renewable energy”	any energy resource that is naturally regenerated over a short time scale and derived directly from the sun (such as thermal, photochemical, and photoelectric), indirectly from the sun (such as wind, and photosynthetic energy stored in biomass), or from other natural movements and mechanisms of the environment (such as geothermal, hydropower and tidal energy). Renewable energy does not include energy resources derived from fossil fuels, waste products from fossil sources, or waste products from inorganic sources.
“site area”	the area of a building site less streets and roadways
“solar power”	the conversion of sunlight into electricity, either through the direct use of photovoltaic, or indirect use of solar thermal power
“solar thermal power”	the conversion of sunlight into heat
“sq.m.”	square meters

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## GLOSSARY OF TECHNICAL TERMS

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“total installed capacity” or “installed capacity”      the intended full-load sustained output of power plant, usually denominated in MW or GW

“UHV”      ultra high voltage



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## FORWARD-LOOKING STATEMENTS

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

- our ability to implement our business plans and strategies successfully;
- future developments, trends and conditions in the industry and markets in which we operate;
- our capital expenditure and operational plans;
- the actions and developments of our competitors;
- capital market developments;
- our dividend payouts;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business;
- general political and economic conditions;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- various business opportunities that we may pursue; and
- macroeconomic measures taken by the PRC government to manage economic growth.

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## RISK FACTORS

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*You should carefully read all of the information in this prospectus including the risks and uncertainties described below before making an investment in our H Shares. Our business, financial position or results of operations could be materially and adversely affected by any of the risks mentioned in this section. The trading price of our H Shares could decline due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC, our business is primarily located in China and we are governed by a legal and regulatory environment that may differ from that prevails in other countries and jurisdictions. For more information concerning China and certain related matters discussed below, see “Regulatory Environment,” “Appendix IV – Summary of Principal Legal and Regulatory Provisions” and “Appendix V – Summary of Articles of Association” for further details.*

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

***Our business is affected by the general economy in China and the growth of the engineering and construction markets in China, particularly in Inner Mongolia.***

Our performance is affected by the general economic conditions in China and the growth of the engineering and construction markets in China, particularly in Inner Mongolia, which are affected by various general economic conditions beyond our control, including GDP growth rate, government policies, levels of inflation, employment rate and interest rates. A downturn or expectation of a slowdown in economic activities in the PRC could lead to a decrease or slower growth in power consumption and infrastructure construction, which in turn may result in less investment in the energy and construction industries, and ultimately reduced demand for our services and products. The reduced demand, in turn, could have a material adverse effect on our business, financial position and results of operations. The economic growth in the PRC has slowed down in recent years. The uncertainty of the economic conditions of the PRC could have various adverse effects on our financial position and results of operations. For example, it is more likely that our customers and other counterparties may fail to perform their contractual obligations or pay any amount due when they are in financial difficulties or bankruptcy during an economic recession, which could have adverse effects on our financial position and results of operations. The uncertainty of the PRC economy could also deter our customers from funding and launching new power projects, resulting in lower demand on our services and products.

We are headquartered in Inner Mongolia, and except for our trading business which has a nationwide presence, we derived substantially all of our revenue from other principal business lines in Inner Mongolia during the Track Record Period. Our major customers include major power generation companies and power grid companies based in Inner Mongolia. The future growth of the power generation, power grid and infrastructure construction industries in Inner Mongolia depends primarily upon the continued development of major infrastructure projects, which are affected by certain factors, including the government’s power policy, government’s priorities regarding different regional economies across Inner Mongolia, competition among, and expansion plans of, the power generation companies, local government budgets, regulation of the private sector’s participation in the infrastructure sector and the general economic conditions. A significant decrease in investment in

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## RISK FACTORS

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infrastructure construction in Inner Mongolia could reduce the number of construction projects available to us and, accordingly, reduce the market demand for our principal businesses. The reduced market demand in turn could have a material adverse effect on our business, financial position and results of operations.

***We face competition in the markets in which we operate, which could materially and adversely affect our business.***

We face competition in all of our business segments. Some of our competitors may have advantages over us in terms of pricing, brand name, access to capital and professional and management experience, bidding for projects initiated by local governments, which may prefer to contract with local contractors. Maintaining or strengthening our market position depends on our ability to anticipate and respond to various competitive factors, including pricing strategies adopted by competitors, technological advantages, changes in customer preferences, the availability of capital and financing resources, and the introduction of new or improved products and services. Failure to set favorable prices, acquire resources necessary to compete, or develop new products or services, could reduce our competitiveness to secure new projects, and have a material and adverse effect on our business, financial position and results of operations.

***We are exposed to substantial potential risks and liabilities associated with our construction contracting business.***

Risks and liabilities associated with our construction contracting business may be caused by one or more of the following factors: (i) aging, malfunctioning, inappropriate installation, control or operation of various equipment, systems and facilities; (ii) human error or misconduct or strikes by or disputes with our labor force; (iii) external attacks, such as malicious acts by third parties; and (iv) natural disasters. Any of the above may cause delay in our projects or interruption of our business operation, and cause us to incur civil or criminal liability, materially and adversely affect our businesses or cause us to incur significant additional costs or expenses. We may also suffer from claims by project owners or third parties resulting from their use of the power generation facilities, power grid and infrastructure on which we work.

During the Track Record Period, we did not have any material safety incident nor did we have any work-related fatalities involving our employees and, save as disclosed in “Business – Environmental Protection, Health and Safety – Health and Safety”, involving our subcontractors. Given the nature of our business, we cannot assure you that any measures we may take will be sufficient to prevent work-related injuries or deaths, which may damage our reputation and corporate image, and accordingly have a material adverse effect on our construction qualification, business, financial position and results of operations.

We cannot assure you that the above risks and uncertainties will not affect our operations or lead to any accidents, thus causing harm to people or the environment, leading to suspension or termination of our projects, and resulting in significant liabilities for us. If any of these risks materializes, it could have a material and adverse effect on our business, financial position and results of operations.

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## RISK FACTORS

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*Tender price may not reflect the actual construction costs involved. If we fail to accurately estimate the overall risks or cost of contracts, or the time needed to complete the relevant projects under such contracts, we may experience cost overruns, schedule delays, additional expenses, lower profitability, or losses, or could even encounter events giving rise to contract disputes.*

Our contract price is based on our estimated project costs (which mainly include labor costs, equipment costs, material costs and subcontracting costs) at the time when we submit our tenders for projects or our initial proposals to our potential customers. We currently generate, and expect to continue to generate, a substantial portion of our revenue from contracts with a pre-agreed price in our survey, design and consultancy business and construction contracting business. The terms of these contracts require us to complete a project for a pre-agreed price and therefore expose us potentially to cost overruns.

Our estimates of the costs for completing a project are subject to a number of assumptions, including future economic conditions, the cost and availability of labor and raw materials, subcontractors' performance, facility utilization rates, and construction and technical standards to be applied to the project. However, these assumptions may prove to be inaccurate. To a certain extent, we are exposed to fluctuation risks in raw material price, labor costs and equipment costs in some projects, depending on the terms agreed in specific contracts. In addition, delays caused by inclement weather, technical issues and an inability to obtain the requisite permits and approvals, as well as other variations and risks inherent in the performance of contracts, may cause our actual overall risks and costs to substantially differ from our original estimates despite buffers we may build into our bids for increases in labor, raw materials and other costs. Cost overruns can result in a lower-than-expected profit or a loss on a project.

Similarly, we may be unable to complete a project in accordance with the schedule set forth in the relevant contract. A project can be delayed for a number of reasons, including those relating to market conditions, policies and regulations of the PRC and other relevant jurisdictions, availability of funding, disputes with business partners, technology and equipment suppliers and other contractors, employees, local governments and communities, natural disasters, power and other energy supplies, and availability of technical or human resources. Our overseas engineering and construction contracting projects may also be affected by factors such as any adverse changes in the relations between China and relevant foreign governments, war or other significant adverse developments in international relations.

From time to time, we may need to perform extra work or "change caused by owner" work in connection with our contracts. "Change caused by owner" work is necessary when the project owner changes the design for non-technical reasons after the design plan is confirmed. This may result in disputes over whether the work performed is beyond the scope of work included in the original project specifications, or over what price the customer should pay for the extra work. Although some of our contracts stipulate that the customer should be responsible for costs of the extra work or "change caused by owner" work, we may be required to advance the cost of such work for a lengthy period of time until the design change is approved and funded by the owner. In addition, any delay caused by the extra work may impact the progress of our projects and our ability to meet specific contract milestone dates. We may also incur costs due to design changes not approved by the project owner or contract disputes. We cannot assure you that we will be able to recover the cost of the extra work or

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## RISK FACTORS

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“change caused by owner” work in full or at all, which may lead to business disputes, or may otherwise adversely affect our business, financial position, results of operations and prospects. Moreover, the performance of extra work or “change caused by owner” work may cause delays in our other project commitments and may have a negative impact on our ability to meet the specified deadlines of our other projects.

During the Track Record Period, we did not incur any losses on projects which had been completed and for which payment had been settled with our customers. In relation to our ongoing projects and projects for which payment has not been settled with our customers as of December 31, 2016, we do not expect any such contracts to be loss-making as a result of possible cost overruns. We will collect the costs and our fees in accordance with the relevant contracts or, when applicable, seek to negotiate the settlement payment amount with our customers to avoid any loss on such projects. Nevertheless, we cannot guarantee that we will not encounter cost overruns or delays in our current and future projects, which could cause our costs to exceed our budget or cause us to be required to pay liquidated damages in accordance with the terms of our contracts, with a consequent reduction in profits or even loss on our contracts.

***Our customers and other counterparties may fail to perform their contractual obligations on a timely basis, or at all, which could have an adverse effect on our working capital, cash flow and results of operations.***

Most of our construction contracting projects span across a relatively long period of time, generally from six months to three years. The contracts of our construction business usually require our customers to pay at milestones of the projects or for the completed parts. The increase in the number of EPC projects undertaken have also resulted in a higher amount of trade receivables due to the procurement of equipment used for the project. There could be a negative impact on our cash flow and availability of working capital if our customers delay or fail to pay. During the Track Record Period, we did not experience any material difficulty in collecting contracted fees or progress payments from our customers. However, our customers had delayed payments occasionally. In addition, our extensive reorganization in 2014, as part of the Industry Reorganization (as described in “Financial Information – Factors affecting our Results of Operations – Industry Organization”), temporarily affected our administrative processes and functions, resulting in the temporary delay in the collection of our payments from customers. If we fail to collect contracted fees or to receive full payment of amounts due on time, our cash flow and financial position could be adversely affected.

We also continuously incur costs relating to a construction project, mainly material, equipment and labor costs, from the commencement of the project and at the different stages of construction. If we have incurred a significant amount of costs and expenses for a project and our customers fail to pay the amount due or if there is timing difference between the receipt of progress payments from customers and payments to our suppliers, our results of operations and cash flow could be materially and adversely affected and our working capital could be reduced.

In additional, approximately 5% to 10% of the contract value is typically withheld by our customers as retention funds for defects of our construction and released to us after the expiration of the warranty period, which is generally between one and three years from completion. As a result, we

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## RISK FACTORS

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are often required to bear some costs and expenditures for projects prior to receiving sufficient payment from our clients to cover such costs and expenditures. Furthermore, our clients generally require us to provide advance payment guarantees and performance guarantees to secure our contractual obligations. If our clients make demands on such guarantees, claiming that we have failed to perform our obligations (whether or not such claims are merited), or if our clients delay or refuse to repay retention funds, our liquidity could be materially and adversely affected in a direct or indirect way. As a result, we may have substantial receivables on any particular date. As of December 31, 2014, 2015 and 2016, the balance of our trade and bills receivables (including retention money) was RMB2,522.8 million, RMB3,749.9 million and RMB6,867.1 million, respectively. Any default in payments of receivables and progress payments or delays in payments of retention funds owed to us or any unilateral demands on performance and quality guarantees by our clients may lead to a decrease of working capital available for our other operations. While we may file claims against clients for uncompensated costs we have incurred pursuant to our contracts, dispute resolutions may require significant time, financial and other resources, and the outcome is often uncertain.

In addition, we face the risk that our clients may be unable to perform their contractual obligations to us due to failure to obtain sufficient funding for project development, general financial difficulties or other reasons. When our clients require bank financing for engineering and construction contracting services, the availability and terms of financing in the market will have a significant influence on clients' demand for our services. To the extent there is instability in the credit markets, the availability of credit may be limited and it may be difficult or expensive to obtain financing. This situation could negatively impact our clients' ability to fund their projects and purchase our services. Accordingly, if our clients are unable to obtain financing in a timely manner or at a reasonable cost, relevant projects may be adversely affected, and our financial performance and prospects may be materially and adversely affected.

We also routinely enter into contracts with counterparties, including vendors, suppliers and subcontractors that may be negatively impacted by the credit market. If those counterparties are unable to perform their obligations to us or our clients, we may be required to provide additional services or make alternate arrangements on less favorable terms with other parties to ensure adequate performance and delivery of services to our clients. Moreover, we may be subject to disputes brought by clients, subcontractors or suppliers that seek to avoid payment to us of costs exceeding forecasted expenditures or who deny their obligation to perform certain duties under their contracts with us. These circumstances could also lead to disputes and litigation with our clients or other contractual counterparties, which could have a material adverse impact on our reputation, business, financial position and results of operations.

***Construction contracting projects we undertake may not be completed on time.***

Several factors may lead to material construction delays or cost overruns, such as:

- lack of key equipment, materials or labor due to shortages or delivery delays;
- increases in the cost of key equipment, materials or labor;

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## RISK FACTORS

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- quality problems with key equipment and materials;
- unexpected engineering, design, environmental or geological problems and other force majeure events;
- failure to receive various regulatory approvals, licenses or permits from government agencies as scheduled; and
- failure to obtain sufficient bank loans or other financing on favorable terms, or at all.

In addition, construction of power projects may cause public objection. We cannot assure you that we or the project owners will manage community relationships to our mutual advantage. Opposition from local community, political or environmental groups, as well as local government authorities, with respect to the construction of fossil-fuel power projects at a particular site, could cause delays, interruptions or even cancellation of a development plan, materially and adversely affect our reputation and hamper our ability to construct power projects for our customers.

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

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

***Our business is capital intensive, and any failure to obtain the capital we need on acceptable terms may materially and adversely affect our business, financial position and results of operations.***

Our business is capital intensive. Under some of our construction contracts, we have to finance the purchase of materials and performance of engineering, construction and other work on projects before we receive progress payment from customers in amounts sufficient to offset our expenditures. Our trading business requires a significant amount of working capital to fund our purchase of commodity goods while our power project investment and operation business requires significant cash outlays and features long payback periods. Our working capital requirements may further increase if, in order to compete successfully for specific projects, we are required to provide our customers more favorable payment terms, such as reduced advance payments from customers, or payment schedules from customers that are less favorable to us.

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## RISK FACTORS

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Our capital expenditures may increase as a result of expansion of our business and may in turn increase our borrowing needs. Our capital expenditures were RMB80.3 million, RMB101.5 million and RMB190.0 million in 2014, 2015 and 2016, respectively. In the past, we have financed our working capital and capital expenditures through a combination of sources, including cash flow from our operations and bank borrowings. However, our ability to obtain external financing on terms acceptable to us in the future is subject to a variety of factors, including: (i) obtaining the necessary PRC government approvals to raise capital for projects; (ii) our future financial position, results of operations and cash flows; and (iii) the general condition of the financial markets, and changes in monetary policy, bank interest rates and lending policies. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional debt or equity financing (which may subject us to restrictive covenants or other restrictions), to delay ongoing projects, or to defer planned expenditure. There can be no assurance that we will be able to raise the necessary capital to finance our planned capital expenditures on favorable or acceptable terms, or at all. If we are unable to obtain financing in a timely manner and at a reasonable cost, our expansion plans may be delayed, our projects may be hindered, and our growth, competitive position and future profitability may be materially and adversely affected.

***Our borrowings and interest payment obligations could limit our funds available for various business purposes.***

As of December 31, 2016, we had total debts of approximately RMB4,157.5 million. Approximately 40.2% of total debts were short-term loans due within one year. We may incur additional indebtedness in the future, including through the issuance of medium-term notes. Due to the extent of our borrowings, our results of operations will be affected by the interest rate of these borrowings.

In 2014, 2015 and 2016, the interest incurred on our interest-bearing bank and other borrowings was approximately RMB39.1 million, RMB41.4 million, and RMB154.0 million, respectively. Our obligation to meet significant interest payments will reduce funds available for our working capital, capital expenditure, acquisitions and other business purposes. A shortage of funds could limit our ability to respond to changing market conditions or to expand through acquisitions, increase our vulnerability to adverse economic and industry conditions, and place us at a competitive disadvantage compared with our competitors that have less indebtedness. We may not have sufficient funds available to pay all of our borrowings upon maturity.

In addition, we often have to provide performance bonds or bank guarantees in favor of clients to secure our obligations under contracts. The availability of performance bonds or bank guarantees depends on various factors, including our total capital, working capital, our existing level of borrowings, our track record, management expertise and external factors such as financial institutions' evaluation of our credit, overall market conditions and the overall financial capacity of financial institutions; some of these are beyond our control. If there is any deterioration in any of the foregoing, we may be unable to continue obtaining new performance bonds or bank guarantees in sufficient quantities to meet our business requirements. If our financial position deteriorates, we may also be required to provide cash collateral or other security to maintain existing performance bonds or bank guarantees. If this occurs, our ability to perform our projects may be materially and adversely affected.



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## RISK FACTORS

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***Inaccurate estimates in applying percentage-of-completion accounting for our survey, design and consultancy and construction contracting business may result in a reduction of previously reported profits and have a significant impact on our period-to-period results of operations.***

We use the percentage-of-completion method to recognize and account for the turnover derived from our survey, design and consultancy and construction contracting businesses. During the Track Record Period, in determining the percentage-of-completion for each relevant reporting period, we need to estimate the amount of construction costs and contract costs based on our assessment of, among other things, the market conditions and the costs of raw materials and equipment and other operating costs. The timing of our recognition of turnover may differ materially from the timing of our actual receipt of contract payments. The timing of our recognition of turnover and the amount of turnover recognized are affected by our ability to reliably measure the percentage of completion. Inaccuracies or flaws in our measurements for any given project or in our estimation methodology as a whole could have a material and adverse effect on the timing of our recognition of turnover and the amount of turnover recognized. Where our expectation related to turnover recognition is different from our previous estimation, the differences will be charged to our profit or loss account in the period when such estimate has been changed. In addition, because many of these contracts are completed over a period of several months or years, the timing of our recognition of the related turnover may adversely affect our results of operations.

***Backlog is subject to unexpected adjustments and cancellations and, therefore, may not be indicative of our future results of operations.***

Backlog in our survey, design and consultancy and construction contracting businesses represents our estimate of the contract value of work that remains to be completed as of a certain date. The contract value of a project represents the amount that we expect to receive under the terms of the contract, assuming the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles and may not be indicative of future results of operations. See “Business – Backlog and New Contract Value – Backlog.” As of December 31, 2016, our aggregate backlog for our survey, design and consultancy business and construction contracting businesses was approximately RMB7,184.3 million. The estimated revenue which we expect to recognize in 2017 from the aggregate backlog of our survey, design and consultancy business and our construction contracting business as of December 31, 2016 is RMB3,963.5 million. However, these figures are based on various assumptions, including the assumption that our relevant contracts will be performed in full in accordance with their terms. In addition, various uncertainties such as the termination or modification of any one or more major contracts or delays in the performance of the contracts may have a substantial and immediate effect on our backlog and the revenue which may be recognized from our backlog. We cannot guarantee that the amount estimated in our backlog will be realized in full, in a timely manner, or at all, or that, even if it is realized, that such backlog will result in profits as expected. As a result, you should not rely on the information regarding our backlog and the revenue which may be recognized from our backlog presented in this prospectus as an indicator of our future earnings.

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## RISK FACTORS

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***We are not obliged to undertake the investment in, and development of, any of our pending power projects.***

We typically enter into framework agreements or cooperative agreements with local governments in relation to the development of our pending power projects under our power project operation and other businesses. Notwithstanding such framework agreements or cooperative agreements, we are not obliged to undertake the investment in, and development of, any particular power project within any timeframe pursuant to such framework agreements or cooperative agreements, even if we have obtained the consents from the regulatory authorities in respect of such power project. If we do not proceed to develop the relevant projects within two years after the date of the relevant consents, the regulatory authorities will withdraw the project development rights in respect of those projects. We will consider various factors, including the prevailing economic conditions, our own operational requirements, our investment capabilities, our ability to obtain the required regulatory approvals, the availability of funding and the cooperation of joint venture partners in order to determine whether to invest and develop a power project and the amount to be invested in such project. There can be no guarantee that we will undertake the investment in, and development of, all or any of our pending power project projects under our power project operation and other businesses.

***The power projects we acquire or invest may not be as profitable as we expect, or may be loss-making, and may subject us to additional risks and liabilities.***

The power projects that we acquire or invest in may not be as profitable as we expect, or may be loss-making. Acquisitions or investments that we carry out in the future may cause us to incur liabilities, or result in the impairment of goodwill or other intangible assets or other related expenses. Business expansion carried out through acquisitions and investments could also expose us to successor liability and litigation resulting from the actions of the company we have acquired or in which we made an investment before or after the acquisition or investment. The due diligence that we conduct in connection with an acquisition or investment may not be sufficient to discover potential liabilities, and any contractual guarantees or indemnities that we receive from the sellers of the companies we have acquired or invested in may not be sufficient to protect us from, or compensate us for, actual liabilities that we incur. Any material liability associated with an acquisition and investment could materially and adversely affect our reputation and reduce the benefits of the acquisition and investment. Any of the events mentioned above could have a material and adverse effect on our business, financial position, results of operations and prospects.

***We rely on subcontractors to complete some of our construction contracting projects, which may be materially and adversely affected by the sub-standard performance, delayed performance or non-performance of obligations by such subcontractors.***

In order to maximize our cost-efficiency and flexibility, we sometimes engage third-party subcontractors to perform a portion of the work under our contracts. For details, see “Business – Subcontracting and Third-Party Services.” The engagement of subcontractors is subject to certain risks, including difficulties in overseeing the performance of such subcontractors in a direct and

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## RISK FACTORS

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effective manner, failure to complete a project where we are unable to hire suitable subcontractors or losses as a result of unexpected subcontracting cost overruns. As the subcontractors have no direct contractual relationship with our clients, we are subject to risks associated with non-performance, late performance or poor performance by our subcontractors. As a result, we may experience deterioration in the quality of our projects, incur additional costs, or be exposed to liability in relation to the performance of subcontractors under the relevant contracts, which may have an impact on our profitability, financial performance and reputation, and may result in litigation or damages claims.

In addition, we may also be subject to claims arising from defective work performed by subcontractors. While we may attempt to seek compensation from the relevant subcontractors, who may not be able to perform or perform in a timely manner their obligations, we may be required to compensate our clients before receiving compensation from the subcontractors. If no corresponding claim can be asserted against a subcontractor, or the amounts of the claim cannot be recovered in full or at all from the subcontractor, we may be required to bear some or all the costs of the claims. Claims arising from defective work may then lead to a loss of clients or decrease in revenue, harm to our brand and reputation, the incurrence of unexpected expenses, loss of market share, and diversion of the attention of our technical and management personnel to address these problems, any one of which may materially and adversely affect our business, financial position and results of operations.

***We may be unable to continue to procure an adequate supply of construction equipment, machinery, raw materials and power supplies at acceptable prices and quality levels in a timely manner.***

Our successful operations depend on our ability to obtain from our suppliers sufficient quantities of construction equipment, machinery, raw materials, power supplies and other commodities at acceptable prices and quality levels in a timely manner. We are exposed to the market risk of fluctuations in prices for construction equipment, machinery and raw materials utilized in our construction business. The price and availability of such construction equipment, machinery, and raw materials may vary significantly from year to year due to factors such as China's import restrictions, consumer demand, producer capacity, market conditions and costs of materials. In particular, steel and cement, which are critical to our operations, are subject to substantial price fluctuations and periodic shortages in China. For details of the price fluctuations, see "Industry Overview – Overview of Power Industry in Inner Mongolia – Historical Cost Analysis on Power Construction." We are also affected by increases in energy prices, including electricity and fuel prices, for the operation of our machinery and equipment.

We do not have long-term contracts with all of our suppliers, or guarantees of supply. As such, we cannot assure you that we will be able to continue to obtain sufficient amounts of construction equipment, machinery, raw materials, power supplies and other commodities from our existing suppliers or from alternative sources at prevailing or acceptable prices, in a timely manner, or at all. The difficulties in obtaining quality construction equipment, machinery, raw materials, power supplies and other commodities, or any increased prices of construction equipment, machinery, raw materials, power supplies and other commodities may have material adverse effect on our business, results of operations and financial position.

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## RISK FACTORS

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*Our business is subject to extensive laws and regulations governing the industries that we operate in, compliance with which forms part of our working capital cost, and there can be no assurance that we have obtained or will be able to obtain all necessary regulatory approvals, permits, licenses, qualifications and certificates.*

Our business segments are subject to extensive laws and regulations of the PRC government, and provincial and local government departments. We believe that our survey, design and consultancy business and construction and contracting business are in compliance with the requirements of existing laws and regulations in all material respects. However, there can be no assurance that we, at all times, will possess adequate certificates, authorizations, licenses, orders, consents, approvals and permits required by all applicable laws and regulations in the PRC. A breach of laws or regulations to which we are subject may result in serious consequences, including the imposition of fines and penalties or suspension or termination of the projects. New or more stringent rules and requirements relating to the construction and other aspects of power plants or the power industry may be formulated by regulators in the future. Complying with new or more stringent rules and requirements may require us to make investments and/or suspend, delay or terminate our existing construction projects, any of which could materially and adversely affect our business, financial position and results of operations. In addition, if we expand our business in overseas markets in the future, we will also need to comply with all applicable regulations in other countries and any changes thereto.

In order to ensure our compliance with the restrictions and conditions required for maintaining our permits, licenses, qualifications and certificates for our business and operations, the governmental authorities at various levels conduct routine or special inspections, examinations, inquiries and audits on us. We may be subject to suspension or revocation of the relevant permits, licenses or certificates, fines or other penalties due to any non-compliance uncovered as a result of such inspections, examinations, inquiries and audits. We cannot assure you that we will be able to maintain or renew our existing permits, licenses, qualifications and certificates or obtain future permits, licenses, qualifications and certificates required for our continued operations on a timely basis, or at all. In the event that we fail to comply with applicable laws and regulations or fail to maintain, renew or obtain the necessary permits, licenses, qualifications or certificates, our business, financial position and results of operations may be materially and adversely affected.

In addition, the development, construction and operation of a power generating project are highly regulated in China. Before we construct and operate our power generating projects, we must first obtain operational and construction permits from various authorities. Procedures for granting such permits vary by region to region, and certain projects may not timely receive their operational or construction permits for a variety of reasons. Further, third parties may challenge a decision to grant us operational and construction permits in some provinces after local authorities have granted us such permits. These factors could potentially delay the construction and operation of our pending power generating projects and have an adverse effect on our power project operations and other businesses.

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## RISK FACTORS

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***We are required to comply with various environmental, safety and occupational health laws and regulations which are extensive and compliance with which may be onerous or expensive.***

We are required to comply with various and extensive environmental as well as health and safety laws and regulations promulgated by the PRC government and the governments of other overseas jurisdictions in which we operate. If we fail to comply with these laws and regulations, we could be exposed to penalties, fines, suspension or revocation of our licenses or permits to conduct business, administrative proceedings and litigation. Given the magnitude and complexity of these laws and regulations, compliance with them or the establishment of effective monitoring systems may be onerous or require a significant amount of financial and other resources. As these laws and regulations continue to evolve, there can be no assurance that the PRC government or the governments of other overseas jurisdictions in which we operate will not enact or impose additional or more onerous laws or regulations, compliance with which may cause us to incur significantly increased costs, which we may not be able to pass on to our customers. If we are unable to pass on such costs, this could have a material adverse effect on our business, financial position and results of operations.

***The development and utilization of new technology may not always yield positive results.***

We believe that research and development is critical to our strategy to establish ourselves as a leader in the industries in which we operate. We are committed to developing new products and processes, as well as improving existing products and processes. For a more detailed description of our research and development, see “Business – Research and Development and Technology.” However, there is no assurance that our efforts will be successful. We are often engaged to undertake large, complicated projects that require us to design and develop new technology and construction methods. That research and use of new technology and construction methods could also result in experimental failures and increased costs affecting the profitability of some of our projects. All these risks may have a material adverse effect on our business, financial position and results of operations.

***Reductions in power generation or on-grid tariff may adversely affect the results of operation of our power project operation business.***

The profitability of our power project operation business depends, in part, upon the utilization of our power projects at a level sufficient to meet or exceed our planned generation, which, in turn, will be subject to local demand for electricity and the distribution to the grids by the dispatch centers of the local grid companies. We cannot assure you that the dispatch centers will distribute all the generation of our power projects. A reduction in the amount of electricity distributed by the local grid companies in relation to our power projects’ generation could have a material adverse effect on the profitability of our power project operation business. The on-grid tariff for our operating or pending power projects is reviewed and approved by the NDRC. If there is any further significant reduction in our on-grid tariffs, it could have a material adverse effect on our business, financial position or results of operations.

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## RISK FACTORS

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***Photovoltaic and solar thermal power plants require a large land area for the installation of solar panels. Any increase in the relevant land usage tax rate of the PRC may materially increase the cost of operating such power plants.***

As of the Latest Practicable Date, preliminary consents have been received from the regulatory authorities for four photovoltaic power generation projects, with a total expected installed capacity of approximately 4,150MW, and three solar thermal power generation projects are pending approval, with a total expected installed capacity of approximately 150MW. These projects require a large land area for the installation of solar panels. Should we decide to proceed with such projects, our operating cost in respect of such power plants may be materially affected by any increase in the relevant land usage tax rate of the PRC due to the large land area involved.

***Our solar and wind power projects depend on support from PRC government policies and regulations.***

The development and profitability of our solar and wind power projects is significantly dependent on policies and regulations that support such development in China. Since 2005, the PRC government has promulgated a series of laws and regulations, including the Renewable Energy Law of the People's Republic of China (《中華人民共和國可再生能源法》), which provides preferential measures to support the development of renewable energy projects. These preferential measures include, among others, mandatory grid connection and the guaranteed purchase of all the electricity generated from new energy resources projects (subject to periodic transmission limitations in certain areas in China), subsidized on-grid tariffs and tax incentives, such as VAT refunds. In addition, the PRC government also encourages major state-owned commercial banks in China to provide debt financing at relatively low interest rates and on favorable terms to new energy resources companies.

As the regulatory framework in the PRC for new energy resources projects is evolving, the implementation and enforcement of these policies, laws and regulations involve uncertainties and may differ from region to region in the PRC. Any reduction, discontinuation or unfavorable application of policies and economic incentives for companies that operate new energy resources projects could materially and adversely affect our business, financial position, results of operations and prospects. In particular, the PRC government may restrict certain new energy projects if there is excess capacity in the new energy industry. For example, since 2016, wind power projects in Inner Mongolia that are not included in the national development plan have been suspended by the Inner Mongolia Development and Reform Commission pending government approval before construction can begin or resume. Although such suspension plans are not expected to have a material impact on our Group's financial and operational positions, we cannot guarantee that the PRC government will not impose any other restrictions or implement any other policies which may materially impact our business and financial condition. Furthermore, if these favorable policies and incentives are changed or discontinued to our detriment before our new energy resources projects become cost effective in a non-subsidized market environment, we could be forced to compete directly against companies that produce electricity from fossil fuel energy sources and other more established new energy resources companies, which may enjoy significant cost advantages over us. As a result, our business, financial position, results of operations and prospects could be materially and adversely affected.

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## RISK FACTORS

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*We are subject to risks and restrictions with regard to local grid companies for grid connection and electricity transmission.*

In accordance with the Renewable Energy Law of the People's Republic of China (《中華人民共和國可再生能源法》), the power generation of new energy power stations shall be determined by the government pursuant to the national policy on energy in China on the basis of a certain proportion to total power generation. Grid companies are also required to adopt a system to ensure that electricity generated by new energy stations under their respective grids will be fully taken as a first priority.

We must obtain a local grid company's consent to connect our power projects to its power grids before construction. External factors that affect such consent include, among others, the availability of power grids with adequate transmission capacity, the progress of grid construction or system upgrades, the distance between our preferred plants and the local grids, and the cost of additional interconnection facilities. Furthermore, power projects and other new energy resources facilities of our competitors located near our power projects may compete with us to secure grid connection. Many of these factors are beyond our control. As a result, we may not be able to obtain all necessary consents from local grid companies in a timely manner, or at all. Any failure to obtain a grid company's consent for grid connection may delay the operation of our power projects, which could have a material adverse effect on our business, financial position, results of operations and growth prospects.

We also rely on local grid companies for electricity transmission and dispatch services. Our revenue depends, in part, upon the sale of electricity which is subject to dispatch to power grids that are controlled by the dispatch centers of the local grid companies. The current PRC regulatory framework requires grid companies in China to purchase the full amount of electricity generated by wind power projects that meet the grid connection standards within the coverage of their grids. However, dispatch centers may consider various factors when dispatching electricity, including, among others, local demand for electricity, interconnection agreements between power grids and the transmission capacity of the power grids. In addition, the applicable PRC laws require power generation companies to cooperate with grid companies to ensure the safety of power grids. As a result, the transmission and dispatch of the full output of our power projects may be curtailed due to various transmission limitations, such as grid congestion, restrictions on transmission capacity and restrictions on electricity dispatch.

The local power grids of some of our wind power projects may have insufficient transmission capacity to deliver all the potential electricity that our wind farm could generate when operating at full load, especially during seasons of high wind speed, such as winter. Various transmission limitations, due primarily to the underdevelopment of the local power grids, may curtail our electricity generation, impairing our ability to fully capitalize on a particular wind power project's potential. As such, we may temporarily suspend some of our operating dynamotors to accommodate the transmission limitations from time to time. Such events might materially and adversely affect our ability to generate electricity and its sale.

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## RISK FACTORS

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*Our business operations expose us to inclement weather, acts of God, adverse work environments and acts of terrorism or war.*

Our business operations, particularly our construction contracting business, are mostly conducted outdoors, and are vulnerable to inclement weather. As a result of persistently unfavorable weather conditions, we may be prevented from performing work at our construction sites, and thereby fail to meet specified milestones. Should we be required to halt operations during such inclement weather, we may continue to incur operating expenses even while we experience reduced revenues. Moreover, natural disasters and other acts of God which are beyond our control may adversely affect the economy, infrastructure and communities in the countries and regions in which we have operations. We also operate in areas that are under the threat of flood, earthquake, sandstorm or drought. In the event that any of these natural disasters occur, we may be forced to stop work on the affected project.

In addition, we conduct our construction work under a variety of conditions, including on difficult terrain, under harsh site conditions, in busy urban centers where delivery of materials and availability of labor may be affected, and on sites which may previously have been exposed to environmental hazards. Such conditions may result in personal injuries or fatalities, or have a negative effect on our work performance and efficiency.

Acts of war and terrorist attacks, including those in foreign countries in which we have overseas operations, may cause damage or disruption to us, our employees, subcontractors, operations, equipment, and facilities, as well as to our markets, any of which could impact our public image, turnover and cost of sales. The potential for war or terrorist attacks may also create uncertainty and cause our business to suffer in ways that we cannot currently predict.

*In our trading business, our suppliers generally do not have long-term commitments to provide supplies to us and our customers do not have long term commitments to purchase from us.*

In our trading business, we generally do not enter into long-term purchase contracts with our suppliers with whom we place orders through separate supply agreements or confirmations of orders for specified products at prices and quantities agreed between the suppliers and ourselves on a case-by-case basis. We cannot assure you that these suppliers will continue to provide supplies to us in the future. If any of our major suppliers terminates its business relationship with us, and we fail to secure suitable suppliers on a timely basis, there could be a material adverse effect on our business, financial position or results of operations.

We also do not enter into long-term purchase contracts with our customers whose orders are placed through separate purchase agreements or confirmations of orders for specified products at such prices and quantities as agreed between these customers and ourselves on a case-by-case basis. We cannot assure you that these customers will continue to purchase from us in the future. If any of our major customers terminates its business relationship with us, and we fail to secure new orders on a timely basis, there may be a material adverse effect on our trading business.



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## RISK FACTORS

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***Our trading business has a limited history and a lower profit margin compared with our other businesses.***

We started our trading business in June 2015 on a trial basis. We intend to expand our trading business and develop our expertise in commodity markets to help us build our centralized procurement platform for our construction contracting business. Our trading team has relatively limited industry and market experience and our related risk management and internal control measures, which we are still developing, may be insufficient to predict and mitigate risks in this business. Given the capital intensive nature of this business and the intense market competition, we cannot assure you that we will effectively manage and expand this new business or succeed in achieving the economies of scale and profitability that we anticipated. Our consolidated financial information during the Track Record Period included in this prospectus only reflected the operating results of our trading business from June 2015 to December 2016. As such, the historical operating results of this new business may not provide a meaningful basis for evaluating our financial performance going forward.

In addition, our trading business is volume driven and requires less technical capability and expertise compared with our other businesses. As such, our trading business has the lowest gross profit margin among all of our business segments. In 2015 and 2016, the gross profit margin of our trading business was 1.4% and 1.5%, respectively. If we continue to expand this business and the gross profit margin continues to remain low, it would further negatively impact our gross margin.

***We may not be able to maintain proper inventory levels for our operations.***

We consider a number of factors when we manage the inventory for our trading business, including inventory holding costs, our raw materials in hand, the material required to ensure prompt delivery and the quality of our products required by customers. If we are unable to efficiently use our raw materials or fail to manage our inventory, we may be subject to inventory write-downs or higher inventory holding costs. In addition, if we underestimate our demand for raw materials or if our suppliers fail to provide products in a timely manner, we may experience inventory shortages. Such inventory shortages might result in unfilled customer orders and have a negative impact on our customer relationships. There can be no assurance that we will be able to maintain proper inventory levels and such failure may have a material adverse effect on our business, financial position and results of operations.

***We rely on a limited number of key customers and suppliers.***

Due to the limited number of large power generation and power grid companies operating in Inner Mongolia, we repeatedly deal with such customers in our business, particularly construction contracting business, and therefore generated a significant portion of our revenue from such customers in the past. In 2014, 2015 and 2016, 34.2%, 23.8% and 18.1%, respectively, of our revenue was attributable to our largest customer. For the same periods, approximately 53.2%, 47.1% and 39.2%, respectively, of our revenue was attributable to our five largest customers. An inability or failure by such customers to meet their payment obligations or contractual commitments or the insolvency or

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## RISK FACTORS

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liquidation of our key customers could have a material adverse effect on our business, financial position and results of operations.

In 2014, 2015 and 2016, 16.8%, 24.9% and 30.4%, respectively, of our consolidated purchases were attributable to our largest five suppliers. For the same periods, approximately 7.2%, 7.6% and 15.8%, respectively, of our consolidated purchase was attributable to our largest supplier. Our purchases attributable to our five largest suppliers increased in 2015 and 2016 due to the commencement of our trading business which is generally associated with a large volume of purchases of goods. Any significant delay in delivery, the inability of our key suppliers to meet their quantity and quality obligations or the unavailability of alternative suppliers could hinder our business plan, which in turn could have a material adverse effect on our business, financial position and results of operations.

***We had negative cash flows from operating activities in 2015 and 2016. If we continue to have negative operating cash flows in the future, our liquidity and financial position may be materially and adversely affected.***

We had negative cash flows from operating activities of RMB994.1 million and RMB1,691.6 million in 2015 and 2016, respectively. See “Financial Information – Liquidity and Capital Resources – Cash Flows.” We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. Our liquidity and financial position may be materially and adversely affected by the negative net cash flows, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

***We may encounter unexpected difficulties in expanding into new markets.***

To improve our competitiveness and diversify our revenue mix, we plan to grow our operations into industries with the potential for generating favorable returns, such as solar thermal electric energy generation. Expansion into these industries carries with it many associated risks, including risks related to insufficient operating experience in such markets, insufficiently experienced management and personnel to staff such expansions and lack of synergies with our existing businesses. Expansion may also place excessive pressure on our financial, personnel and management resources that would be otherwise available for our current businesses. In addition, there are many established incumbent players in these markets which already enjoy significant market share, and it may be difficult or expensive for us to win market share from them. There can be no assurance that our expansion plans into new industries will be successful.

***We have overseas business that is subject to foreign economic and political uncertainties.***

In recent years, our overseas business grew rapidly, and we participated in a number of projects in Pakistan, Indonesia, Cambodia, Mongolia, Tajikistan and Kyrgyzstan. Certain of these foreign

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## RISK FACTORS

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countries are relatively unstable in terms of political and economic conditions. Our business is therefore subject to changing international economic and political conditions that are beyond our control.

Operating in the international marketplace exposes us to a number of risks including:

- expropriation and nationalization of our assets in foreign countries;
- civil unrest, acts of terrorism, force majeure, war or other armed conflicts;
- natural disasters, including those related to earthquakes and flooding;
- inflation;
- currency fluctuations, devaluations and conversion restrictions;
- confiscatory taxation, other adverse tax policies and adjustments to foreign preferential tax treatment;
- government actions or policies that limit or disrupt markets, restrict payments or limit the movement of funds;
- government actions that may result in the deprivation of contract rights;
- lack of a well-developed legal system that makes it difficult to enforce our contractual rights; and
- government actions that may result in the inability to obtain or retain licenses required for operations.

In some of the high-risk locations where we have employees or operations, we may incur substantial security costs to maintain the safety and security of our personnel and assets, and the measures aimed at protecting our personnel and assets may not always be sufficient. Our level of exposure to these risks will vary from project to project, depending on the particular stage of each project. To the extent that our international business is affected by unexpected and adverse foreign economic and political conditions, we may experience project disruptions, losses of assets and personnel, and other losses that could significantly reduce our turnover and profits.

***Changes in tax incentives may materially and adversely affect our business, financial position and results of operations.***

As of December 31, 2016, a number of our subsidiaries enjoyed reduced income tax rates of 15.0% or 7.5%, compared to the statutory income tax rate of 25%, because they met the requirements

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## RISK FACTORS

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for preferential tax treatment under the PRC government's High and New Technology Enterprise tax incentive plan, Western China Development tax incentive plan or "three-year exemption and three-year half rate" tax incentive plan. We cannot assure you that these subsidiaries will continue to qualify for such preferential tax treatment in the future. If these subsidiaries fail to maintain their preferential tax treatment when the relevant term expires, their applicable income tax rates would increase to 25%, which could have a material adverse effect on our financial position and results of operations. Moreover, the PRC government could eliminate any of these preferential tax treatments before their scheduled expiration.

Expiration or elimination of, or other adverse changes to, any of these tax incentives could adversely affect our financial position and results of operations. In addition, the PRC government from time to time adjusts or changes its policies on value-added tax, business tax and other taxes. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on our business, financial position and results of operations.

***Our businesses may be materially and adversely affected if we are unable to secure and retain qualified management and technical personnel for our operations.***

Our operations depend upon our ability to attract and retain experienced and qualified personnel, including executive officers and key technical personnel, who have the necessary and required experience, knowledge and expertise. Competition for qualified personnel is intense in the PRC. We may lose these personnel to those competitors who are able to offer more competitive packages, or we may have to significantly increase our related operating costs. The diversity of our businesses, both in terms of scope and geographic location, places significant pressure on our managerial and operational resources. Our expansion into new business areas and geographic markets may increase such pressure. Our future operating results will depend on our management's ability to maintain effective control over a large and diversified enterprise. To the extent that we are unable to recruit personnel with the necessary skills locally, the attention of our management could be diverted. If we cannot recruit and retain the employees necessary to execute our contracts or to perform necessary corporate activities, our business, financial position and results of operations may be materially and adversely affected.

***We may not be able to adequately protect our intellectual property rights in relation to our research and development technology, which could result in losses to our revenue and profit and could, in turn, materially and adversely affect our business, financial position and results of operations.***

We own intellectual property such as patents, trademarks, non-registered trade secrets, and proprietary technologies, procedures and processes. See "Business – Intellectual Property" in this prospectus for further details. In the event that the steps that we have taken and the protection afforded by law do not adequately safeguard our intellectual property rights, or we are not able to register or defend our intellectual property rights, our business, financial position and results of operations would be materially and adversely affected.

Intellectual property laws in the PRC are still evolving, and the level of protection and means of enforcement of intellectual property rights in the PRC differ from those in other jurisdictions.

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## RISK FACTORS

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Enforcement of our intellectual property rights could be costly, and we may not be able to immediately detect unauthorized use of our intellectual properties and take the necessary steps to enforce our rights over such properties. In the event that the measures taken by us or the protection afforded by laws do not adequately safeguard our intellectual property rights, we could suffer losses in revenue and profits due to competing sales of products and services that exploit our intellectual property.

We use intellectual property in our operations that may be owned by others, and we also develop (independently or with other parties) intellectual property based on the original intellectual property for use in our operations or licensing to our clients. There can be no assurance that our use or licensing of any of such intellectual property, or of new intellectual property developed from such intellectual property, will not be challenged or that we would be able to successfully defend ourselves if challenged. If any such challenge by third parties is successful, we may not be able to use or license such intellectual property, which may have a material and adverse effect on our operations if such intellectual property involved is crucial to our business.

We could also face claims or allegations by others that we are improperly using intellectual property owned by them or otherwise infringing their rights in intellectual property. Irrespective of the validity or the successful assertion of such claims or allegations, we could incur costs in either defending or settling any alleged intellectual property infringement. Adverse rulings in any litigation or proceedings could result in the loss of our intellectual property rights and subject us to significant liabilities or even business disruption. Any potential intellectual property litigation against us could also force us to cease selling or using the challenged products, to commence the development of non-infringing alternatives, or to obtain licenses from owner of the infringed intellectual property. We may not be successful in developing such alternatives or obtaining such licenses on reasonable terms or at all, which could damage our reputation, and materially and adversely affect our business, financial position and results of operations.

***We have not obtained valid title certificates for some of the properties that we own and occupy, and we may be requested to relocate from these properties.***

For some of the properties we occupy, we, or our landlords, have not yet obtained valid title certificates that allow us to freely use or transfer the properties that we occupy or lease. As of the Latest Practicable Date, our landlords have not obtained the relevant building ownerships certificates for 28 properties that we leased, with an aggregate gross floor area of 38,062.93 square meters, accounting for approximately 58.14% of the aggregate gross floor area of buildings leased by us. See “Business – Properties” for more information. We cannot predict how our rights as owner, lessee or occupant of these properties and our business operations and financial position may be materially and adversely affected as a result of the absence of legal title to these properties or rights to lease these properties. We cannot assure you that ownership disputes or claims will not occur or that third parties will not assert any claims against us for compensation in respect of any illegal and/or unauthorized use of their land.

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## RISK FACTORS

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

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

*We are subject to the risks of litigation and legal proceedings.*

In the ordinary course of business, claims involving project owners, customers, subcontractors, environmental groups and the general public are brought both against us and by us in connection with our contracts and power project operations. Claims brought against us include prolongation claims for alleged defective or incomplete work, liabilities for defective products, related personal injuries and death, damage to or destruction of property, breaches of warranty and late completion of project work. The claims and prolongation claims can involve actual damages and contractually agreed liquidated sums. If we were found to be liable in respect of any of the claims against us, we would have to incur a charge against earnings to the extent that a reserve had not been established for the matter in our accounts, or to the extent that the claims were not sufficiently covered by any insurance coverage. Claims brought by us against project owners may include claims for additional costs incurred in excess of current contract provisions arising out of project delays and changes to the initial scope of work. Claims between us and our subcontractors and suppliers may include claims similar to those described above.

Both claims brought against us and by us, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings. Amounts ultimately realized from project claims by us could differ materially from the balances included in our financial statements, resulting in a charge against earnings to the extent that that profit has already been accrued on a project contract basis. Charges associated with claims brought against us and write-downs associated with claims brought by us could have a material adverse impact on our business, financial position and results of operations.

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## RISK FACTORS

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***Insurance coverage or amount for our business, products, properties and staff may not be sufficient.***

We purchase and maintain insurance policies in accordance with the needs of our business, but do not carry product liability insurance. However, we cannot guarantee that our insurance policies will provide adequate coverage should we face extraordinary occurrences that result in losses. Available policies covering potential loss in our business are limited in terms of number and type. For example, liability insurance against intentional torts are not provided by any insurer as we need. Some insurers often exclude certain geographical regions, or circumstances such as political risks in a particular area. There can be no assurance that we will always be able to maintain a level of insurance coverage at least equal to our present insurance coverage levels, or at the same cost. In any of these cases, uninsured losses could materially and negatively affect our business, financial position and results of operations.

Accidents or natural disasters may also result in significant property damage, disruption of our operations and personal injuries or fatalities, and our insurance amount may be inadequate to cover such losses. There can be no assurance that we will always be able to maintain a level of insurance coverage at least equal to present insurance coverage levels, or at the same cost. In the event of an uninsured loss or a loss in excess of our insured limits, we could suffer damage to our reputation and/or lose all or a portion of our production capacity as well as future revenues expected to be generated by the relevant facilities. Any material loss not covered by our insurance could materially and adversely affect our business, financial position and results of operations.

***Our trade and bills receivable turnover days for our construction contracting and trading business segments have continuously increased during the Track Record Period.***

Our trade and bills receivable turnover days for our construction contracting business segment increased from 151 days in 2014 to 170 days in 2015 and to 225 days in 2016, primarily because of (i) the increase in the number of EPC projects undertaken, which resulted in a higher amount of trade receivables due to the procurement of equipment used for the projects, and (ii) the increase in the number of new energy projects undertaken which granted our customers longer payment settlement periods, resulting in a higher amount of trade receivables.

Our trade and bills receivable turnover days for our trading business segment was 28 days in 2015 in respect of the period after we commenced our trading business in June 2015 and 72 days in 2016, primarily because we were growing our trading business in 2016 and were looking to establish and develop relationships with certain of our key customers by offering longer credit terms to such customers.

A low trade and bills receivable turnover rate may increase the risk and uncertainty of payment recovery and increase our capital requirements and levels of debt. If we are not able to manage our trade and bills receivable turnover days, this may have a material adverse effect on our business, financial condition and results of operations.

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## RISK FACTORS

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***Our deferred tax assets are subject to accounting uncertainties***

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. See note 5 of the Accountants' Report in Appendix I to this prospectus. As of December 31, 2014, 2015 and 2016, we recognized deferred tax assets of RMB42.1 million, RMB69.8 million and RMB61.3 million, respectively. Based on our accounting policies, deferred tax assets are recognized in case of timing differences between the carrying amount of assets for financial reporting purpose and the amounts used for taxation purposes. The realization of a deferred tax asset mainly depends on our management's judgment as to whether sufficient future profits or taxable temporary differences will be available in the future. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. If sufficient profits or taxable temporary differences are not expected to be generated or are less than expected, a material reversal of deferred tax assets may arise in future periods.

***We may not be able to implement management and internal control measures with respect to our business operations in an effective and timely manner because we have a limited operating history as an independent entity***

The development of our management and internal control measures has been largely in line with the expansion and integration of our various businesses. We were established in May 2016 and some of our internal management and control measures relating to our operations may be insufficient because our multiple subsidiaries have been separate entities for an extended period of time. As a result, internal competition may arise among our subsidiaries, particularly in the construction contracting business. Accordingly, as we integrate our subsidiaries and operations, we aim to continue to strengthen our management and internal control mechanisms to address such integration issues, through measures such as the integrated management of our financial data, risk management, consolidation of internal resources, and a uniform information system. However, we cannot assure you that we will be able to implement internal management and control measures that will promptly and effectively respond to our expanded scope of operations, nor can we guarantee that our employees will not act in such a way as to contravene our internal control procedures.

***Our limited operating history as an independent entity could affect our operating efficiency and your ability to evaluate our business and prospects.***

We were established in May 2016 as a result of the Reorganization. Accordingly, we have a limited operating history as an independent operating entity, which may affect your ability to evaluate our business and prospects. As a newly formed company, we lack extensive experience in integrating several subsidiaries across a diverse range of businesses. We have included historical financial information in this prospectus that may not necessarily be indicative of our future financial position, results of operations and cash flows. We may also have difficulty managing our future operations and



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## RISK FACTORS

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growth and the increased scale of our operations, as well as developing and maintaining financial, accounting, management and administrative systems, internal controls, resources and supporting infrastructure sufficient to effectively manage the operations of our subsidiaries and to keep pace with our planned growth or to handle the additional obligations of becoming a public company.

We formulated several initiatives to rationalize, integrate and consolidate the operations conducted by different subsidiaries to further realize the synergies within our Group following the Reorganization. Our proposed business integration initiatives may not be implemented effectively or on a timely basis and may be materially and adversely affected by historical labor issues arising from an excessive number of employees, an inability to obtain sufficient financial resources, technical difficulties, constraints in terms of human or other resources, or other factors. Moreover, the implementation of these business integration initiatives may be costlier than originally estimated. Should cost overruns, changes in circumstances, a negative reaction from our employees or other adverse development occur, the operational efficiencies and business synergies which these business integration initiatives were intended to achieve may not materialize. Further, managing internal competition among our subsidiaries will present challenges to our management team, financial and management information systems and internal control measures. These will require continual improvement and development in order for us to operate more effectively and efficiently as an integrated entity. If we are not able to successfully implement our business integration initiatives, our business, financial position, results of operations and prospects may be materially and adversely affected.

### **RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC**

*The PRC economic, political and social conditions, as well as government policies, could materially and adversely affect our business, financial position, results of operations and prospects.*

Since most of our revenue is derived from our operations in the PRC, our business, financial position, results of operations and prospects are, to a great extent, subject to PRC economic, political and legal developments. The PRC government exerts substantial control over the growth of the domestic economy by means of resource allocation, setting policy on foreign exchange and payment of debts denominated in foreign currencies, setting monetary policy, and giving preferential treatment to specific industries or companies. In recent years, the PRC government has implemented market-oriented reforms. Such economic reform measures could be adjusted or revised and may differ between industries or various regions in the PRC. As such, we may not benefit from such measures.

China has been one of the fastest-growing economies in the world in recent years, in terms of GDP. However, China may fail to sustain such growth rate, and growth rates in recent periods have been lower than previously. In order to maintain economic growth in China, the PRC government has taken, and may continue to implement, a range of monetary policies and other economic measures to increase investment in infrastructure projects, broaden the liquidity of the credit markets and encourage employment. There can, however, be no assurance that such monetary policies or economic measures will be successful. If there is a reduced rate of growth or even a recession in the PRC economy, there may be fewer projects that we can acquire or invest in, the growth of power demand in

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## RISK FACTORS

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the regions where we are located may be lower than expected or demand may decrease, our interest expenses may increase, or we may face reduced access to credit facilities. Such changes in the PRC economy and relevant markets in the future may materially and adversely affect our business, financial position and results of operations.

***The interpretation and enforcement of PRC laws and regulations involves significant uncertainties and PRC laws differ from the laws of common law jurisdictions.***

As we are a company incorporated under PRC law and most of our businesses are conducted in China, our operations are principally governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as references. 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 organization and governance, commerce, taxation and trade. However, as many of these laws and regulations are relatively new, and due to the limited number of published cases and judicial interpretations 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 our business, such as the construction requirements of various power generation projects, are subject to PRC laws and regulations. As the laws and regulations on PRC power generation industry (or the manner of their interpretation or enforcement) industry may change from time to time, we cannot assure you that such changes will not have a material and adverse effect on our business, financial position and results of operations.

Furthermore, certain important aspects of PRC corporate law are different from the corporate laws of common law jurisdictions such as Hong Kong and the United States, particularly with respect to: investor protection, such as shareholder class action suits and measures protecting non-controlling shareholders; restrictions on directors; disclosure requirements; different rights of classes of shareholders; general meeting procedures and disbursement of dividends. Our Articles of Association include provisions in accordance with the Hong Kong Listing Rules. However, such provisions have been included, we cannot assure you that no discrepancy exists between the protections given to our investors and those given to investors in companies formed in common law jurisdictions.

***The PRC government's control over foreign currency conversion may limit our foreign exchange transactions, including dividend payments to our H Shares holders.***

Currently, the Renminbi cannot be freely converted into any foreign currency, and the conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There is no assurance that we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licenses to conduct foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE.

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## RISK FACTORS

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Under the existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy other foreign exchange requirements. If we fail to obtain approval from SAFE to convert Renminbi into any foreign currency for any of the above purposes, our capital expenditure plans and our business, operating results and financial position may be materially and adversely affected.

***Holders of H Shares may experience difficulties in effecting service of legal process and enforcing judgments against us, our Directors, Supervisors or senior management and in taking action on the basis of violations of the Listing Rules. The interpretation and implementation of the PRC laws and regulations could limit the protections available to our H shareholders.***

We are a company incorporated under the laws of the PRC and most of our assets and our subsidiaries are located within the PRC. Most of our Directors, Supervisors and senior management reside within the PRC. Most of the assets of these Directors, Supervisors and senior management may also be located within the PRC. As a result, it may not be possible to effect service of process outside of the PRC upon most of our Directors, Supervisors and senior management. Moreover, the PRC does not have treaties providing for reciprocal recognition and enforcement of court judgments in the United States, the United Kingdom, Japan or most other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, in the PRC or Hong Kong, recognition and enforcement of court judgments from those jurisdictions mentioned above may be difficult or impossible in relation to any matter that is not subject to a binding arbitration provision. On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》). Under this arrangement, where any designated People's Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of the PRC or Hong Kong court for recognition and enforcement of the judgment. Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of actions brought under the arrangement remain uncertain.

Our Articles of Association provide that disputes between holders of our H Shares and us, our Directors, Supervisors or senior management, arising out of our Articles of Association, PRC Company Law and related regulations concerning our business and activities, are to be resolved through arbitration by the CIETAC or the HKIAC. Awards made by the PRC arbitral authorities recognized under the Hong Kong Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitral awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements. However, we are uncertain whether any action brought in the PRC to enforce an arbitral award made in favor of holders of H Shares would succeed.

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## RISK FACTORS

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***The PRC government replaced business tax with VAT and such change of tax regime may subject us to more taxation.***

Pursuant to the PRC Provisional Regulations on Business Tax 《中華人民共和國營業稅暫行條例》, taxpayers providing taxable services falling under the category of service industry in China are required to pay a business tax at a normal tax rate of 5% of their revenues. In November 2011, the MOF and the SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax 《營業稅改徵增值稅試點方案》. Pursuant to this pilot plan and relevant subsequent notices, from January 1, 2012, VAT gradually replaced business tax in the transport and post industry, telecom industry and some of the modern service industries in China. Under the pilot plan, a VAT rate of 6% applies to certain modern service industries. On March 23, 2016, the MOF and the SAT promulgated the Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax 《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》 (CAISHUI [2016] No. 36). Pursuant to this notice, starting from May 1, 2016, the VAT pilot program will cover construction industry, real estate industry, finance industry and life service industry on a nationwide basis. Although the VAT pilot program is mainly intended to reduce double taxation under the business tax system, we may be subject to more taxation under the VAT regime in connection with the our operations and activities, which could adversely affect our business, financial position, results of operations and prospects.

***Foreign individual holders of our H Shares are subject to PRC income tax and there are uncertainties as to the PRC tax obligations of foreign enterprises that are holders of our H Shares.***

Under current PRC tax laws, regulations and rules, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate under Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》). Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. Generally, a withholding tax rate of 10% shall apply to the dividends paid by a company listed in Hong Kong to foreign individuals according to the treaties. When a tax rate of 10% is not applicable, the withholding company shall: (a) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%; (b) withhold such foreign individual income tax at the applicable tax rate if the applicable tax rate is between 10% and 20%; or (c) withhold such foreign individual income tax at a rate of 20% if no double taxation treaty is applicable.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those which have establishments or premises in China but whose income is not related to such establishments or premises, under the EIT Law, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are ordinarily subject to PRC enterprise income tax at a 20% rate. In accordance with the Circular on Issues Relating to the

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## RISK FACTORS

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Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the SAT, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or applicable treaty between China and the jurisdiction of the residence of the relevant non-PRC resident enterprise.

Despite the arrangements mentioned above, there are significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%.

In addition, there remain significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations by the PRC's tax authorities, including the taxation of capital gains by non-PRC resident enterprises, individual income tax on dividends paid to non-PRC resident shareholders of our H Shares, and on gains realized on sale or other disposition of our H Shares. The PRC's tax laws and regulations may also change. If there is any change to applicable tax laws and regulations or in the interpretation or application of such laws and regulations, the value of your investment in our H Shares may be materially affected.

***Payment of dividends may be subject to restrictions under PRC law.***

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

Moreover, as the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to make dividend distributions to our shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

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## RISK FACTORS

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### RISKS RELATING TO THE GLOBAL OFFERING

*There has been no prior public market for our H Shares, and their liquidity and market price may be volatile. If the price of the Shares declines or fluctuates, this could result in substantial losses for investors purchasing Shares in the Global Offering.*

Prior to the Global Offering, there has been no public market for our H Shares. The initial Offer Price for our H Shares to the public will be agreed by us (for ourselves and on behalf of the Selling Shareholders) and the Underwriters, and the Offer Price may differ significantly from the market price of the H Shares following this Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the H Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the H Shares will develop or, if it does develop, that it will be sustained. In addition, the trading price and trading volume of the H Shares may be subject to significant volatility as a result of various factors, including:

- variations in our operating results or differences between our operating results and those anticipated by investors and analysts;
- changes in securities analysts' estimates of our financial performance;
- announcements made by us or our competitors;
- regulatory developments or market changes in the PRC affecting us or the industries in which we participate;
- any business interruptions resulting from natural disasters or accidents;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and the PRC;
- announcements of or completions of acquisitions, strategic alliances or joint ventures by us or our competitors;
- additions to, or departure of, our key personnel;
- release or expiration of lock-up or other transfer restrictions on our Shares;
- liability claims brought against us;
- involvement in litigation; and
- general political, economic, financial, social development and stock market conditions and other factors.

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## RISK FACTORS

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Moreover, in recent years, stock markets in general, and the H shares issued by other issuers in the PRC and listed on the Hong Kong Stock Exchange, have both experienced price and volume fluctuations, some of which were unrelated or did not fully correspond with the operating performance of the relevant companies. These broad market and industry fluctuations may materially and adversely affect the market price of our H Shares in a similar manner.

***There will be a time gap of several business days between pricing and the commencement of trading of our H Shares offered under the Global Offering.***

The Offer Price of our H Shares sold to the public under the Global Offering will be determined on the Price Determination Date. However, trading of our H Shares on the Hong Kong Stock Exchange will not commence until they are delivered, which is expected to be several business days after the Price Determination Date. During that period, investors of our H Shares may not be able to sell or otherwise deal in our H Shares. Accordingly, holders of our H Shares may be subject to the risk that our H Share trading price could fall before trading begins as a result of adverse market conditions or other unfavorable circumstances that may arise during the period between the Price Determination Date and the date on which the dealing begins.

***Future sales or a major divestment of Shares by any of our Shareholders could materially and adversely affect the prevailing market price of our Shares.***

The future sale of a significant number of our Shares in the public market after the Global Offering, or the possibility of such sales, by any one of our Shareholders could materially and adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. Although the Controlling Shareholder and the cornerstone investor have agreed to a lock-up of their Shares, any major disposal of our Shares by any of such Controlling Shareholder and the cornerstone investor upon expiry of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing market price of our Shares to fall which could negatively impact our ability to raise equity capital in the future.

***Potential conversion of Domestic Shares into H Shares may result in an increase in the number of H Shares available in the market, which in turn may affect the price of H Shares.***

Subject to approval by the CSRC, Domestic Shares may be listed or traded on an overseas securities exchange. Any listing or trading of the abovementioned Shares on an overseas securities exchange shall also comply with the regulatory procedures, rules and requirements of the relevant overseas securities exchange. Unless otherwise required by the overseas securities exchange, there is no requirement for the listing and trading of the above-mentioned Shares to be approved in a class meeting of our Company. For details, see “Share Capital – Conversion of Our Unlisted Shares into H Shares.” Potential conversion of a substantial amount of Domestic Shares into H Shares could further increase the supply of H Shares in the market and could have a material and adverse impact on the market price of H Shares.

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## RISK FACTORS

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***We cannot assure you that we will declare and distribute any amount of dividends in the future.***

During the Track Record Period, we did not declare or pay any dividends. We cannot assure you that dividends will be declared or paid in the future. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other considerations, our operations, earnings, financial condition, cash requirements and availability, our constitutional documents and applicable law. For more details, see “Financial Information – Dividends.”

***Facts and other statistics in this document derived from official government publications or public database sources may not be fully reliable.***

This prospectus, particularly the “Industry Overview”, contains information and statistics, including, but not limited to, information and statistics relating to the PRC, the PRC economy and the power industry in the PRC. Such information and statistics have been derived from various official government publications and other publications, and from a third party report commissioned by us. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Nevertheless it should be noted that the Central Commission for Discipline Inspection of the Communist Party of China issued a statement on June 11, 2017 revealing that Inner Mongolia Autonomous Region had falsified certain economic data relating to the region, although it did not elaborate on the scope or time span of the falsification. The information has not been independently verified by us, the Selling Shareholders, the Sole Sponsor, the Sole Lead Manager, the Joint Bookrunners, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering, and no representation is given as to its accuracy. We cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy, as the case may be, as that in other jurisdictions. Therefore, you should not unduly rely upon the industry facts and statistics contained in this prospectus.

***The market price of our Shares when trading begins could be lower than the Offer Price as a result of, among other things, adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.***

The Offer Price will be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fifth business day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.



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## RISK FACTORS

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***Potential investors will experience immediate and substantial dilution as a result of the Global Offering.***

Investors will pay a price per Share that substantially exceeds the per Share value of the tangible assets after subtracting the total liabilities, and will therefore experience immediate dilution when they purchase the Shares in the Global Offering. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the Global Offering, investors purchasing Shares in the Global Offering would receive less than they paid for their Shares. See “Appendix II – Unaudited Pro Forma Financial Information.”

***Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus.***

There has been coverage in the media regarding the Global Offering and our operations. We do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this prospectus. Accordingly, prospective investors should not rely on any of the information in press articles or other media coverage.

***Forward-looking statements contained in this prospectus are subject to risks and uncertainties.***

This prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as “anticipate,” “believe,” “could,” “going forward,” “intend,” “plan,” “project,” “seek,” “expect,” “may,” “ought to,” “should,” “would” or “will” and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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In preparation for the Global Offering, we have applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules.

### MANAGEMENT PRESENCE IN HONG KONG

In accordance with Rules 8.12 and 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Since our principal business and operations, principal clients and assets are primarily located in the PRC, we do not, and for the foreseeable future will not, have executive Directors who are ordinarily resident in Hong Kong, for the purposes of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules. Currently, all of our executive Directors and senior management members reside in the PRC.

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

- (i) both of our authorized representatives, Mr. Lu Dangzhu and Mr. Yang Feng, will act at all times as our principal channel of communication with the Stock Exchange and ensure our Company complies with the Listing Rules at all times. Although Mr. Lu Dangzhu and Mr. Yang Feng reside in the PRC, they possess valid travel documents and are able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, our authorized representatives will be able to meet with the relevant members of the Stock Exchange on short notice;
- (ii) both of our authorized representatives have means of contacting all our Directors (including our independent non-executive Directors) and senior management members promptly at all times and when the Stock Exchange wishes to contact a Director or a senior management member for any reason;
- (iii) Mr. Wong Yat Tung, one of our joint company secretaries, who is a Hong Kong resident, will, among other things, act as our alternative channel of communication with the Stock Exchange and be able to answer enquiries from the Stock Exchange;
- (iv) each of our Directors has provided mobile phone number, office phone number, fax number and e-mail address, where applicable, to the authorized representatives of our Company and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of office, he will provide the phone number of the place of his accommodation to the authorized representatives;
- (v) we will have at least one independent non-executive Director to be ordinarily resident in Hong Kong;

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (vi) each of our Directors who does not ordinarily reside in Hong Kong possesses valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time; and
- (vii) we have appointed GF Capital (Hong Kong) Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules. The compliance adviser will, among other things and in addition to the authorized representatives of our Company, act as an additional channel of communication of our Company with the Stock Exchange and be available to answer enquiries from the Stock Exchange. We will ensure that there are adequate and efficient means of communication among our Company, Directors, authorized representatives, other officers and the compliance adviser of our Company.

### COMPANY SECRETARY

#### Rule 8.17

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

#### Rule 3.28

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

- (i) a member of The Hong Kong Institute of Chartered Secretaries;
- (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

In assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (i) length of employment with the issuer and other issuers and the roles he played;
- (ii) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Future Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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Our Company has appointed Mr. Yang Feng as one of the joint company secretaries. Mr. Yang Feng joined our Group in August 2015 and has served as the Board secretary since August 2016. Mr. Yang Feng possesses extensive knowledge about and abundant experience in the business and operation of our Company. For further details, see “Directors, Supervisors and Senior Management.”

Since Mr. Yang Feng does not possess the acceptable professional or academic qualifications under Rule 3.28 of the Listing Rules, our Company has appointed Mr. Wong Yat Tung, an associate of The Hong Kong Institute of Chartered Secretaries and an associate of The Institute of Chartered Secretaries and Administrators in United Kingdom, who fully complies with the requirements under Rule 3.28 of the Listing Rules to act as the other joint company secretary of our Company. Over a period of three years from the Listing Date, we propose to implement the following measures to assist Mr. Yang Feng to become a company secretary with the requisite qualifications or relevant experience as required under the Listing Rules:

- (i) Mr. Wong Yat Tung will be engaged as a joint company secretary of our Company for an initial period of three years from the Listing Date. Mr. Wong Yat Tung will also provide training and ongoing assistance to Mr. Yang Feng by introducing Mr. Yang Feng to the relevant provisions and requirements of the Listing Rules to enhance and improve his knowledge of and familiarity with the requirements of the Listing Rules. We will further ensure that Mr. Yang Feng has access to the relevant training and support that would enable him to familiarize himself with the Listing Rules and the duties required of a company secretary of an issuer listed on the Stock Exchange. In addition, Mr. Yang Feng will endeavor to familiarize himself with the Listing Rules during the three-year period from the Listing Date and will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules;
- (ii) we undertake to reapply to the Stock Exchange in the event that Mr. Wong Yat Tung ceases to meet the requirements under Rules 3.28 and 8.17 of the Listing Rules or otherwise ceases to serve as a joint company secretary of our Company; and
- (iii) upon expiry of Mr. Wong Yat Tung’s initial term of appointment as the joint company secretary of our Company, we will re-evaluate the experience of Mr. Yang Feng in order to determine if he has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether the above joint company secretaries arrangement would still be necessary.

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules. The waiver will be revoked immediately if Mr. Wong Yat Tung ceases to provide assistance and guidance to Mr. Yang Feng. In the event that Mr. Yang Feng has obtained relevant experience under Rule 3.28 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement will no longer be required by our Company.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into certain transactions which would constitute continuing connected transactions of our Company pursuant to Chapter 14A of the Listing Rules upon the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the reporting, annual review, announcement and/or independent shareholders' approval requirements (as the case may be) under the Listing Rules in relation to certain continuing connected transaction. For further details, see "Connected Transactions."

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENT OF THIS PROSPECTUS**

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this prospectus materially misleading.

### **PRC REGULATORY APPROVALS**

We have obtained the approval from the CSRC on October 25, 2016 for the Global Offering and the making of the application to list the H Shares on the Hong Kong Stock Exchange. In granting such consent, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

### **THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering.

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

Neither the delivery of this prospectus nor any subscription or purchase made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it remains correct as of any subsequent time.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **UNDERWRITING**

The Global Offering comprises the Hong Kong Public Offering of initially 73,500,000 Hong Kong Offer Shares and the International Offering of initially 661,500,000 International Offer Shares (subject to, in each case, reallocation on the basis as described in “Structure of the Global Offering” in this prospectus) and, in case of the International Offering, any exercise of the Over-allotment Option.

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. The Global Offering is managed by the Sole Global Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters listed in “Underwriting”, subject to agreement on the Offer Price between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters). The International Offering is expected to be fully underwritten by the International Underwriters. For further details about the Underwriters and the underwriting arrangements, see “Underwriting” in this prospectus.

If, for any reason, the Offer Price is not agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Monday, July 17, 2017 or such later date or time as may be agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed. Further details of the Underwriters and the underwriting arrangements are set out in “Underwriting”.

### **RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES**

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

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

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **APPLICATION FOR LISTING OF THE SHARES ON THE HONG KONG STOCK EXCHANGE**

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, (i) the Offer Shares to be issued or sold (including any additional Offer Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering; and (ii) the Offer Shares which will be converted from Domestic Shares and transferred to NSSF pursuant to the relevant PRC regulations in relation to deduction of State-owned Shares.

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on Tuesday, July 18, 2017. Save as disclosed in the prospectus, no part of our Share is listed or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

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

### **STABILIZATION AND OVER-ALLOTMENT**

For details of stabilization and the Over-allotment Option, please see “Structure of the Global Offering” in this prospectus.

### **PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES**

The procedures for applying for the Hong Kong Offer Shares are set out in “How to Apply for Hong Kong Offer Shares” of this prospectus and in the Application Forms.

### **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

Particulars of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering” in this prospectus.

### **REGISTER OF MEMBERS AND STAMP DUTY**

All of the H Shares issued pursuant to applications made in Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our headquarter in the PRC.



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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

### **REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES**

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

- (i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Special Regulations and our Articles of Association;
- (ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- (iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and
- (iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

### **H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

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

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### CURRENCY TRANSLATIONS

Unless otherwise specified and for the purpose of illustration only, the translations of Renminbi into Hong Kong dollars, Renminbi into US dollars and Hong Kong dollars into US have been made at the following rates:

HK\$1.0000: RMB0.8715 (set by the PBOC for foreign exchange transactions prevailing on June 16, 2017)

HK\$7.8005: US\$1.0000 (the exchange rate set forth in the H.10 weekly statistical release of the Federal Reserve Board of the United States on June 16, 2017)

RMB6.8097: US\$1.000 (the exchange rate set forth in the H.10 weekly statistical release of the Federal Reserve Board of the United States on June 16, 2017)

No representation is made that any amounts in Renminbi, US dollar or HK dollar can or could have been at the relevant dates converted at the above rates or any other rates or at all.

### LANGUAGE

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

### ROUNDING

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

### ENTITY NAMES

If there is any inconsistency between the Chinese names of entities established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names of entities in Chinese or another language which are marked with “\*” and the Chinese translation of names of entities in English which are marked with “\*” is for identification purposes only.

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN  
THE GLOBAL OFFERING**

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**DIRECTORS**

*Executive Directors*

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
Mr. Lu Dangzhu (魯當柱)	No. 12, Unit 2, Building 17 Dormitory of Electric Power Company Goujian Avenue, Xincheng District, Hohhot Inner Mongolia Autonomous Region PRC	Chinese
Mr. Liu Lisheng (劉利生)	No. 2, Unit 3, Building 3 Auditing Department, University East Road, Saihan District, Hohhot Inner Mongolia Autonomous Region PRC	Chinese

*Independent Non-executive Directors*

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
Mr. Wang Wen (王溫)	No. 7, Unit 4, Building 4 Xin Yuan Residential Quarter Yingfang Road, Huimin District, Hohhot Inner Mongolia Autonomous Region PRC	Chinese
Mr. Su Nan (甦南)	No. 9, Unit 2, Building 7 Residential Quarter 20 Beier Road, Huimin District, Hohhot Inner Mongolia Autonomous Region PRC	Chinese
Mr. Ding Zhiyun (丁志雲)	No. 2, Building 881, 26 Lane Shaoxian Road, Kundulun District, Baotou Inner Mongolia Autonomous Region PRC	Chinese
Mr. Yang Hong (楊泓)	No. 301, Unit 2, Building 3 Kangjia Electricity Block D 26 Zhongnan Alley, Yuquan District, Hohhot Inner Mongolia Autonomous Region PRC	Chinese
Yue Jianhua (岳建華)	No. 407, Building 5, Dianke Quarter North Street, Shui Shang Park Saihan District, Hohhot Inner Mongolia Autonomous Region PRC	Chinese

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN  
THE GLOBAL OFFERING**

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<b>Name</b>	<b>Address</b>	<b>Nationality</b>
Ms. Lau Miu Man (樓妙敏)	7A Ashley Mansion, 10-14 Ashley Road, Tsim Sha Tsui Kowloon Hong Kong	Chinese (Hong Kong)

**SUPERVISORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
Ms. Qiao Yan (喬燕)	No. 2, Unit 2, Building 1 Qing Gong Hall Dormitory Art Hall North Street, Xincheng District, Hohhot Inner Mongolia Autonomous Region PRC	Chinese
Mr. Guo Runcheng (郭潤成)	No. 1, Unit 2, Building 2 Jinxu Residential Quarter, Guanghua Avenue Xincheng District, Hohhot Inner Mongolia Autonomous Region PRC	Chinese
Mr. Li Donghua (李東華)	No. 3, Unit 2, Building 22 Inner Mongolia Cadre's Sanatorium West Ulanchar Avenue Saihan District, Hohhot Inner Mongolia Autonomous Region PRC	Chinese
Mr. Wu Junlin (武俊林)	No. 22, Unit 2, Building 2, 2 Lane Hostel Jiankang Road, Shahe County Jiuyuan District, Baotou Inner Mongolia Autonomous Region PRC	Chinese

See “Directors, Supervisors and Senior Management” for further information of our Directors and Supervisors.

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN  
THE GLOBAL OFFERING**

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**PARTIES INVOLVED IN THE GLOBAL OFFERING**

<b>Sole Sponsor, Sole Global Coordinator and Sole Lead Manager</b>	<b>China International Capital Corporation Hong Kong Securities Limited</b> 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
<b>Joint Bookrunners</b>	<b>China International Capital Corporation Hong Kong Securities Limited</b> 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong  <b>BOCI Asia Limited</b> 26/F, Bank of China Tower 1 Garden Road Hong Kong
<b>Legal advisers to our Company</b>	<i>As to Hong Kong and U.S. Laws</i> <b>Clifford Chance</b> 27/F, Jardine House One Connaught Place Central Hong Kong  <i>As to PRC Law</i> <b>JunHe LLP</b> 20th Floor, China Resources Building 8 Jianguomenbei Avenue Chaoyang District, Beijing PRC
<b>Legal advisers to the Underwriters</b>	<i>As to Hong Kong and U.S. Laws</i> <b>Freshfields Bruckhaus Deringer</b> 11th Floor, Two Exchange Square Central Hong Kong  <i>As to PRC Law</i> <b>Commerce &amp; Finance Law Offices</b> 6F NCI Tower A12 Jianguomenwai Avenue Chaoyang District, Beijing PRC

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN  
THE GLOBAL OFFERING**

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<b>Industry consultant</b>	<b>Frost &amp; Sullivan (Beijing) Inc., Shanghai Branch Co.</b> 1018, Tower B, 500 Yunjin Road Xuhui District, Shanghai PRC
<b>Auditor and reporting accountants</b>	<b>Deloitte Touche Tohmatsu</b> <i>Certified Public Accountants</i> 35/F, One Pacific Place 88 Queensway Hong Kong
<b>Compliance adviser</b>	<b>GF Capital (Hong Kong) Limited</b> 29-30/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
<b>Receiving banks</b>	<b>Bank of Communications Co., Ltd. Hong Kong Branch</b> 20 Pedder Street Central Hong Kong
	<b>China Construction Bank (Asia) Corporation Limited</b> 10/F, CCB Center 18 Wang Chiu Road, Kowloon Bay Kowloon Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office</b>	Harbor Building 29 Midwest Lane Ordos East Street Saihan District, Hohhot Inner Mongolia Autonomous Region PRC
<b>Head Office in the PRC</b>	Harbor Building 29 Midwest Lane Ordos East Street Saihan District, Hohhot Inner Mongolia Autonomous Region PRC
<b>Principal Place of Business in Hong Kong</b>	18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
<b>Company's Website</b>	<u><a href="http://www.imeec.com">www.imeec.com</a></u> <i>(information contained on this website does not form part of this prospectus)</i>
<b>Joint Company Secretaries</b>	Mr. Yang Feng No. 6, Unit 1, Building 4 Residential Quarter 26 Art Hall North Street Xincheng District, Hohhot Inner Mongolia Autonomous Region PRC  Mr. Wong Yat Tung (ACIS, ACS) 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
<b>Authorized Representatives</b>	Mr. Lu Dangzhu No. 12, Unit 2, Building 17 Dormitory of Electric Power Company Goujian Avenue Xincheng District, Hohhot Inner Mongolia Autonomous Region PRC

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## CORPORATE INFORMATION

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	<p>Mr. Yang Feng No. 6, Unit 1, Building 4 Residential Quarter 26 Art Hall North Street, Xincheng District, Hohhot Inner Mongolia Autonomous Region PRC</p>
<b>Nomination Committee</b>	<p>Mr. Lu Dangzhu (<i>Chairman</i>) Mr. Yang Hong Mr. Su Nan</p>
<b>Remuneration Committee</b>	<p>Mr. Wang Wen (<i>Chairman</i>) Mr. Lu Dangzhu Mr. Yang Hong</p>
<b>Audit Committee</b>	<p>Ms. Lau Miu Man (<i>Chairwoman</i>) Mr. Ding Zhiyun Mr. Su Nan</p>
<b>H Share Registrar</b>	<p>Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F Hopewell Centre 183 Queen's Road East Wanchai Hong Kong</p>
<b>Principal Bankers</b>	<p>Agriculture Bank of China Hohhot Xincheng Branch No. 11 South Xingan Road Xincheng District, Hohhot Inner Mongolia Autonomous Region PRC</p> <p>Industrial and Commercial Bank of China Hohhot Mandula Branch No. 13 South Xilin Road, Hohhot Inner Mongolia Autonomous Region PRC</p>



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## INDUSTRY OVERVIEW

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*The information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report, commissioned by us and independently prepared by Frost & Sullivan, in connection with the Global Offering, or the F&S Report. In addition, certain information is based on, or derived or extracted from, among other sources, publications of government authorities and internal organizations, market data providers, communications with various PRC government agencies or other independent third-party sources unless otherwise indicated. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any fact has been omitted that would render such information and statistics false or misleading. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the F&S Report which may qualify, contradict or adversely impact the quality of the information in this section. None of our Company, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Lead Manager, the Joint Bookrunners, the Underwriters or any other party involved (excluding Frost & Sullivan) in the Global Offering or their respective directors, advisers and affiliates have independently verified such information and statistics and no representation has been given as to their accuracy. Accordingly, such information should not be unduly relied upon.*

### SOURCE OF INFORMATION

We have commissioned Frost & Sullivan to analyze and report on the current status of, and forecasts for, the selected industries in which we operate in China and Inner Mongolia. We agreed to pay Frost & Sullivan a fee of RMB720,000 for the preparation and use of the F&S Report. Unless otherwise indicated, market estimates or forecasts in this section represent Frost & Sullivan's view on the future development of the selected industries both in China and worldwide. Established in 1961, Frost & Sullivan has conducted industry research and provided market and enterprise strategies, consultancy and training services for several industries, including automobile, transportation and logistics, chemical engineering, energy and power systems, environmental protection technologies, electronics, information and telecommunication technologies, and medical and healthcare.

In preparing the report, Frost & Sullivan has relied on the statistics and information obtained through primary and secondary research. Primary research includes interviewing industry insiders and recognized third-party industry associations, while secondary research includes reviewing corporate annual reports, databases of relevant official authorities, independent research reports and publications, as well as the exclusive database established by Frost & Sullivan over the past decades. The forecasts were made by Frost & Sullivan based on the following assumptions:

- the social, economic and political conditions in Inner Mongolia, China and the world currently discussed will remain stable during the forecast period;
- domestic demand for power in China will continue to grow during the forecast period; and
- government policies on power engineering and construction industry in Inner Mongolia and China will remain unchanged during the forecast period.

Our Directors have taken reasonable care in reviewing and discussing the above assumptions and factors with Frost & Sullivan, and nothing has come to the attention of our Directors to indicate that the disclosure of projections and industry data relating to future periods in this section is misleading. Unless otherwise indicated, market estimates or forecasts in this section represent Frost & Sullivan's view on the future development of the relevant industries in China and Inner Mongolia.

### OVERVIEW OF THE PRC POWER INDUSTRY

The domestic power industry is divided into six sectors: power generation, transmission, transformation, distribution, consumption and dispatching. In respect of the industry chain, the power industry consists of equipment manufacturing in the upstream sector; design, construction and testing in the

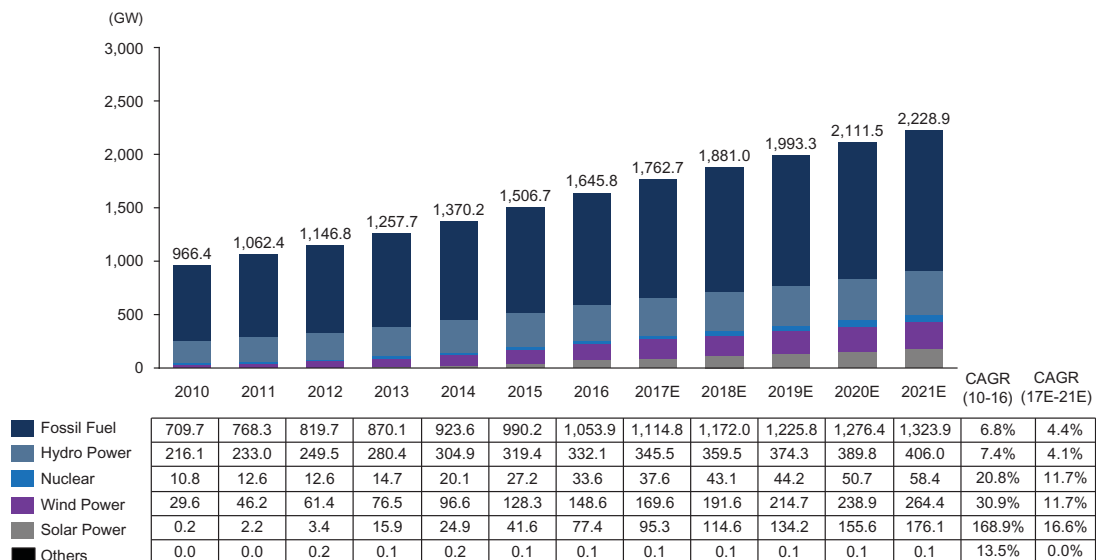
## INDUSTRY OVERVIEW

midstream sector; and maintenance, inspection and repairing in the downstream sector. Power survey and design primarily involves a preliminary feasibility study, the initial design, and design of the construction plan. Power construction primarily involves the civil works and installation works of power equipment.

Along with the development of the PRC power industry, the total power output in China increased from 4,227.8 billion kWh in 2010 to 5,989.7 billion kWh in 2016, representing a CAGR of 6.0%. Total power consumption in China increased from 4,199.9 billion kWh in 2010 to 5,919.8 billion kWh in 2016. Due to substantial power demand in China, Frost & Sullivan expects the PRC power supply to experience a considerable increase in the future.

Driven by the continual growth of power demand in China, the power installed capacity has grown rapidly. In 2016, the total power installed capacity in China reached 1,645.8 GW, growing at a CAGR of 9.3% from 2010 to 2016.

The following diagram sets out the total power installed capacity in China from 2010 to 2021 (estimate):



Source: China Electricity Council, Frost & Sullivan (estimate)

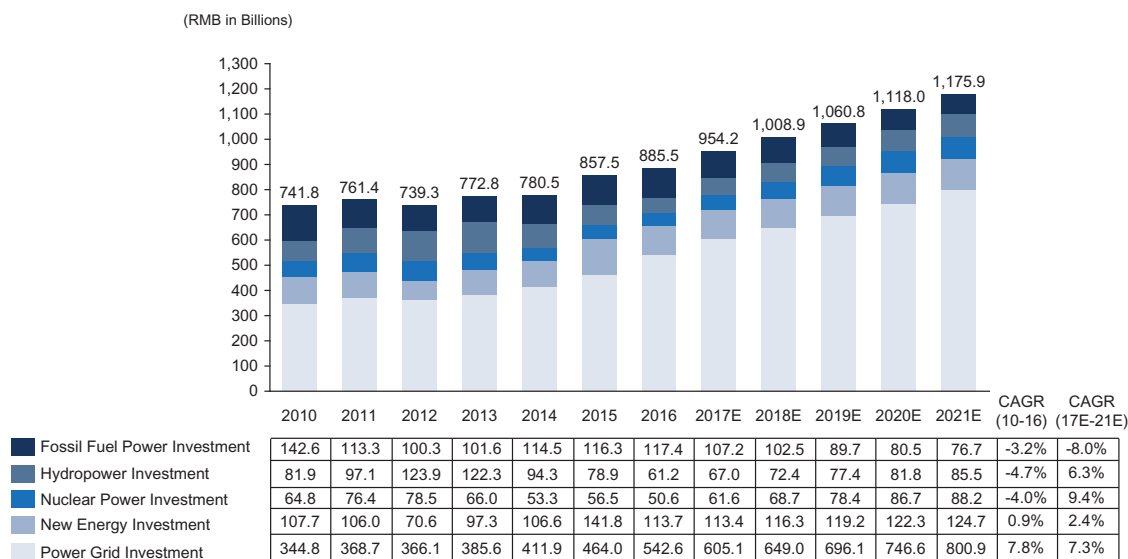
Total installed capacity of wind power and solar power in China reached 148.6GW and 77.4GW, respectively, in 2016. The installed capacity of wind power and solar power grew at the highest rate among all power sources over the same period. The proportion of wind and solar power in the total installed capacity is expected to increase from 13.7% in 2016 to 19.8% in 2021.

Investment in power grids continues to rise in China. The length of power transmission lines of 110kV and above in China increased from 0.9 million kilometers in 2010 to 1.3 million kilometers in 2016, representing a CAGR of 6.1%. Frost & Sullivan expects the length of PRC power transmission lines to grow at a CAGR of 7.2% from 2017 to 2021. The power transformation capacity of 110kV and above in China will also maintain rapid growth at an estimated CAGR of 9.2% from 2017 to 2021.

In 2016, total power investment in China amounted to RMB885.5 billion, including RMB542.6 billion on power grids and RMB342.9 billion on power generation. The proportion of power grids investment increased from 46.5% in 2010 to 61.3% in 2016 and is estimated to reach 68.1% in 2021.

## INDUSTRY OVERVIEW

The following diagram sets forth the total power investment from 2010 to 2021 (estimate) in China:



Source: China Electricity Council, Frost & Sullivan (estimate)

### Market competition in power construction

Due to the high requirements on qualifications, there are only a few comprehensive power construction enterprises who participate in both survey and design and construction of multiple power generating and power grid projects in China, while many companies specialize in nuclear power, new energy power or power grid projects.

The following table sets out the ranking of top five comprehensive power construction enterprises in China and their respective revenue from construction business in 2015.

Company	Revenue from Construction business in 2015 (RMB in Millions)
1 Company B .....	178,448.7
2 Company A .....	165,627.5
3 Company E .....	9,357.0
4 The Group .....	4,873.3
5 Company W .....	4,700.0

### Market size and competition of new energy projects

New energy power projects mainly include wind power, photovoltaic power and solar thermal power projects. However, supported by the preferential policies towards wind power and photovoltaic power industries, total investment in the construction of new energy projects in China has experienced rapid growth since 2012, reaching RMB145.3 billion in 2015.

In view of the lower market barrier for the construction of photovoltaic power and wind power projects, there are a large number players in the construction market for new energy projects. Leading players in terms of revenue include China Energy Engineering Corporation Limited (中國能源建設集團有限公司), Power Construction Corporation of China (中國電力建設集團有限公司), Xinte Energy Co., Ltd. (新特能源股份有限公司), Zhongli Talesun Solar Co., Ltd. (中利騰暉光伏科技有限公司), Concord New Energy Group Limited (協和新能源集團有限公司), the Group, Jiangsu Zhenfa Solar Power Technological Development Co., Ltd. (江蘇振發太陽能科技發展有限公司) and Shanghai Solar Energy Science & Technology Co., Ltd. (上海太陽能科技有限公司). The Group ranked ninth in terms of revenue from construction business of new energy projects, with a market share of 1.1%.

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## INDUSTRY OVERVIEW

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### Growth Drivers of the Power Engineering and Construction Markets

***Sustained economic development and increasing power demand in China.*** China's economy has entered into a new development stage classified by President Xi Jinping as the "New Normal", characterized by a shift from high-speed economic growth to medium-and-high-speed growth, the upgrading and optimization of economic structure and a change from investment-driven to innovative-driven growth. Although the economic growth rate of China has slowed since entering the "New Normal" economic cycle, it is still expected to be higher than the moderate growth of most regions of the world. In order to satisfy increasing power demand along with the economic growth, Frost & Sullivan expects power generation capacity will continue to increase which will in turn drive the growth in the design and construction markets.

***Adjustments to power supply structure.*** As both the PRC government and the public increasingly pay attention to environmental issues, China is proactively adjusting its power supply structure by increasing the proportion of clean energy in its total power generating capacity, which has facilitated the development of wind power, photovoltaic power and other renewable energy projects.

***Cross-region transmission projects.*** Aiming to achieving regional balance of power supply and demand, the PRC government strongly supports the construction of cross-region power transmission projects, such as UHV transmission. Inner Mongolia, as an important source of power supply, will benefit from the surge of power demand brought about by cross-region power transmission projects.

***Elimination or upgrading of outdated power generation units.*** Given the higher standards on environmental protection and efficiency of power generation projects, and the depreciation of power generation units, power generation projects which fail to meet emission and efficiency standards, as well as those which are overused, will be phased out, reconstructed or upgraded. Such measures will in turn stimulate demand in the power design and construction market.

***Technology advancement.*** Continual innovation and improvement of power survey and design techniques have overcome various technical problems in relation to the construction of power projects. In particular, the difficulties of constructing power generation projects under complicated geological conditions have been addressed with limited environmental impact, which has contributed to the rise of new demand for energy construction in complicated geographical and geological conditions.

***Strategic opportunities from Belt and Road strategy.*** The Belt and Road strategy and its supporting policies introduced by the new session of the central government authorities of China will bring business opportunities to areas in the energy industries including construction of power infrastructure and high voltage power grid.

### Development Trends of the Power Engineering and Construction Markets

***Innovation of Design technology.*** The power survey and design industry demands innovative technology. Survey and design technologies continue to improve in China. Increasingly complicated power engineering and equipment require higher technical capability from the construction companies.

***Business upgrade and transformation.*** As power construction projects in China have become more sophisticated, a number of power survey and design companies and construction companies are refocusing their business models to the EPC contracting model so as to enhance their overall competitiveness. Power construction enterprises with strength in design will develop services for the whole industrial chain by focusing on the core survey and design business. Furthermore, Frost & Sullivan expects demand for power survey and design business to shift from regular design to high-end, customized design. Service coverage will also be expanded to other non-power industries, as well as the power industry.

***Burgeoning demand from adjustment to power supply structure.*** With the implementation of energy strategies and the development of new energy power generation in China, the proportion of wind power, photovoltaic power and other clean energy power generation projects in China has been increasing. Following the adjustment of the power supply structure, demand for power design and construction is expected to be driven by the roll-out of relevant new energy power generation projects.

### Entry Barriers to the Power Engineering and Construction Markets

***Qualification.*** Participants in the power survey and design and construction industries are required to have qualifications in engineering survey, design and consultancy approved and issued by the relevant authorities in China such as the Ministry of Housing and Urban Rural Development. The approval process of such qualifications is usually lengthy, and is subject to stringent inspections and requirements on

## INDUSTRY OVERVIEW

registered capital, net asset, project experience and qualified personnel, which creates barriers for new entrants to the industry.

**Technology.** Power construction requires high levels of expertise, and the operation and cost-efficiency of completed projects rely heavily on the capability of survey and design. Due to its complex structure, special power equipment normally requires design companies and contractors to possess sophisticated technological capabilities. In particular, fossil fuel power and ultra-high voltage power transmission projects involve complicated operations and substantial workloads, and therefore have more demanding technical requirements.

**Experience.** A high safety standard is a prerequisite for power projects to remain profitable. As such, project owners focus on the experiences of design and construction companies so as to ensure the smooth construction and subsequent operation of power projects. In Inner Mongolia, especially, where independent power grids are established, power transmission design companies require substantial time to accumulate experience and knowledge of the local power network parameters and the geographical and geological environment. New entrants without any track record will face challenges competing in this market.

**Capital.** The requirement for construction qualifications is relatively high in terms of capital and net assets, and contracted projects need substantial amounts of working capital. Moreover, large power construction projects usually require the construction companies to possess particular engineering equipment and machinery, which are expensive to purchase and maintain.

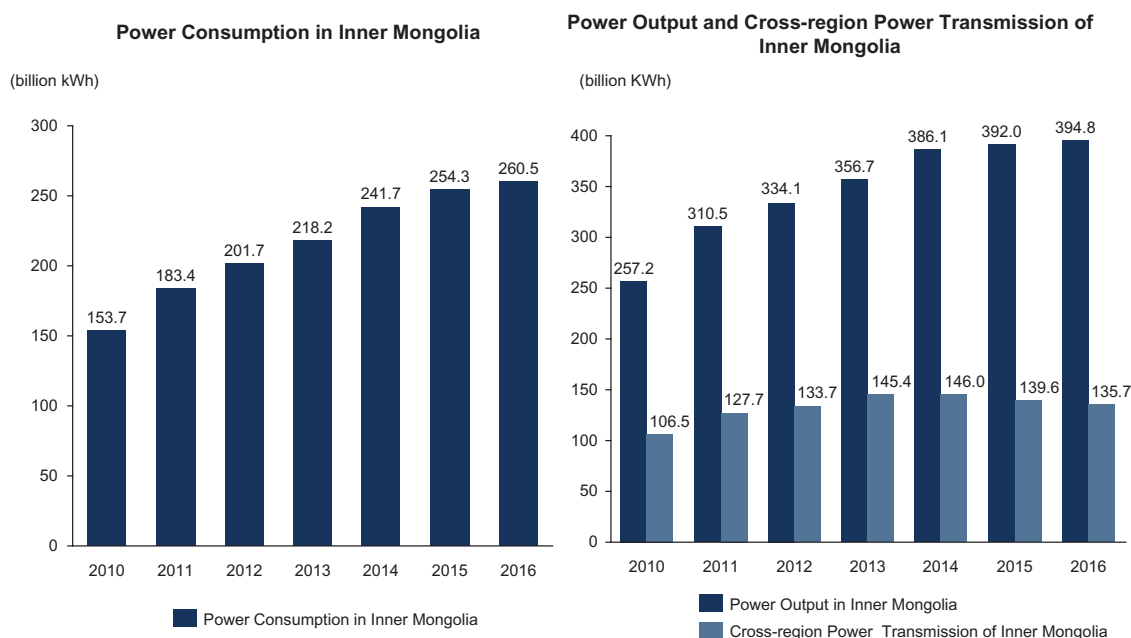
### OVERVIEW OF POWER INDUSTRY IN INNER MONGOLIA

#### Power Supply and Demand

Benefiting from its rich resources of coal, wind and solar energy, Inner Mongolia is one of the biggest power-producing provinces in China. Total power output in Inner Mongolia has been increasing since 2010, growing at a CAGR of 7.4% from 2010 to 2016, reaching 394.8 billion kWh in 2016, which was significantly higher than 6.0% of the CAGR of the total power output in China over the same period.

As an important power supplying province in China, Inner Mongolia exports approximately 35% of its power output to other provinces in China and Mongolia every year. In 2016, Inner Mongolia exported 135.7 billion kWh, representing a CAGR of 4.1% from 2010 to 2016. At the same time, power consumption in Inner Mongolia also grew rapidly, at a CAGR of 9.2% from 2010 to 2016, reaching 260.5 billion kWh in 2016, significantly higher than 5.9% of the CAGR of power consumption in China for the same period.

The following diagrams set out the power consumption, power output and cross-region power transmission of Inner Mongolia from 2010 to 2016:



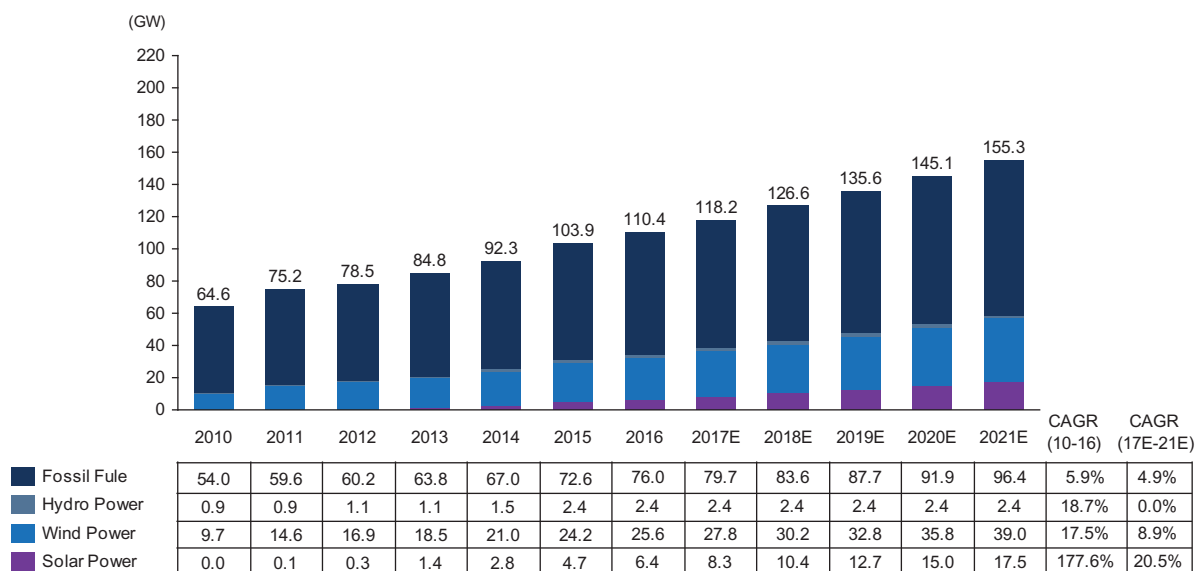
Source: China Electric Power Yearbook, Frost & Sullivan

## INDUSTRY OVERVIEW

### Power Installed Capacity

Inner Mongolia is the province in China with the highest power installed capacity. In 2016, its total power installed capacity reached 110.3GW, accounting for 6.7% of total power installed capacity in China. In 2016, the installed capacity of wind power and solar power reached 31.9GW, representing a CAGR of 21.9% from 2010 to 2016, accounting for 28.9% of total installed capacity in Inner Mongolia. In the next five years, with the completion of the cross-region power transmission channels and installation base for power transmission, Frost & Sullivan expects power installed capacity in Inner Mongolia to continue to grow at a CAGR of 7.1% from 2017 to 2021, surpassing the average level in China of 6.0%.

The following diagram sets out the total installed capacity in Inner Mongolia from 2010 to 2021 (estimate):



Source: Inner Mongolia Electric Power Association, Frost & Sullivan (estimate)

### Power Grids

In order to construct a power grid network connecting all major cities in Inner Mongolia, the length of the power transmission lines of 110kV and above in Inner Mongolia increased from 46,800 kilometers to 74,414 kilometers in 2016, representing a CAGR of 8.0% from 2010 to 2016. In addition, power substation capacity of 110kV and above increased from 75.3 million kVA in 2010 to 212.7 million kVA in 2016, representing a CAGR of 18.9%. As the grid structure in Inner Mongolia will be further optimized and strengthened, Frost & Sullivan expects that power transmission lines of 110kV and above and power transformation capacity will grow further, at a CAGR of 6.4% and 11.0%, respectively, from 2017 to 2021.

### Photovoltaic Engineering and Construction Market

Photovoltaic installed capacity has grown rapidly in China, driven by strong government support to the photovoltaic industry and the continual decline in price of photovoltaic modules as a result of advances in technology. Leveraging its extensive solar energy and land resources, new photovoltaic installed capacity in Inner Mongolia has seen strong growth, and reached 1.7GW in 2015. With the support of favorable policies, further solar energy resources in the Inner Mongolia are expected to be developed. As a result, Frost & Sullivan expects the new photovoltaic installed capacity to grow to 2.1GW by 2021.

Market participants in the survey and design for photovoltaic projects in Inner Mongolia include IM Survey & Design Institute, a subsidiary of the Group, state-owned power design institute under various groups such as China Energy Engineering Group Co., Ltd. (中國能源建設集團有限公司), Power Construction Corporation of China (中國電力建設集團有限公司), State Grid Corporation of China (國家電網公司) and State Nuclear Power Technology Corporation (國家核電技術公司), as well as private

## INDUSTRY OVERVIEW

photovoltaic companies. The market is relatively fragmented. In terms of installed capacity in 2015, the Group was the largest survey and design company of photovoltaic power projects in Inner Mongolia, with a market share of 13.8%.

The following table sets out the major participants and their respective market shares in the photovoltaic power survey and design market in Inner Mongolia in 2015:

Company	Installed Capacity in Operation in 2015 (MW)	Market Share (%)
1 The Group .....	240	13.8
2 Company A .....	150	8.6
3 Company C .....	130	7.5
4 Company D .....	50	2.9
5 Company E .....	30	1.7
Others .....	<u>1,142</u>	<u>65.5</u>
<b>Total</b> .....	<b><u>1,742</u></b>	<b><u>100.0</u></b>

*Source: F&S Report*

The construction market for photovoltaic power projects in Inner Mongolia is fragmented. Major participants include the Group, other power construction companies within various groups such as China Energy Engineering Group Co., Ltd. (中國能源建設集團有限公司) and Power Construction Corporation of China (中國電力建設集團有限公司), as well as other private construction companies. In terms of the installed capacity of photovoltaic power projects in 2015, the Group was the largest construction company for photovoltaic power projects in Inner Mongolia, with a market share of 23.5%.

The following table sets out the major participants and their respective market shares in the photovoltaic construction market in Inner Mongolia in 2015:

Company	Installed Capacity in Operation in 2015 (MW)	Market Share (%)
1 The Group .....	410	23.5
2 Company A .....	200	11.5
3 Company B .....	155	8.9
4 Company F .....	40	2.3
5 Company G .....	30	1.7
Others .....	<u>907</u>	<u>52.1</u>
<b>Total</b> .....	<b><u>1,742</u></b>	<b><u>100.0</u></b>

*Source: F&S Report*

### Wind Power Engineering and Construction Market

Inner Mongolia has extensive wind power resources and a relatively large scale of wind power projects, with a cumulative installed capacity of over 24GW. In 2012 and 2013, affected by the global economic downturn and a reduction in investment in wind power in China, the construction of wind farm in Inner Mongolia experienced a decline. However, in 2014 and 2015, the wind power construction market in Inner Mongolia recovered with the support of favorable policies and a better investment environment for wind power. In 2016, China lowered the standard installed capacity of wind power in Inner Mongolia in view of the increase in idle capacity in wind power generation. It is expected that the new wind power installed capacity in Inner Mongolia will decrease in 2016. Nonetheless, upon the development of a cross-region power transmission network, Frost & Sullivan expects power demand to again increase, and the growth momentum of wind power construction in Inner Mongolia is expected to resume.

The wind power survey and design market in Inner Mongolia is fragmented. Major participants include IM Survey & Design Institute and IM Planning Design Institute, both of which are subsidiaries of the Group, as well as regional power design institutes, wind power construction companies and equipment

## INDUSTRY OVERVIEW

suppliers with design capabilities. In terms of wind power installed capacity in operation in 2015, the Group was the largest wind power survey and design company in Inner Mongolia, with a market share of 37.9%.

The following table sets forth the major participants and their respective market shares in the wind power survey and design market in Inner Mongolia in 2015:

<u>Company</u>	<u>Installed capacity in operation in 2015 (MW)</u>	<u>Market Share (%)</u>
1 The Group .....	1,196.5	37.9
2 Company H .....	249.5	7.9
3 Company I .....	201.0	6.4
4 Company J .....	150.0	4.8
5 Company K .....	100.0	3.2
Others .....	<u>1,257.2</u>	<u>39.8</u>
<b>Total</b> .....	<b><u>3,154.2</u></b>	<b><u>100.0</u></b>

*Source: F&S Report*

The construction market of wind power projects in Inner Mongolia is relatively fragmented. Major participants include the Group, Inner Mongolia Guodian Power Construction Engineering Co., Ltd. (內蒙古國電電力建設工程有限責任公司) and other power constructors. In terms of the installed capacity of wind power projects in operation in 2015, the Group was the largest wind power construction company, with a market share of 18.9%.

The following table sets out the major participants and their market shares in the wind power construction market in Inner Mongolia in 2015:

<u>Company</u>	<u>Installed capacity in operation in 2015 (MW)</u>	<u>Market Share (%)</u>
1 The Group .....	596.5	18.9
2 Company L .....	551.0	17.5
3 Company M .....	200.0	6.3
4 Company N .....	100.5	3.2
5 Company O .....	100.0	3.2
Others .....	<u>1,606.2</u>	<u>50.9</u>
<b>Total</b> .....	<b><u>3,154.2</u></b>	<b><u>100.0</u></b>

*Source: F&S Report*

### Power Transmission and Distribution Engineering and Construction Market

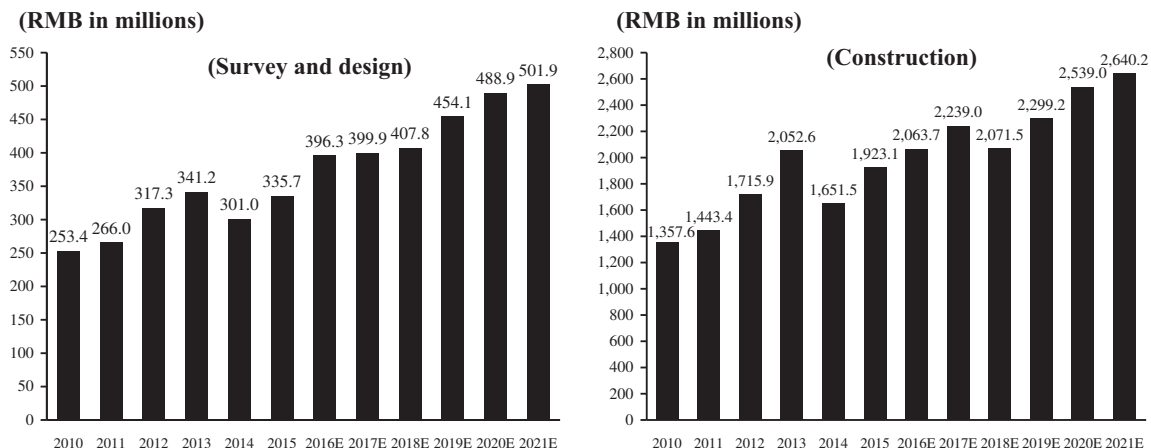
During 2010 to 2015, the survey and design market in Inner Mongolia for power transmission and transformation of 220kV and above grew steadily, reaching RMB335.7 million in 2015. The construction market for power transmission and transformation of 220kV and above in Inner Mongolia expanded from RMB1,357.6 million in 2010 to RMB1,923.1 million in 2015, representing a CAGR of 7.2%. Frost & Sullivan estimates that from 2016 to 2021, the construction market for power transmission and transformation of 220kV and above in Inner Mongolia will maintain steady growth and the survey and design market for 220kV and above power transmission and transformation will continue to expand, at a CAGR, of 5.1% and 4.8%, respectively.

On the other hand, the development of power grids of 110kV or less remains immature in Inner Mongolia. In response to the Power Distribution Network Construction and Reform Program (2015-2020) (配電網建設改造行動計劃(2015-2020年)), promulgated by the National Energy Administration, grid companies in Inner Mongolia will increase their investment in the construction of power grids of 110kV or less between 2016 and 2020 in order to satisfy the national standards of power grids, such as the reliability rate of power supply and voltage eligibility rate. Frost & Sullivan estimates that the aggregate investment on power distribution network in western Inner Mongolia will exceed RMB40 billion from 2016 to 2020.



## INDUSTRY OVERVIEW

The follow diagram sets out the market size of survey and design and construction for power transmission and transformation of 220kV and above in Inner Mongolia from 2010 to 2021:



Source: F&S Report

The major participants in the survey and design market for power transmission and transformation of 220kV and above in China include China Energy Engineering Corporation Limited (中國能源建設集團有限公司), Power Construction of China (中國電力建設集團有限公司), the Group, State Nuclear Power Technology Corporation (國家核電技術公司), and State Grid Corporation of China (國家電網公司) and China Southern Power Grid Co., Ltd. (中國南方電網有限責任公司) In Inner Mongolia, a substantial majority of the survey and design projects for power transmission and transformation are undertaken by the IM Survey & Design Institute, a subsidiary of the Group. In terms of the value of contracts completed in 2015, its market share reached 61.4%.

The following table sets out the major participants and their respective market shares in the survey and design market for power transmission and transformation of 220kV and above in Inner Mongolia in 2015:

Company	Value of Contracts Completed in 2015 (RMB million)	Market Share (%)
1 The Group .....	206.2	61.4
2 Company A .....	72.9	21.7
3 Company C .....	21.8	6.5
4 Company E .....	13.1	3.9
5 Company B .....	8.7	2.6
Others .....	13.1	3.9
<b>Total .....</b>	<b><u>335.7</u></b>	<b><u>100.0</u></b>

Source: F&S Report

The construction market for power transmission and transformation of 220kV and above in Inner Mongolia is highly concentrated. Major participants include the Group, State Grid Corporation of China (國家電網公司), China Energy Engineering Corporation Limited (中國能源建設集團有限公司) and regional power construction companies. In terms of the value of contracts completed in 2015, the power construction companies of the Group undertook 62.6% of the construction projects for power transmission and transformation of 220kV and above.

## INDUSTRY OVERVIEW

The following table sets out the major participants and their respective market shares in the construction market for power transmission and transformation of 220kV and above in Inner Mongolia in 2015:

<u>Company</u>	<b>Value of Contracts Completed in 2015 (RMB million)</b>	<b>Market Share (%)</b>
1 The Group .....	1,204.3	62.6
2 Company C .....	177.1	9.2
3 Company P .....	81.8	4.3
4 Company A .....	68.1	3.5
5 Company Q .....	29.6	1.5
Others .....	<u>362.2</u>	<u>18.9</u>
<b>Total</b> .....	<b><u>1,923.1</u></b>	<b><u>100.0</u></b>

*Source: F&S Report*

### Fossil-Fuel Power Engineering and Construction Market

Fossil fuel power construction in Inner Mongolia has slightly slowed, with additional installed capacity of 4.9GW in 2015. However, as the UHV transmission projects which are currently under construction and will be operational in 2016 and 2017, and the construction of more fossil fuel power generation capacity has been approved, that from 2016 to 2021, the fossil fuel power construction market in Inner Mongolia will continue to grow with additional installed capacity increasing from 5.7GW in 2016 to 7.1GW in 2021, representing a CAGR of 4.5%.

The competitive landscape in the survey and design market for fossil fuel power in China is relatively stable, with major participants including China Energy Engineering Corporation Limited (中國能源建設集團有限公司), Power Construction Corporation of China (中國電力建設集團有限公司) and power design institutes affiliated with the Group. The major participants in the survey and design market for fossil fuel power in Inner Mongolia include China Energy Engineering Corporation Limited (中國能源建設集團有限公司) and the Group. In terms of the installed capacity of fossil fuel power projects in operation in 2015, the Group had a market share of 34.9%.

The following table sets out the major participants and their respective market shares in the survey and design market for fossil-fuel power projects in Inner Mongolia in 2015:

<u>Company</u>	<b>Installed Capacity in Operation in 2015 (GW)</b>	<b>Market Share (%)</b>
1 Company A .....	3.2	65.1
2 The Group .....	<u>1.7</u>	<u>34.9</u>
<b>Total</b> .....	<b><u>4.9</u></b>	<b><u>100</u></b>

*Source: F&S Report*

The major participants in the construction market for fossil-fuel power in China include China Energy Engineering Corporation Limited (中國能源建設集團有限公司), Power Construction Corporation of China (中國電力建設集團有限公司) and power construction subsidiaries of the Group. The major participants in the construction market for fossil fuel power in Inner Mongolia include China Energy Engineering Corporation Limited (中國能源建設集團有限公司), Power Construction Corporation of China (中國電力建設集團有限公司) and the Group. In terms of the installed capacity of fossil fuel power projects in 2015, the Group had a market share of 14.2%.

## INDUSTRY OVERVIEW

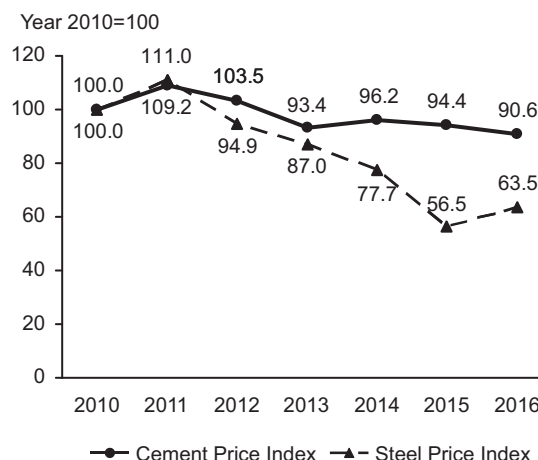
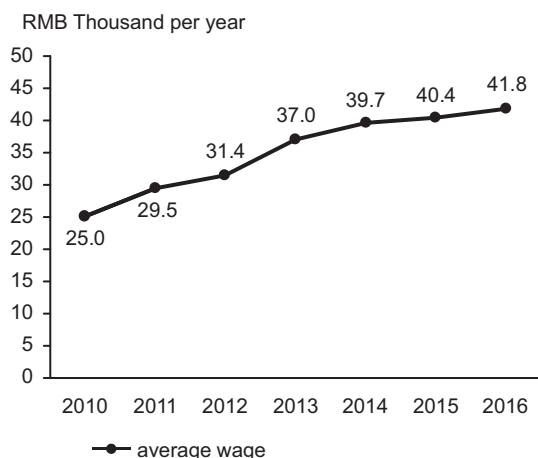
The following table sets out the major participants and their respective market shares in the construction market for fossil-fuel power projects in Inner Mongolia in 2015:

Company	Installed Capacity in 2015 (GW)	Market Share (%)
1 Company A .....	2.3	46.8
2 Company B .....	1.7	34.3
3 The Group .....	0.7	14.2
4 Others .....	0.2	4.7
<b>Total .....</b>	<b><u>4.9</u></b>	<b><u>100</u></b>

Source: F&S Report

### Historical Cost Analysis on Power Construction

Labor cost and cost of raw materials including cement and steel are the major costs for construction contractors. The following diagrams set out the annual average salary of employees in the construction industry in Inner Mongolia from 2010 to 2016 and the price index of cement and steel in China over the same period.



Source: National Bureau of Statistics, Frost & Sullivan

### OVERSEAS POWER MARKETS

There is a significant difference in the development of power industries between those in developed countries and developing countries. In 2015, the global per capita power consumption was 2,839.5 kWh. Per capita power consumption in the United States was 12,271.5 kWh, representing 4.3 times the global level. In 2015, per capita power consumption in China was 4,038.0 kWh, slightly higher than the global level but lower than that of many developed countries. Per capita power consumption in Tajikistan, Mongolia and Pakistan was 1,851.0 kWh, 1,749.5 kWh and 471.4 kWh, respectively, in 2015. Per capita power consumption in Central Asia and Southeast Asia was 2,455.8 kWh and 1,242.8 kWh in 2015, respectively, below the global average. Especially, per capita power consumption in Southeast Asia was less than half of the global average. This indicates a substantial growth potential of power market in these regions.

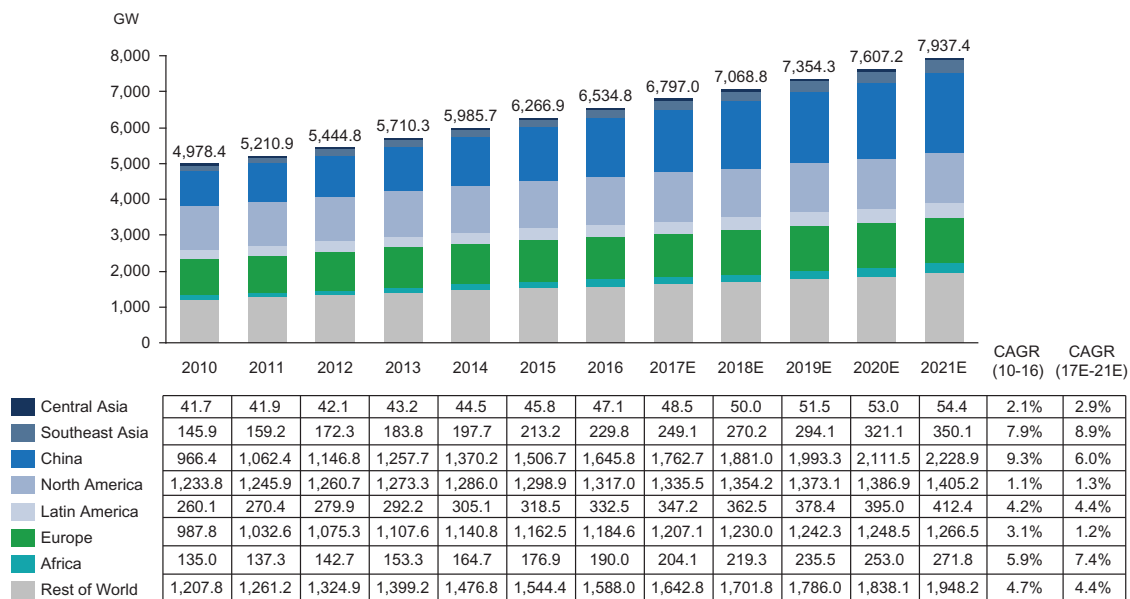
Compared with developed countries in North America and Europe, the power infrastructure is weak in developing countries in Asia, Africa and Latin America. With substantial investment in power construction in China and countries in Southeast Asia and Latin America during the last 5 years, the installed capacity in these regions was growing rapidly. From 2016 and 2021, it is expected the construction of power infrastructure will continue in China and countries in Southeast Asia, Africa and Latin America, where the growth rate of installed capacity will outpace the global average.

## INDUSTRY OVERVIEW

As an important part of the Silk Road Economic Belt and abundant with energy resources, Central Asian countries put energy construction as the focus of their strategy, searching for energy export opportunities. There is large potential for development of power plant and cross-board transmission network. In Central Asian power construction market, China's power construction contractors face the competition from other international contractors from Japan, Europe and Russia. With China's increasing investment in Central Asian power projects and strengthened economic cooperation with Central Asian countries, the competitiveness of contractors from China will increase in this region.

From 2010 to 2016, the installed capacity increased at a CAGR of 7.9% in Southeast Asia. Due to the poor power infrastructure in many Southeast Asian countries such as Indonesia, Myanmar and Philippine, there are still around 20% of the local population with no access to stable power supply, leaving a large room for the power demand growth. It is expected the power installed capacity will grow at a CAGR of 8.9% during 2017 and 2021 in Southeast Asia. Power construction in Southeast Asian countries highly depends on international contractors and China's contractors are facing competitions from other international contractors from developed Asian countries such as Japan and Korea. As the economic and commercial cooperation between China and ASEAN countries deepens, China's power contractors have secured leading position with their advanced design knowledge and extensive construction experience in this region, especially in Indonesia, Laos and Vietnam.

The following diagram sets out the global installed capacity in different regions from 2010 to 2021 (estimate):



Source: Frost & Sullivan

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## REGULATORY ENVIRONMENT

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### OVERVIEW

Many of the industries that we engage in, including the survey, design and consultancy, construction contracting, trading, and power project operation and other businesses are subject to the supervision and administration of relevant governmental authorities in the PRC.

We are principally subject to the supervision of, and regulations promulgated by, the following authorities of the PRC government:

- The NDRC is responsible for the centralized management of reviewing, approving and issuing the certificates of project management qualifications to national engineering consultancy enterprises, covering fields such as planning consultation, evaluation consultation, project design, construction project management, preparation of project proposals, feasibility study reports, project application reports and funds application reports, whole-process planning of construction projects and preparatory phase management.
- The NEA and its local administration are responsible for reviewing and approving the installation of power construction projects and issuing the permits to carry out power businesses and engage electric power equipment. National Administration of Surveying, Mapping and Geo information and its local administration are in charge of the review and approval of Certificate of Surveying and Mapping Qualification in respect of control survey, topographic survey, building construction survey, transport line and tunnels survey and under-ground pipeline survey.
- The Ministry of Housing and Urban-Rural Development is responsible for the supervision and administration of qualifications, tender and bidding, construction, survey, design, supervision, inspection and certification of the completion of engineering works in various construction industries and for the administration of safety in survey, design and construction of various kinds of engineering works. It is also responsible for the supervision and administration of qualifications of real estate development enterprises and the supervision and administration of real estate development in China.
- The MOFCOM is responsible for the supervision and administration of overseas construction projects and overseas cooperative labor arrangements, as well as for the issuance of the relevant business permits. Enterprises and institutions engaging in overseas construction projects and overseas cooperative labor arrangements must apply to the MOFCOM for appropriate qualification certificates.
- The State Administration of Work Safety is responsible for supervising and administering national production safety in a comprehensive manner. The authority in charge of production safety of local governments at county level or above is responsible for the comprehensive supervision and administration of production safety work within their respective jurisdictions.

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## REGULATORY ENVIRONMENT

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- The Ministry of Environmental Protection is responsible for supervising and controlling the environmental protection activities and monitoring the nationwide environmental systems.
- The State Intellectual Property Office is responsible for the supervision and administration of the patent application, registration, and protection. The State Administration of Industry and Commerce Trademark Office is responsible for the supervision and administration of the trademark application, registration and protection. The National Copyright Administration is responsible for the copyright application, registration, and protection.
- The Ministry of Land and Resources is responsible for protection and rational utilization of such natural resources as land, mineral and marine resources; regulating land and resources management and market orders of the country; regulating the ownership of land and resources; and formulating policies and measures governing participation of the land and mineral resources in economic controls.
- The Certification and Accreditation Administration is an agency established and authorized by the State Council to perform administrative functions. It is the administrative department for united administration, supervision and comprehensive coordination of certification and accreditation activities across the country. Its roles include research, drafting and implementing the laws, regulations and rules governing national certification and accreditation, safety quality license, hygiene registration and conformity assessment, and formulating, releasing and implementing supervisory and administrative systems and regulations in relation to certification and accreditation and conformity assessment.
- The CFDA is responsible for the supervision and administration of the food circulation. The Health Administrative Departments of the State Council shall organize the food safety monitoring and risk assessment, and establish the food safety standard together with the CFDA.

### RELEVANT REGULATORY PROVISIONS

#### Regulation in Relation to Survey, Design and Consultancy

##### *Survey & Design*

According to the *Regulation on the Administration of Survey and Design of Construction Projects* (《建設工程勘察設計管理條例》), the *Regulations on the Management of the Survey and Design Qualifications of Construction Engineering* (《建設工程勘察設計資質管理規定》) and other applicable laws and regulations, enterprises providing survey, design and consultancy services are subject to industry-specific supervision and regulation, and all enterprises are required to engage in business activities within the scope permitted by their respective qualifications as approved by the competent regulatory authorities.

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## REGULATORY ENVIRONMENT

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The survey qualifications are further classified into three categories: the general qualification; the specialized qualification; and the labor service qualification. The general qualification only contains one category that is Grade A. Enterprises holding such qualification certificates may undertake any and all survey projects (excluding marine engineering survey projects). The specialized qualification is classified into Grade A, Grade B and Grade C based on the nature and technical specifications of the kind of projects. There is no grading system for the labor service qualification. Enterprises having obtained the specialized qualification can provide specialized survey services allowed by its qualification class, while those having obtained the labor service qualification can provide surveying labor services for geotechnical works, exploration drilling, and well-digging.

The design qualifications are further classified into four categories: the general qualification, the sector qualification, the special qualification and the specific qualification. The general qualification only contains one classification, Grade A, while the sector, special and specific qualifications contain both Grade A and Grade B. Certain sector qualification, special qualification and specific qualifications can also contain a Grade C, while the special qualification for construction can include a Grade D based on the nature and technical specifications of a project. There is no limitation on the type of design projects undertaken by enterprises with the general qualification. Enterprises with the sector qualification can undertake design projects at the corresponding rating within the corresponding sector or special or specific design projects (excluding the projects which require the integrated qualifications of both design and construction) at the corresponding rating within the corresponding sector.

Enterprises with the special qualification can undertake special design projects at the corresponding rating or specific design projects (excluding the projects which require the integrated qualifications of both design and construction) at the corresponding rating within the corresponding specialized sector. Enterprises with the specific qualification can undertake specific design projects at the corresponding rating.

As required by the *Regulation on the Administration of Survey and Design of Construction Projects* (《建設工程勘察設計管理條例》), survey and design documents of construction projects are prepared based on:

- approved documents of the project;
- urban and rural planning;
- mandatory construction standards; and
- requirements by the State on the scope of the project regarding the survey and design of construction projects.

The survey and design documents of specialized construction projects such as railway, transportation and water resources projects must also be based on the requirements of professional planning. Technical indicators such as specification, type and performance of selected materials,

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## REGULATORY ENVIRONMENT

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components and settings and equipment must be specified in design documents, and their quality must conform to the standards prescribed by the State.

### *Consultancy*

Pursuant to the *Measures for the Qualification Accreditation of Engineering Consulting Entities* (《工程諮詢單位資格認定辦法》), qualifications of engineering consulting entities shall be classified into Grade A, Grade B, and Grade C. Entities providing engineering consultancy services are required to obtain the Certificate of Engineering Consultation Qualification (hereinafter referred to as “the Certificate”) issued by the NDRC and engage in business activities in accordance with the Certificate and related laws and regulations.

The engineering consulting entities shall be classified into 31 specialties, including hydroelectric power, hydrogeology engineering survey, geotechnical engineering and public utility. The service scope of engineering consulting entities shall consist of the following eight contents:

- Consultation for planning: including the compilation and consultation of the development plans of industries, specialties and regions;
- The compilation of proposals for projects (including the research on the investment opportunity and the advanced feasibility research of projects);
- The compilation of the project’s feasibility research report, reports of application for project and capital;
- Assessment consultation: including proposals for projects, the feasibility report, the report of application for project, assessment on initial design, assessment on projects, and the examination on the project budget and final account settlement;
- Engineering design;
- Bidding agency;
- Supervision on engineering and facilities; and
- Engineering project management: including the management service in the overall process or at several stages of the engineering project.

The qualification of engineering design, bidding agency and engineering and facilities supervision shall be subject to the accreditation by the relevant authority of the State Council.

### *Supervision*

Pursuant to the *Provisions on the Administration of Qualifications of Project Supervising Enterprises* (《工程監理企業資質管理規定》), qualifications of supervising enterprises are classified into



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## REGULATORY ENVIRONMENT

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three categories: the general qualification, the specialized qualification and the firm-level qualification. The specialized qualification is divided into a number of project types depending on the nature and technical character of the projects. No ratings are set under the general qualification and the firm-level qualification. The specialized qualification contains Class A and Class B, and Class C can be set for specialties including building construction, water resources and hydropower, roads and municipal public utilities.

According to the *Construction Law of the People's Republic of China* (《中華人民共和國建築法》), the State Council may stipulate the scope of construction projects subject to mandatory supervision. Construction projects subject to mandatory supervision are overseen by supervising entities with appropriate qualifications authorized by project owners. The project owners and the authorized supervising entities enter into written contracts with respect to the supervision. Prior to the commencement of the supervision of construction projects, the project owners informs the construction enterprises in written form of the supervision entities authorized, contents for supervision and the scope for the supervision.

The supervising entities are required to carry out supervision of the quality of the construction work on behalf of project owners, as well as adhere to the proposed timetable for the construction project, use of construction funds pursuant to laws, administrative regulations, applicable technical standards, design documents and contracts for project contracting. When the supervisors believe that the construction is not in line with the design requirements of the project, technical standards for construction and the terms of the contracts, they are entitled to demand corrections from the construction entities. When the supervisors and that the project design is not in conformity with quality standards for construction projects or the quality requirements agreed to in the contracts, they may report to the project owners who may then demand corrections from the designing entities.

### **Regulation in Relation to Construction Contracting**

According to the *Construction Law of the People's Republic of China* (《中華人民共和國建築法》), the *Provisions on the Administration of Qualifications of Enterprises in Construction Industry* (《建築業企業資質管理規定》) and other applicable laws and regulations, an enterprise engaging in construction and other relevant construction projects may only carry out construction activities within the scope of their respective qualifications.

The qualifications of construction enterprises can be divided into three categories, namely general contracting, specialized contracting and construction labor service. General contracting and specialized contracting are further divided into various qualification ratings depending on the nature and technical specifications of the project. Each of these qualification ratings is then further subdivided into certain classes based on prescribed conditions. Construction labor service has no rating system.

A project owner must be legally licensed prior to the start of construction. Construction engineering enterprises, surveying entities, designing entities and supervising entities engaging in construction activities must be equipped with corresponding professional qualifications.

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## REGULATORY ENVIRONMENT

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Contract awarding and the contracting of construction projects must be legally carried out. The construction supervising entity with appropriate qualifications must, on behalf of the project owner, supervise the contracting entity in accordance with the laws, administrative regulations, technical standards, designing documents and agreements of the project contract. The survey, design and construction engineering must comply with the relevant national safety standards on construction projects. The project owner, the surveying entity, the designing entity and the construction engineering entity of a construction project will, through the performance of their respective functions, ensure the quality of the project.

In addition, according to the *Bidding Law of the People's Republic of China* (《中華人民共和國招標投標法》), the following construction projects to be conducted in the territory of the PRC, including surveying and prospecting, design, engineering and supervision of such projects as well as the procurement of major equipment and materials related to the construction thereof, must be subject to bidding: (i) projects such as large-scale infrastructure and public utilities involving social and public interests and public security; (ii) projects that are wholly or partly invested with State-owned funds or funded through State financing; and (iii) projects using loans or aid funds from international organizations or foreign governments. The specific scope and standards on the scale of the projects listed in the preceding paragraph shall be formulated by the department of the State Council for development planning, in concert with the relevant departments of the State Council, and be reported to the State Council for approval. The provisions of laws or the State Council on the scope of other projects that must be subject to the bidding, is any, shall prevail. No entity or individual may divide a project subject to bidding into parts or resort to any other manners to avoid the bidding requirement.

For construction projects subject to tender and bidding, contract awarding entities shall, in compliance with legal procedures and methods, publish bidding invitations and provide tendering documents containing the major technical requirements of the target construction project, key terms of the contract, the standards which will be used to evaluate bids as well as procedures for the opening, evaluating and awarding the bids.

According to *Regulation on the Quality Management of Construction Projects* (《建設工程質量管理條例》), the construction project owners, survey entities, design entities, construction entities and construction project supervision entities shall be responsible for the quality of construction projects. Those engaging activities of construction project shall strictly comply with the fundamental construction procedures and shall stick to the principle of surveying first, then designing and then constructing. A system of quality repair guarantee shall be adopted for construction projects. If any quality problem occurs, which falls within the scope of repair guarantee, within the period of repair guarantee, the construction entity shall perform the obligation of repair guarantee and shall be liable for compensating for the losses.

The state shall adopt a system of supervision and administration of the quality of construction projects. The construction administrative department of the State Council shall supervise and administer the quality of construction projects throughout the country in a centralized manner. The relevant departments of railways, communications and water resources of the State Council shall, under their respective functions, be responsible for supervising and administering the quality of the

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## REGULATORY ENVIRONMENT

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relevant special construction projects of the whole country. The construction administrative departments of local people's governments at the county level or above shall supervise and administer the quality of the construction projects within their respective administrative area. The relevant departments of communications and water resources shall, within their respective functions, be responsible for supervising and administering the quality of the special construction projects within their respective administrative area.

Pursuant to the *Regulations on Contracting Foreign Projects* (《對外承包工程管理條例》), the *Administrative Measures for the Qualification for Contracting Foreign Projects* (《對外承包工程資格管理辦法》) and the requirements of the relevant laws and regulations, any entity engaging in overseas construction projects or an overseas labor cooperative arrangement must possess corresponding eligibilities or qualifications. Central enterprises and other entities under management of the central government shall apply to the MOFCOM, and the entities other than the foregoing entities shall apply to the provincial commerce authorities where they were registered, for qualifications for contracting overseas projects.

Pursuant to the *Administrative Measures for the Qualification for Contracting Foreign Projects* (《對外承包工程資格管理辦法》), entities engaging in overseas project contracting whose application for undertaking overseas project contracting has been approved should obtain the *Qualification Certificate for Contracting Overseas Projects of the People's Republic of China* (《中華人民共和國對外承包工程資格證書》) from provincial commerce authorities where they were registered and pay reserve funds for labor services. Provincial commerce authorities should simultaneously report to the Ministry of Commerce for filing via On-line Management System in respect of the *Qualification Certificate for Contracting Overseas Projects of the People's Republic of China* (《中華人民共和國對外承包工程資格證書》) issued by them.

The MOFCOM is responsible for setting up and maintaining the On-line Management System for qualifications for contracting overseas projects, strengthening the supervision and regulation on qualifications for contracting overseas projects nationwide.

According to the *Measures for the Administration of Operational Qualifications for Overseas Cooperative Labor Arrangements* (《對外勞務合作經營資格管理辦法》), enterprises may not enter into overseas cooperative labor arrangements until relevant permissions are granted by the MOFCOM. Enterprises are required to obtain the appropriate operational qualification for overseas cooperative labor arrangements and the Operational Qualification Certificate of the People's Republic of China for Overseas Cooperative Labor Arrangements (《中華人民共和國對外勞務合作經營資格證書》) pursuant to the measures. In addition, overseas enterprises, natural persons or foreign institutions may not directly recruit labor employees within the territory of China. Enterprises with the operational qualification for overseas construction projects as approved by the MOFCOM may dispatch labor workers for overseas projects on an as needed basis.

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## REGULATORY ENVIRONMENT

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### **Regulation in Relation to Trading Business**

#### *Contract Law and General Principles of Civil Law applicable to the Trading Business*

The *Contract Law of the People's Republic of China* (《中華人民共和國合同法》) and *General Principles of Civil Law of the People's Republic of China* (《中華人民共和國民法通則》) is applicable to the trading of commodities in the PRC. According to aforementioned laws, the contract with respect to the trading shall be categorized as the sales contract. A sales contract is a contract whereby the seller transfers the ownership of the subject matter to the buyer and the buyer pays the price for it. The subject matter to be sold shall be owned by the seller or shall be the one that the seller is entitled to dispose of. The ownership of a subject matter shall be transferred upon the delivery of the subject matter, except as otherwise provided by law or agreed by the parties. The parties may prescribe in a sales contract that the ownership of the subject matter shall remain in the seller if the buyer fails to pay the price or perform other obligations. The seller shall perform the obligations of delivering to the buyer the subject matter or the document for taking delivery thereof, and transferring the ownership of the subject matter. The seller shall, in accordance with the terms of the contract or trade practices, deliver to the buyer the relevant documents and materials in addition to the document for taking delivery of the subject matter. Where the seller sells the subject matter which has been delivered to a carrier for transportation and is in transit, the risk of damage to or loss of the subject matter shall be borne by the buyer as of the time of establishment of the contract, except as otherwise agreed by the parties. The seller shall deliver the subject matter according to the agreed quality requirements. In case that the seller provides the quality specifications concerning the subject matter, the delivered subject matter shall comply with the quality requirements in such specifications.

### **Hazardous Chemical Operation Industry**

According to *Measures for the Administration of the Permits for Operating in Hazardous Chemicals* (《危險化學品經營許可證管理辦法》) and the *Provisions on Safety Management of Dangerous Chemicals* (《危險化學品安全管理條例》), the state shall practice a license system for the operation and marketing of hazardous chemicals. An entity operating and marketing hazardous chemicals shall obtain the operating license for hazardous chemicals (hereinafter referred to as the “operating license”) pursuant to the law. Without the operating license, no entity or individual may engage in the operation or marketing of hazardous chemicals. The enterprise dealing in hazardous chemicals shall fulfill the following qualifications: (1) the business premises shall conform to the national standards and the industrial standards. If they store hazardous chemicals, they shall also have the storage facilities conforming to the national standards and industrial standards; (2) the executive staff and the business personnel shall have received professional trainings and be qualified for holding their posts; (3) they shall have sound safety control system and regulations; (4) they shall have full-time safety management staff; (5) they shall have hazardous chemicals accidents emergency pre-proposals as required by the State and have necessary emergency rescue apparatus and equipments; (6) other qualifications stipulated by laws and regulations. The enterprises dealing in hazardous chemicals shall not purchase hazardous chemicals from enterprises that fail to obtain the licenses for manufacturing such chemicals or the licenses for dealing in such chemicals, and shall not deal in hazardous chemicals without technical specifications or signs for safety of chemicals.

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## REGULATORY ENVIRONMENT

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The State Bureau of Safe Production Supervision and Administration shall be responsible for the supervision and administration of the issuance and management of the operating licenses of the whole country. The license-issuing bodies at the provincial level and those at the city level shall be responsible for the supervision and administration of the operating licenses within their respective administrative areas. The sanctions imposed for entities in breach of the relevant requirements for hazardous chemicals operation include fines, remedial actions within prescribed timelines, suspension or cessation of operations. The entity may be subject to criminal liability if its breach constitutes a crime.

### **Regulation in Relation to Power Project Operation and Other Businesses**

#### ***Power Project Operation***

The *Electric Power Law of the People's Republic of China* (《中華人民共和國電力法》) (hereinafter referred to as the "Electric Power Law"), which was issued on April 24, 2015, states its purposes as safeguarding and promoting the development of power business, protecting the lawful rights and interests of investors, operators and users of the power industry, and ensuring safe power operation. The Electric Power Law provides the basic requirements for the construction, production, supply and use of power, management of power grids, electricity price and power tariff, as well as the protection of power facilities.

On October 13, 2005, the State Energy Regulatory Commission (which is now re-organized as National Energy Administration) issued the *Provisions on the Administration of Electric Power Business Licenses* (《電力業務許可證管理規定》), which became effective on December 1, 2005 and partially had been amended. Under the Provisions on the Administration of Electric Power Business Licenses, any enterprise engaging in power business (the business of power generation, power transmission or power supply. In particular, the power supply business includes power distribution business and power sale business) within the territory of the People's Republic of China shall obtain an electric power business license pursuant to the Provisions. No unit or individual shall operate a power business without an electric power business license. Electric power business licenses are divided into three categories: power generation, power transmission and power supply. An enterprise engaging in power generation business should obtain an electric power business license for power generation. An enterprise engaging in power transmission business should obtain an electric power business license for power transmission. An enterprise engaging in power supply business should obtain an electric power business license for power supply. An enterprise engaging in two types of power business or more should obtain electric power business licenses for more than two types of power business.

The *Renewable Energy Law of the People's Republic of China* (《中華人民共和國可再生能源法》), which was issued on February 28, 2005 and amended on December 26, 2009, states its purpose as promoting the development of renewable energy in power industry and supervising the exploitation and management of the renewable energy. The renewable energy refers to non-fossil energies such as wind energy, solar energy, hydro energy, bioenergy, geothermal energy and ocean energy. The state shall encourage and support the grid synchronization of electricity generated by renewable energies. Anyone who seeks to construct a project in which synchronized electricity will be generated by

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## REGULATORY ENVIRONMENT

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renewable energies shall obtain an administrative license or submit the project for the record in accordance with relevant laws and provisions of the State Council.

In the PRC, except for power generated by facilities not connected to the power grids, all power is distributed through power grids. In such cases, a distribution center manages and is responsible for distributing power to various power grids. The operations of such distribution centers are subject to supervision under the *Power Grid Dispatch Management Regulations* (《電網調度管理條例》) promulgated and implemented on November 1, 1993 by the State Council and was amended on January 8, 2011 (hereinafter referred to as the “Dispatch Regulations”) and their implementing measures. The Dispatch Regulations and their implementing measures provide that distribution centers shall be divided into five levels, namely national power grid, multi-provincial power grid, provincial power grid, municipal power grid and county power grid levels. Based on comprehensive consideration of relevant factors such as daily power load demand, internal water level, fuel supplies, capacity of power grid equipment and equipment servicing requirements, the distribution centers will prepare a daily power generation curve for implementation by the various power plants, including active power, reactive power and voltage.

According to the *Interim Measures for Preliminary Work Management of Wind Farm Construction* (《風電場工程前期工作管理暫行辦法》), which was issued by NDRC on May 9, 2005, the preliminary work of the wind farm construction includes the assessment of wind energy resources, the planning of the wind farm construction, the pre-feasibility study and the feasibility study of the wind farm construction. The NDRC is responsible for the management of the national wind farm construction, and the local development and reform commission is responsible for the management of the local wind farm construction within its respective administrative areas. Pursuant to the *Interim Measures for the Exploitation and Construction Management of the Wind Energy* (《風電開發建設管理暫行辦法》) which was issued by NEA on August 25, 2011, the wind farm construction project shall be approved by the investment department of the State Council or Provincial government respectively according to relevant project approval authority. Wind farm construction project, which has been started to construct without being approved by the statutory procedures, shall not enjoy the National Renewable Energy Development Fund’s electricity price subsidies, and power grid enterprises will not accept its grid connected operation.

According to the Electric Power Law, the rates of electricity shall be based on a centralized policy, fixed in accordance with a unified principle and administered at different levels. Establishment of electricity rates shall be based on the principles of reasonable compensation of cost and reasonable determination of profits, legal incorporation of taxes, fairly shared burdens and promotion of electric power construction. A principle of equal rates for equal quality of electricity supplied by the same power network shall be applied with regard to incorporation into a power network.

The *Interim Trial Measures for the Administration of the Price of Renewable Energy Power Generation and Expense Allocation* (《可再生能源發電價格和費用分攤管理試行辦法》) was issued by the NDRC and has been implemented since January 1, 2006. These measures also provide that the power price of wind farms shall be measured and determined by competent authorities of the State Council in charge of prices based on actual circumstances of various regions on the principle of cost plus profit, and shall be made public. The notice provides that the power price of wind power concession

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## REGULATORY ENVIRONMENT

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construction projects shall be determined through a tendering process, but cannot be higher than the power price level set by competent authorities of the State Council in charge of prices. Meanwhile, such measures determine the price allocation mechanism for wind power projects.

The *Measures on Supervision and Administration of Grid Enterprises in the Purchase of Renewable Energy Power* (《電網企業全額收購可再生能源電量監管辦法》) was implemented on September 1, 2007, which further enforces the *Renewable Energy Law of the People's Republic of China* and the relevant regulations. The measures effectively promote power grid synchronization for power generation from renewable energy in China and regulate the actions carried out by power grids in relation to their acquisition of the full amount of electricity generated from renewable energy.

According to *Circular on Printing and Distributing the Interim Administrative Measures for Additional Subsidy Funds for Price of Renewable Energy Power* (《可再生能源電價附加補助資金管理暫行辦法》) which was issued by Ministry of Finance, NDRC and NEA on March 14, 2012, the items applying for subsidy shall meet the following conditions: 1. Within the subsidy scope prescribed in *Circular of the Ministry of Finance, NDRC and NEA on Printing and Distributing the Interim Administrative Measures for Levying and Use of Renewable Energy Development Fund* (《財政部、國家發展改革委、國家能源局關於印發〈可再生能源發展基金徵收使用管理暫行辦法〉的通知》). 2. Having been examined, verified and recorded according to the state relevant provisions, and confirmed by the NEA. The specific measures for examination and confirmation shall be otherwise formulated by the NEA. 3. In compliance with the state policies on renewable energy price, the on-line power price has been examined and verified by the competent price authority. As for the items in compliance with aforementioned conditions, the renewable energy power generation enterprises, renewable energy network connection project units and the separate electricity system project units in public renewable energy shall in the principle of location file applications of subsidy with the local provincial competent authorities of finance, price and energy. The provincial competent authorities of finance, price and energy shall upon preliminary examination jointly report to the Ministry of Finance, National Development and Reform Commission and National Energy Bureau. The Ministry of Finance, NDRC and NEA shall make examination and verification on the materials submitted by the local authority, and list the qualified items into the catalog of additional subsidy funds of renewable energy.

### **Equipment Manufacturing Industry**

Pursuant to the *Measures for the Administration of Production License for Industrial Products* (《中華人民共和國工業產品生產許可證管理條例》) and *Measures for the Implementation of the Regulation of the People's Republic of China* (《中華人民共和國工業產品生產許可證管理條例實施辦法》) on the Administration of Production License for Industrial Products, China has implemented a production permit system for key industrial products. The Catalog of Industrial Products which is subject to the system of production license by the State Council shall be formulated by the competent department of production license for industrial products of the State Council together with the relevant departments of the State Council after soliciting opinions from consumers' associations and other relevant industry associations and be promulgated to the public after an approval is granted by the State Council. The competent department of production license for industrial products of the State Council is responsible for the work of the unified management of the national industrial products production license, whereas

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## REGULATORY ENVIRONMENT

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the competent departments of production license for industrial products at county level or above are responsible for the administration of production licenses for industrial products within their own jurisdictions. For national industrial products subject to the system of production license for industrial products, the unified product catalog, unified examination, unified certification mark, and unified supervision and management shall be implemented.

### ***Property Development***

Under the *Provisions on Administration of Qualifications of Property Development Enterprises* (《房地產開發企業資質管理規定》), a property development enterprise shall apply for qualification classification certificate, and shall not engage in real estate development without a qualification classification certificate for real estate development. According to such provisions, based on their specific conditions, property development enterprises are subject to four classes of qualifications classification: the first class, the second class, the third class and the fourth class. Enterprises with different classes of qualifications shall conduct their respective property development businesses within the stipulated business scope.

According to the *City Property Administration Law of the People's Republic of China* (《中華人民共和國城市房地產管理法》), property development must be in strict compliance with the requirements of the relevant urban plan and design. A property development project, land use rights of which have been obtained through grant, must be developed in accordance with such terms as the usage and the deadlines for commencement and development of the land that are stipulated in the relevant land use rights grant agreement.

In accordance with such regulations as the *Administrative Rules on the Development and Operation of Urban Properties* (《城市房地產開發經營管理條例》) and the *Administrative Measures for Construction Permits of Building Projects* (《建築工程施工許可管理辦法》), before the commencement of the property development project, the construction work commencement permit shall be obtained as required. Once the property development construction project is completed, it can only be utilized after inspection and meeting qualification for delivery, and no project that has not been so inspected or is determined to be unqualified upon such inspection may be utilized.

### **Regulation in Relation to Quality and Safety Production**

According to the *Product Quality Law of the People's Republic of China* (《中華人民共和國產品質量法》), the product quality supervision and administration departments of the State Council are responsible for the supervision and administration of the quality of products of the whole country. All relevant departments of the State Council shall be responsible for the supervision of product quality within their own functions and duties. Local administrations for the supervision of product quality at the county level and above are responsible for the supervision of product quality within their own administrative jurisdictions. The relevant departments of the local people's governments at the county level and above are responsible for the product quality within their respective functions and duties. If there are different provisions concerning the supervision departments of product quality, such provisions shall be applied.



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## REGULATORY ENVIRONMENT

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According to the *Safety Production Law of the People's Republic of China* (《中華人民共和國安全生產法》) and the *Safe Production Permit Regulation* (《安全生產許可證條例》), the State applies the work safety licensing system to enterprises engaged in industries such as mining, construction, and the production of dangerous chemicals. No enterprise may engage in production activities without a safe production permit. Production entities must be strictly in compliance with the Safety Production Law and other laws and regulations in relation to safety production. Moreover, they should enhance safety production management, establish and optimize their safety production responsible systems and improve safety production condition, thereby ensuring the safety of production.

In accordance with the *Safety Production Law* and rules under other applicable laws and administrative regulations, relevant authorities under the State Council are responsible for the supervision and administration of relevant safety production works within their respective terms of reference. In accordance with the *Safety Production Law* and rules under other applicable laws and administrative regulations, local governmental authorities are responsible for the supervision and administration of relevant safety production works within their respective terms of reference.

According to the *Notice to Further Strengthen Work Safety by Enterprise* (《國務院關於進一步加強企業安全生產工作的通知》) issued by the State Council, if an enterprise experiences serious and especially serious safety incidents involving production safety responsibility or catches more than two large safety incidents involving production safety responsibility within one year and has to take primary responsibility, or an enterprise does not conduct a rectification for its hidden risks, the safety regulators at provincial level or above, together with related competent authorities will issue an announcement to the public and report to the departments of investment, land resources, construction, banking and securities which will strictly restrict the additional project approval, land planning permit and security financing submitted by the enterprise involved within one year, which will serve as a major benchmark for obtaining bank loans.

### **Regulation in Relation to Environmental Protection**

The *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), the *Prevention and Control of Atmospheric Pollution Law of the People's Republic of China* (《中華人民共和國大氣污染防治法》), the *Prevention and Control of Water Pollution Law of the People's Republic of China* (《中華人民共和國水污染防治法》), the *Construction Law of the People's Republic of China* (《中華人民共和國建築法》), the *Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China* (《中華人民共和國固體廢物污染環境防治法》), the *Environmental Effect Appraisal Law of the People's Republic of China* (《中華人民共和國環境影響評價法》), the *Regulation on the Administration of Environmental Protection of Construction Projects* (《建設項目環境保護管理條例》) and other relevant laws and regulations contain provisions concerning environmental protection during the course of construction projects.

Construction entities must, in accordance with laws and regulations concerning environmental protection and work safety, adopt measures to control environmental pollution and harm resulting from dust, waste gas, waste water, solid waste materials, noise and vibration at construction sites. The State Environmental Protection Administration and local governmental authorities in charge of

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## REGULATORY ENVIRONMENT

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environmental protection are responsible for the supervision and administration of environmental protection during the course of construction.

The sanctions imposed for entities in breach of environmental protection laws vary in accordance with the extent of the pollution and the circumstances of the breach. These sanctions include warnings, fines, and remedial actions within prescribed timelines, suspension or cessation of operations. Entities in breach will also be liable to indemnify entities who have suffered losses as a result of the pollution. Breach of the *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》) will be subject to criminal liability according to law if it constitutes a crime.

### **Regulation in Relation to Intellectual Property Rights**

According to the *Patent Law of the People's Republic of China* (《中華人民共和國專利法》) and its Implementation Rules, the State provides patent protection to three categories of patents, namely invention, utility model and design. An invention or utility model for which a patent is to be granted shall be novel, inventive and practically applicable. Any design for which a patent is granted shall not be attributed to the existing design, and no entity or individual has, before the date of application, filed an application with the patent administrative department of the State Council on the identical design and recorded it in the patent documents published after the date of application. The duration of an invention patent shall be twenty years and the duration of the patent for a utility model or design shall be ten years, all from the date of application.

According to the *Trademark Law of the People's Republic of China* (《中華人民共和國商標法》) and its Implementation Rules, registered trademarks are those that have been approved and registered by the Trademark Office, including commodity trademarks, service trademarks, collective marks and certification marks. Trademark registrants shall be entitled to the right to exclusive use of their trademarks and shall be protected by law. The period of validity of a registered trademark shall be ten years from the day the registration is approved. If a registrant needs to continue to use the registered trademark after the period of validity expires, an application for renewal of registration shall be made within 12 months before the expiration. If the registrant fails to make such an application within that period, an extension period of six months may be granted. The period of validity for each renewal of registration shall be ten years after expiry of the previous valid term.

According to the *Copyright Law of the People's Republic of China* (《中華人民共和國著作權法》), the *Measures for the Registration of Computer Software Copyright* (《計算機軟件著作權登記辦法》) and the *Regulations on the Protection of Computer Software* (《計算機軟件保護條例》), the software copyright shall exist from the date on which its development has been completed. The National Copyright Administration encourage the registration of software copyright, and provide emphasized copyright protections to the registered computer software. The software under application for registration shall be developed independently, or the software with significant improvement in functions or performance resulting from the modification of the original software upon the permit of the original copyright owner. A software copyright owner shall be entitled to the right to divulgate, alter, reproduce, rent, translate and distribute the computer software. In the case of software copyright of a natural person, the term of protection shall be the lifetime of such person and fifty years after his

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## REGULATORY ENVIRONMENT

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death, expiring on December 31 of the fiftieth year after his death. In the case of a piece of joint software, the term of protection shall expire on December 31 of fiftieth year after the death of the last surviving developer. In the case of software copyright a legal entity or other organization, the term of protection shall be fifty years, expiring on December 31 of the fiftieth year after the first publication of such software; however, if any such software has not been published within fifty years from the date on which its development has been completed, it shall be no longer protected. Anyone who commits infringing acts to the computer copyright shall bear civil liability by means of ceasing infringements, eliminating ill effects, making an apology, or compensating for losses.

### **Regulation in Relation to Labor Work and Personnel**

The *Labor Law of the People's Republic of China* (《中華人民共和國勞動法》), the *Law of People's Republic of China on Employment Contract* (《中華人民共和國勞動合同法》) and the *Rules for Implementation of Labor contract Law of the People's Republic of China* (《中華人民共和國勞動合同法實施條例》) are to regulate the labor relations to be established between employers and laborers, entering into, execution, performance, modification and cancelation or termination of labor contract by them, perfect labor contract systems, specify the rights and obligations of both parties to a labor contract and protect the legitimate rights and interests of employers and laborers.

According to the *Social Insurance Law of the People's Republic of China* (《中華人民共和國社會保險法》) and *Provisions for Implementation of the Social Insurance Law of the People's Republic of China* (《實施〈中華人民共和國社會保險法〉若干規定》), the State shall establish a social insurance system including basic endowment insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to guarantee the rights of citizens to legally obtain financial assistance from the state and society when they become old, ill, suffer from work-related injuries, become unemployed and give birth to a child. Employers and individuals within the territory of the People's Republic of China shall pay social insurance premiums in accordance with the law.

According to the *Regulation on Management of Housing Provident Fund* (《住房公積金管理條例》), the employer shall register for contribution to the housing provident fund at a housing fund management center and open a housing provident fund account with an entrusted bank for its staff after approval by the housing fund management center. An employer who has decided to recruit a person shall, within 30 days from the date of recruitment register with the housing fund management center for contribution and deposit procedures, and go through procedures at the entrusted bank for establishing or transferring housing provident fund account for the recruited employee with the approval documents issued by the housing fund management center for both employees and employers, the payment rate for housing provident fund shall not be less than 5% of the average monthly salary of the employees in the previous year. The payment rate may be raised for most prosperous cities. Specific payment rates shall be worked out by the Housing Fund Management Committee, and submitted to the People's Government of the provinces, autonomous regions and municipalities for approval after it is examined by the People's Government of immediate jurisdiction.

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## HISTORY AND CORPORATE STRUCTURE

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### HISTORY AND DEVELOPMENT

#### Background

The history of our Group dates back to the 1950s, when the predecessors of some of our principal subsidiaries, namely IM Survey & Design Institute, IM Transition & Transformation Company and IM No. 3 Power Company, were established in the PRC. See “– Our Principal Subsidiaries” in this section for further details of our principal subsidiaries.

On March 28, 2014, IM Energy Group, our Controlling Shareholder, was established in the PRC by Inner Mongolia SASAC as a wholly state-owned company consisting of IM Survey & Design Institute, IM Transition & Transformation Company, IM No. 1 Power Company and IM No. 3 Power Company. IM Energy Group, as one of the leading energy construction companies in the PRC, owns an integrated business chain providing a full range of service in consultancy, survey, design, general contracting, construction, equipment installation, commissioning, supervision, operation maintenance, overhauling and engineering in the power industry in the PRC.

On March 24, 2016, our predecessor, IM Keyi Company, was established in the PRC as a limited liability company by IM Energy Group being its sole shareholder. During the Reorganization, IM Energy Group injected all of its principal businesses into IM Keyi Company. On May 31, 2016, IM Keyi Company was converted into a joint stock company with limited liability and its name was changed to Inner Mongolia Energy Engineering Co., Ltd. (內蒙古能源建設投資股份有限公司). See “– Reorganization” in this section for further details.

#### Key Milestones

Key milestones in our history up to the present are as follows:

Year(s)	Milestone(s)
1950s	The predecessors of some of our principal subsidiaries, including IM Survey & Design Institute, IM Transition & Transformation Company and IM No. 3 Power Company, were established.
1985	The predecessor of one of our principal subsidiaries, IM No. 1 Power Company, was established.
1989	We participated in the design of China’s first commercial wind power plant, Zhurihe Wind Power Plant (朱日和風電場).
1993	We participated in the design and commission of the No. 3 Unit of Feng County Power Plant 200MW Unit Project (豐鎮電廠200兆瓦機組工程), the first air cooling unit implemented in China.

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## HISTORY AND CORPORATE STRUCTURE

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Year(s)	Milestone(s)
2002	We completed the design of the Phase II of Dalad Power Plant Project (達拉特二期工程), and obtained the Third Prize of National Excellent Project Design (國家設優秀設計工程銅獎).
2006	We completed the design and construction of China's first 200kV digital electricity power substation, Dorbod 220kV Substation (杜爾伯特220千伏變電站).
2007	We successfully won the bid for our first UHV project, the Fifth Section of $\pm 800$ kV UHV DC Transmission Lines from Yunan to Guangdong (雲南至廣東 $\pm 800$ 千伏特高壓直流輸電綫路工程第5標段), which marked our entrance into the UHV market.
2008	We entered into the contract for the design and construction of China's first 300MW ultra-supercritical air-cooling combined heat and power cogeneration unit power plant, Hohhot Thermal Power Plant Extension 2x350MW Heating Unit Project (呼和浩特熱電廠擴建2 $\times$ 350兆瓦供熱機組工程).
2011	We successfully won the bid for the construction of the 50MW Trough Type Solar Thermal Power Generation Demonstrative Concession Project (50兆瓦槽式太陽能熱發電特許權示範項目), the largest solar thermal power generation project in the PRC at the time.
2014	Our Controlling Shareholder, IM Energy Group, was established.  We constructed Wuchuan 500kV Transmission and Transformation Project (武川500千伏輸變電工程), the first 500kV carbon fiber transmission line in China.
2015	We designed or constructed 76.9% of the power grid projects (220kV and above) in Inner Mongolia that commenced operation during the period from 2013 to 2015 (in terms of length of power transmission lines).  We designed or constructed 40.6% of the new energy and fossil-fuel power projects and designed or constructed 39.9% of the new energy power projects in Inner Mongolia that commenced operation during the period from 2013 to 2015 (in terms of installed capacity).  We designed or constructed the largest number of wind power projects in Inner Mongolia that commenced operation during the period from 2013 to 2015 (in terms of installed capacity).

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## HISTORY AND CORPORATE STRUCTURE

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Year(s)	Milestone(s)
2016	<p>Our Company's predecessor, IM Keyi Company, was established.</p> <p>We completed the Reorganization of our Company.</p> <p>We completed the design of the first 500kV Intelligent Electricity Substation Project (500千伏智能化變電站) in Inner Mongolia Autonomous Region.</p>

### REORGANIZATION

#### Establishment of IM Keyi Company

Pursuant to the approval of Inner Mongolia SASAC, IM Keyi Company, our predecessor, was established as a limited liability company in the PRC on March 24, 2016, with a registered capital of RMB500,000,000. IM Energy Group was the sole shareholder of IM Keyi Company upon its establishment.

#### Injection of Principal Businesses

Pursuant to the reorganization agreement and the state-owned equity free transfer agreement entered into between IM Energy Group and IM Keyi Company on April 25, 2016 (the "**Reorganization Agreements**"), IM Energy Group injected into IM Keyi Company its principal businesses relating to survey, design and consultancy, construction contracting, trading and power project operation and others businesses, including (i) the equity interest in nine wholly-owned subsidiaries engaging in the principal businesses and 17 project companies which will be engaging in certain designated business in the future; and (ii) the relevant assets and liabilities of IM Energy Group, details of which are set out below:

(i) Assets injected into IM Keyi Company

IM Energy Group transferred to IM Keyi Company all the assets relating to its principal businesses, including the equity interest in nine wholly-owned subsidiaries and 17 project companies which will be engaging in certain designated business in the future, and novated relevant business contracts with IM Keyi Company or the Company. Some subsidiaries that were at the initial development stage and had certain non-operating assets were not transferred to IM Keyi Company and remained under the operation and management of IM Energy Group.

(ii) Liabilities injected into IM Keyi Company

In addition to the transferred businesses and assets, IM Energy Group injected into IM Keyi Company the corresponding liabilities at the time.

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## HISTORY AND CORPORATE STRUCTURE

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(iii) Employees injected into IM Keyi Company

IM Keyi Company would assume the labor contracts or engagement agreements previously entered into between IM Energy Group and its employees. IM Keyi Company and the relevant employees would complete the procedures to finalize their new labor agreements, which reflect the new labor relationship.

### Equity Transfer of IM Keyi Company

Pursuant to the equity transfer agreement entered into between IM Energy Group and IM Sulige Company on May 8, 2016, IM Energy Group transferred 0.5% equity interest in IM Keyi Company to IM Sulige Company, a wholly-owned subsidiary of IM Energy Group, at nil consideration. Upon completion of such equity transfer, IM Keyi Company was held by IM Energy Group and IM Sulige Company as to 99.5% and 0.5%, respectively.

### Conversion into our Company

Pursuant to the approval of Inner Mongolia SASAC and the promoters' agreement entered into between IM Energy Group and IM Sulige Company on May 10, 2016, IM Keyi Company was converted into a joint stock company with limited liability on May 31, 2016, and its name was changed to Inner Mongolia Energy Engineering Co., Ltd. (內蒙古能源建設投資股份有限公司). Upon completion of such conversion, the registered capital of our Company was RMB2,100,000,000, consisting of 2,100,000,000 Domestic Shares with a nominal value of RMB1.00 each.

The shareholding structure of our Company upon the above conversion is set out below:

<u>Name of our promoters</u>	<u>Number of shares held</u>	<u>Percentage of shares held</u>	<u>Capital contribution to the registered capital</u>	<u>Method of capital contribution</u>
IM Energy Group	2,089,500,000	99.5%	RMB2,089,500,000	By conversion of equity value into shares
IM Sulige Company	10,500,000	0.5%	RMB10,500,000	By conversion of equity value into shares
<b>Total</b> .....	<b><u>2,100,000,000</u></b>	<b><u>100%</u></b>	<b><u>RMB2,100,000,000</u></b>	

The details of our promoters are set out below:

(i) IM Energy Group

IM Energy Group is a wholly state-owned company with limited liability established in the PRC on March 28, 2014. As one of the leading energy construction companies in the PRC, IM Energy

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## HISTORY AND CORPORATE STRUCTURE

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Group owns an integrated business chain encompassing general contracting, project management, planning, surveying, engineering designing, construction contracting, overhauling, production, investment and operation in the power industry in the PRC, of which all of the principal businesses were transferred to IM Keyi Company, the predecessor of our Company, during the Reorganization. As of the Latest Practicable Date, the registered capital of IM Energy Group was RMB4,890,000,000.

(ii) IM Sulige Company

IM Sulige Company is a limited liability company established in the PRC on April 15, 2005, and is a wholly-owned subsidiary of IM Energy Group, mainly engaging in the business of licensed gas-fired power generation. As of the Latest Practicable Date, the registered capital of IM Sulige Company was RMB265,100,000.

### **Retained Business**

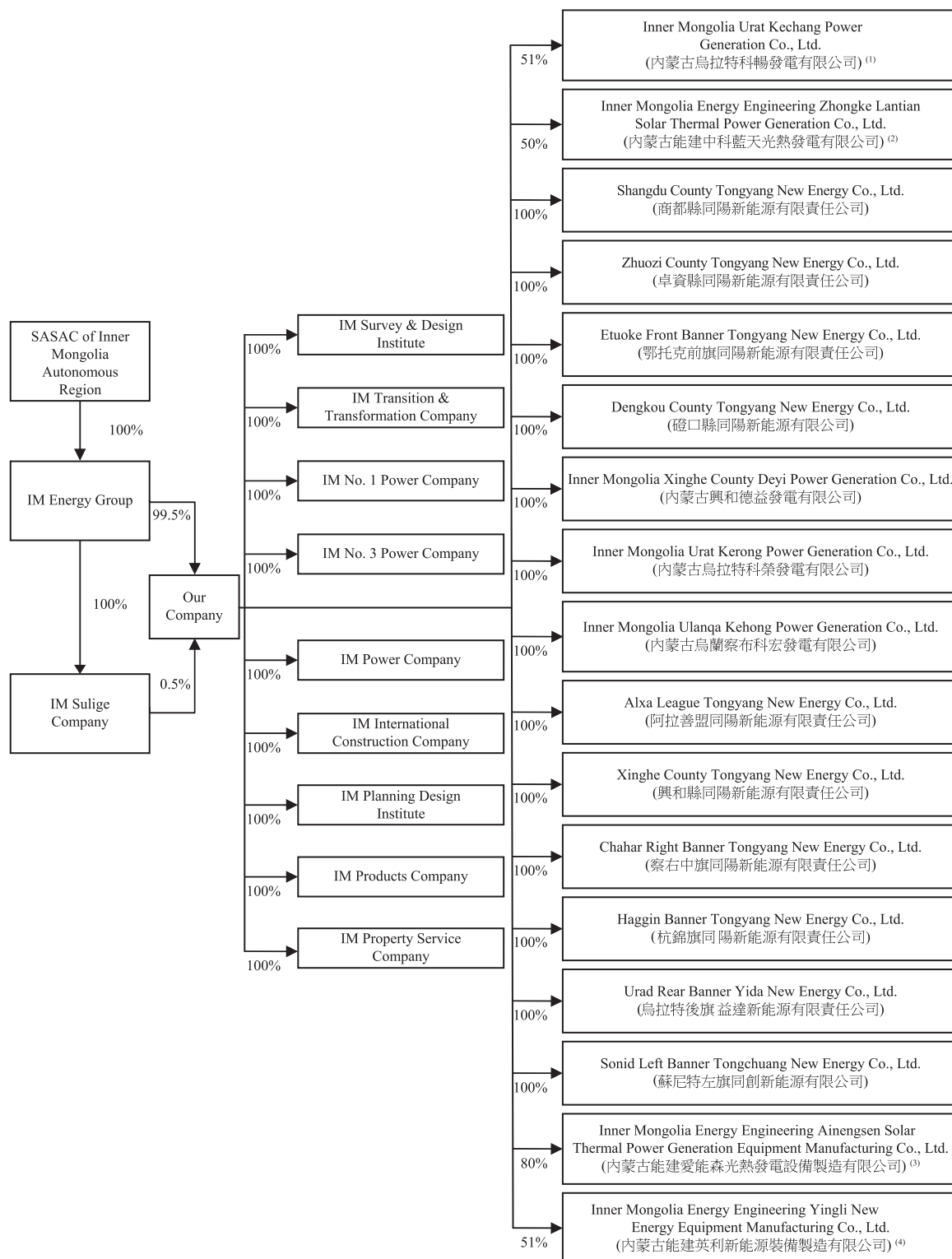
Pursuant to the Reorganization Agreements, upon the completion of the Reorganization, except for certain photovoltaic power generation and gas-fired power generation businesses that were not included in our Group, IM Energy Group will no longer independently operate business similar to our businesses. See “Relationship with the Controlling Shareholder” for further details.

As advised by our PRC legal advisers, JunHe LLP, all necessary consents, approvals, authorizations and filings required to be obtained for the Reorganization have been obtained; all the Reorganization steps have been duly completed pursuant to the applicable PRC laws, regulations and rules; corresponding changes regarding other matters in connection with the Reorganization that are subject to the registration changes with the industry and commerce authorities have been made.



## HISTORY AND CORPORATE STRUCTURE

The following chart sets out the simplified corporate structure of our Company immediately upon completion of the Reorganization:



Notes:

- (1) The remaining equity interest is held by Inner Mongolia Jinmao Energy Co., Ltd. (內蒙古金貓能源有限責任公司) (an Independent Third Party), Inner Mongolia Dunan Photovoltaic Technology Co., Ltd.

## HISTORY AND CORPORATE STRUCTURE

(內蒙古盾安光伏科技有限公司) (an Independent Third Party) and Inner Mongolia Urad Rear Banner Hongtai Chemical Co., Ltd. (內蒙古烏拉特後旗宏泰化工有限責任公司) (an Independent Third Party) as to 24%, 20% and 5%, respectively.

- (2) The remaining 50% equity interest is held by Shenzhen Zhongke Lantian Investment Co., Ltd. (深圳中科藍天投資有限公司) (an Independent Third Party). Although our Company only holds 50% equity interest in Inner Mongolia Energy Engineering Zhongke Lantian Solar Thermal Power Generation Co., Ltd. (“**Zhongke Lantian**”), the financial statements of Zhongke Lantian is consolidated into our Group because of our de facto control of Zhongke Lantian. Such de facto control is due to the fact that, pursuant to the articles of association of Zhongke Lantian, (i) four out of six directors of Zhongke Lantian shall be appointed by our Company so that our Company acquires two-thirds majority vote at the board of directors of Zhongke Lantian; and (ii) both of the general manager and the chief financial officer of Zhongke Lantian shall be recommended by our Company.
- (3) The remaining 20% equity interest is held by Shenzhen Ainengsen Technology Co., Ltd. (深圳市愛能森科技有限公司) (an Independent Third Party).
- (4) The remaining equity interest is held by Yingli Energy (China) Co., Ltd. (英利能源(中國)有限公司) (an Independent Third Party), Jiangsu Zhonghuan Electric Co., Ltd. (江蘇中環電氣有限公司) (an Independent Third Party) and Inner Mongolia Deyi Energy Technology Co., Ltd. (內蒙古德溢能源科技有限公司) (an Independent Third Party) as to 20%, 15% and 14%, respectively.

### OUR PRINCIPAL SUBSIDIARIES

As of the Latest Practicable Date, we had 59 directly and indirectly owned subsidiaries. We directly held 27 subsidiaries, including nine wholly-owned subsidiaries engaged in the principal business of the Company and 18 project companies which will be engaging in certain designated business in the future, among which the nine directly held and wholly-owned subsidiaries are our principal subsidiaries.

The following tables set forth the details of our principal subsidiaries as of the Latest Practicable Date.

<u>No</u>	<u>Name</u>	<u>Date of establishment</u>	<u>Place of establishment</u>	<u>Registered capital (RMB)</u>	<u>Principal Business</u>
1.	IM Survey & Design Institute	November 2, 1991	PRC	500,000,000	Survey, design and consultancy, general project contracting and relevant technical and management services
2.	IM Transition & Transformation Company	August 1, 2001	PRC	500,000,000	Power grid construction project and general project contracting
3.	IM No. 1 Power Company	June 10, 1985	PRC	400,000,000	Energy investment and operation as well as engineering construction business

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## HISTORY AND CORPORATE STRUCTURE

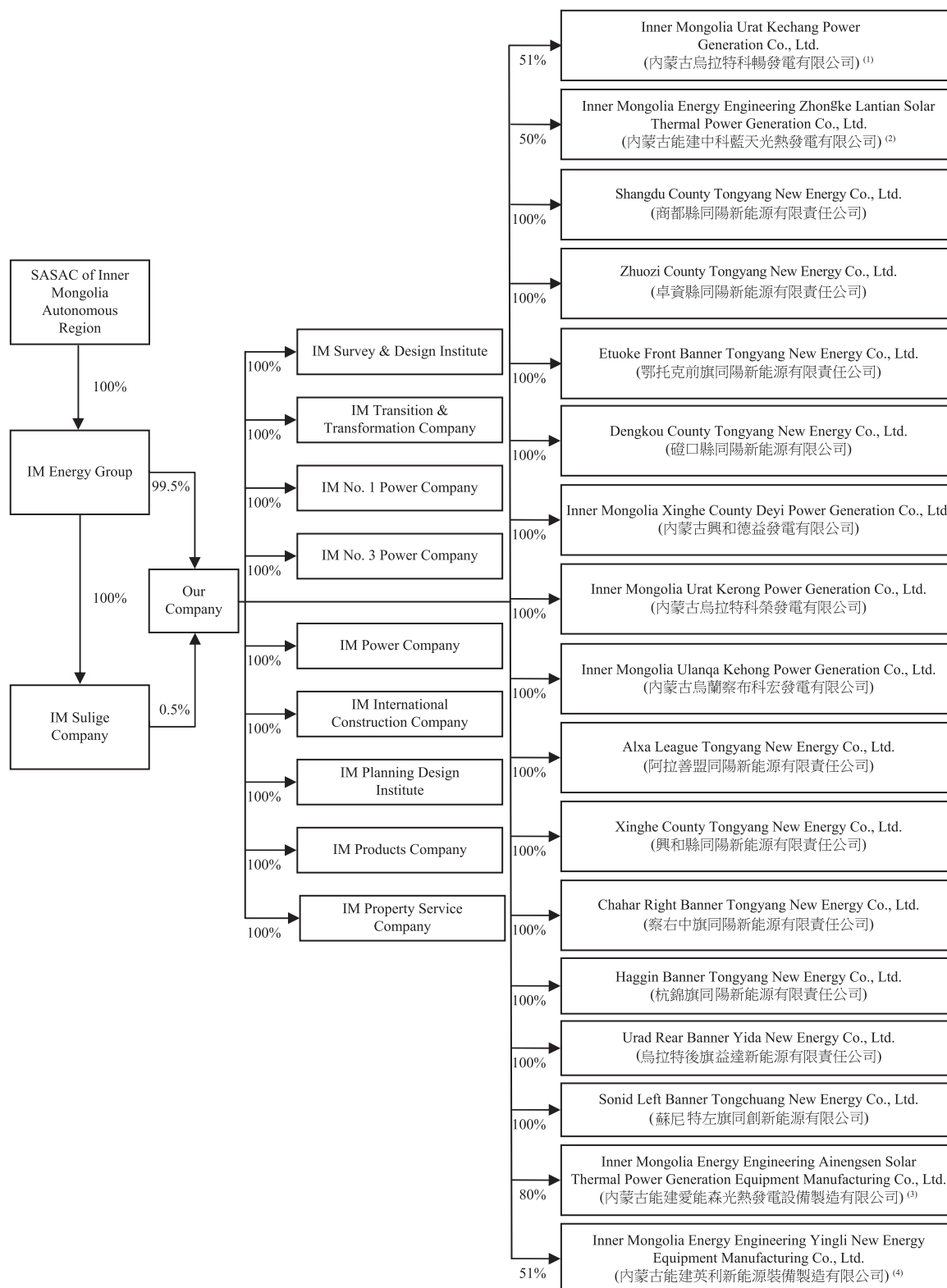
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No	Name	Date of establishment	Place of establishment	Registered capital (RMB)	Principal Business
4.	IM No. 3 Power Company	June 1, 1990	PRC	400,000,000	Civil architecture and power project construction
5.	IM Power Company	June 1, 2015	PRC	660,000,000	Engineering construction, power investment and operation
6.	IM International Construction Company	December 1, 2015	PRC	500,000,000	General contracting, especially the development of international businesses
7.	IM Planning Design Institute	December 24, 2014	PRC	100,000,000	Survey, design and consultancy of gas-fired power plant, power transmission and transformation, new energy and power grid projects
8.	IM Products Company	June 9, 2015	PRC	550,000,000	Trading business
9.	IM Property Service Company	June 8, 2015	PRC	1,000,000	Real estate management services

# HISTORY AND CORPORATE STRUCTURE

## CORPORATE STRUCTURE

The following chart sets out the simplified corporate structure of our Company after completion of the Reorganization and immediately prior to the Global Offering:



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## HISTORY AND CORPORATE STRUCTURE

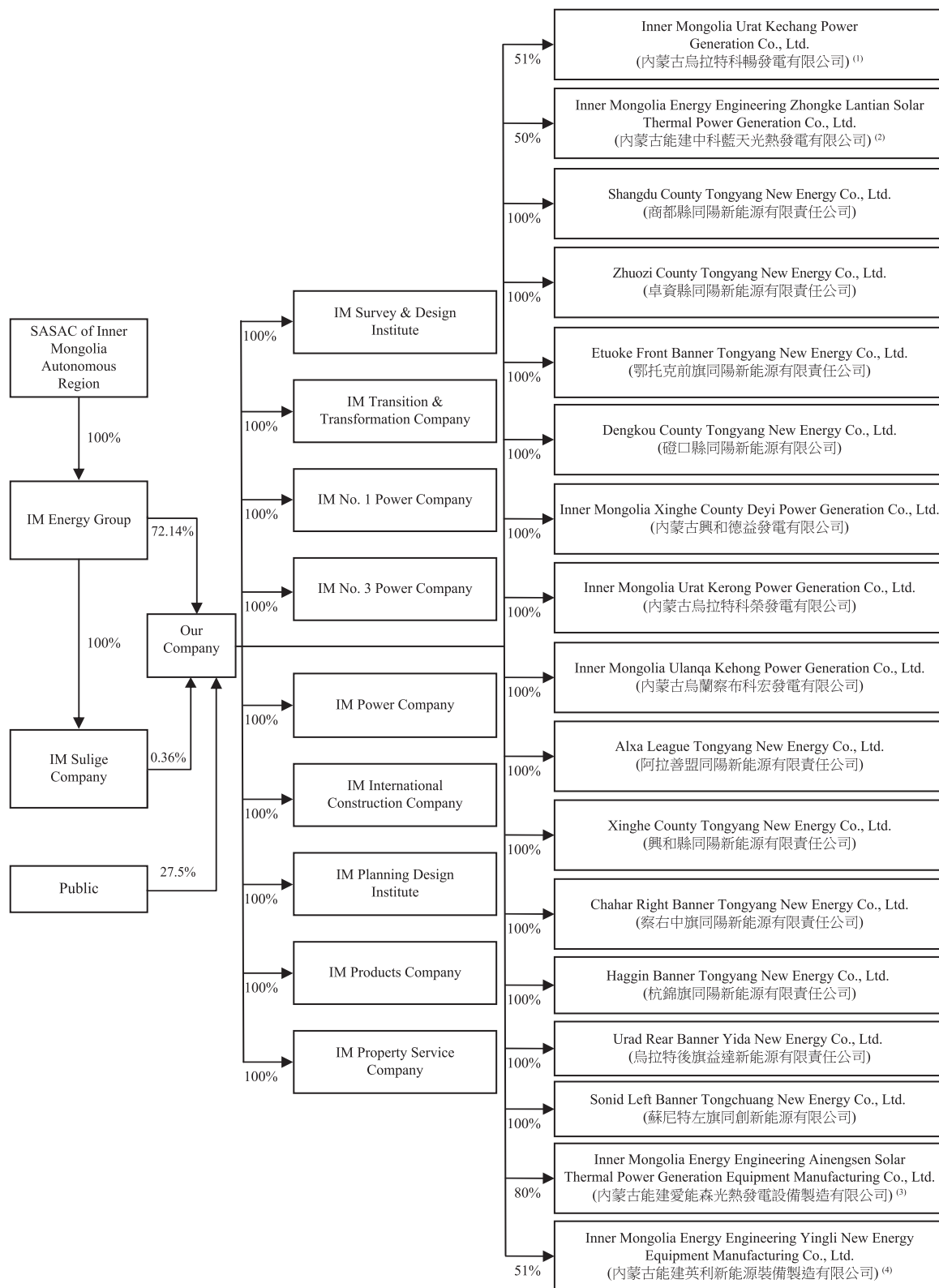
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*Notes:*

- (1) The remaining equity interest is held by Inner Mongolia Jinmao Energy Co., Ltd. (內蒙古金貓能源有限責任公司) (an Independent Third Party), Inner Mongolia Dunan Photovoltaic Technology Co., Ltd. (內蒙古盾安光伏科技有限公司) (an Independent Third Party) and Inner Mongolia Urad Rear Banner Hongtai Chemical Co., Ltd. (內蒙古烏拉特後旗宏泰化工有限責任公司) (an Independent Third Party) as to 24%, 20% and 5%, respectively.
- (2) The remaining 50% equity interest is held by Shenzhen Zhongke Lantian Investment Co., Ltd. (深圳中科藍天投資有限公司) (an Independent Third Party). Although our Company only holds 50% equity interest in Inner Mongolia Energy Engineering Zhongke Lantian Solar Thermal Power Generation Co., Ltd. (“**Zhongke Lantian**”), the financial statements of Zhongke Lantian is consolidated into our Group because of our de facto control of Zhongke Lantian. Such de facto control is due to the fact that, pursuant to the articles of association of Zhongke Lantian, (i) four out of six directors of Zhongke Lantian shall be appointed by our Company so that our Company acquires two-thirds majority vote at the board of directors of Zhongke Lantian; and (ii) both of the general manager and the chief financial officer of Zhongke Lantian shall be recommended by our Company.
- (3) The remaining 20% equity interest is held by Shenzhen Ainengsen Technology Co., Ltd. (深圳市愛能森科技有限公司) (an Independent Third Party).
- (4) The remaining equity interest is held by Yingli Energy (China) Co., Ltd. (英利能源(中國)有限公司) (an Independent Third Party), Jiangsu Zhonghuan Electric Co., Ltd. (江蘇中環電氣有限公司) (an Independent Third Party) and Inner Mongolia Deyi Energy Technology Co., Ltd. (內蒙古德溢能源科技有限公司) (an Independent Third Party) as to 20%, 15% and 14%, respectively.

## HISTORY AND CORPORATE STRUCTURE

The following chart sets out the simplified corporate structure of our Company immediately upon completion of the Global Offering (assuming no Over-allotment Option is exercised):



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## HISTORY AND CORPORATE STRUCTURE

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*Notes:*

- (1) The remaining equity interest is held by Inner Mongolia Jinmao Energy Co., Ltd. (內蒙古金貓能源有限責任公司) (an Independent Third Party), Inner Mongolia Dunan Photovoltaic Technology Co., Ltd. (內蒙古盾安光伏科技有限公司) (an Independent Third Party) and Inner Mongolia Urad Rear Banner Hongtai Chemical Co., Ltd. (內蒙古烏拉特後旗宏泰化工有限責任公司) (an Independent Third Party) as to 24%, 20% and 5%, respectively.
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## BUSINESS

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### OVERVIEW

We are a large comprehensive power industry solutions provider in China, focusing on power grid and new energy projects. We provide our customers with a comprehensive range of solutions, including services relating to survey, design and consultancy, construction contracting, as well as maintenance and overhaul. We also engage in the investment, development, construction and operation of energy projects, and trading.

According to the F&S Report, in 2015, we ranked fourth among PRC comprehensive power industry solutions providers in terms of revenue, second among PRC provincial power grid engineering and construction enterprises in terms of net profit, and ninth among PRC new energy engineering and construction enterprises in terms of revenue. In terms of new installed capacity of wind power and photovoltaic power projects in operation in 2015, we were the largest engineering and construction company of wind power and solar power projects in Inner Mongolia.

In June 2015, we started our trading business on a trial basis. We engage in the purchase and sale of selected commodities, which primarily include petroleum products, coal and chemical raw materials, based on business opportunity, customer demand and profitability. We intend to expand our trading business and develop our expertise in the commodity markets to help us build our centralized procurement platform for our construction contracting business.

Our business segments include:

- **Survey, Design and Consultancy:** We provide design and engineering services for domestic and overseas power grid and power generation projects. In addition, we provide a broad range of consultancy services, including power industry consultancy, assessment and supervision.
- **Construction Contracting:** We provide services for construction projects of power grids, power sources, industrial and civil buildings and other infrastructure in China and abroad.
- **Trading:** We started our trading business in June 2015 on a trial basis. We trade commodities which primarily include petroleum products, coal and chemical raw materials.
- **Power Project Operation and Other Businesses:** We invest in and operate a variety of power projects, provide power projects with overhaul and maintenance services, and engage in power equipment manufacturing and property development.

As one of the leaders in China's power engineering and construction industry, we primarily provide services to energy and power companies in Inner Mongolia and other provinces in China. Based on our track record, we believe we have successfully established "Inner Mongolia Energy Engineering" as a well-known brand name in China's power engineering industry. In recent years, we also provided survey, design and consultancy services in Pakistan, Indonesia, Cambodia, Mongolia, Tajikistan and Kyrgyzstan.



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## BUSINESS

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In 2014, 2015 and 2016, our revenue was RMB3,845.9 million, RMB6,533.3 million and RMB9,782.1 million, respectively. Our profit for the same periods was RMB203.4 million, RMB302.4 million and RMB617.2 million, respectively.

### OUR COMPETITIVE STRENGTHS

We believe we have the following advantages that differentiate us from our competitors:

**We are an industry leader in power engineering in China. Our business is established in resource-rich Inner Mongolia and spreads across China and extends to surrounding countries.**

We are the only state-owned power engineering and construction group based in Inner Mongolia, a region with geographical advantages such as abundant resources. We owned the only provincial-level power grid construction company in China that is not part of the State Grid or China Southern Power Grid. We worked on the engineering and construction of many milestone power projects that have been recognized as “firsts” in Inner Mongolia and China. For example:

- We participated in the design and construction of the first 500kV power substation in Inner Mongolia;
- We participated in the design of the first 500kV power transmission line in Inner Mongolia;
- We participated in the design of China’s first commercial wind power plant, Zhurihe Wind Power Plant (內蒙古朱日和風電場), in 1989;
- We participated in the design and construction of the first PRC manufactured 300MW air-cooling unit power plant;
- We participated in the design and construction of the first 300MW ultra-supercritical air-cooling combined heat and power cogeneration unit power plant; and
- We participated in the design and construction of China’s first 220kV digital power substation.

In addition, we had a significant market share in respect of the design and construction of various types of power projects over the past few years. For example, according to the F&S Report:

- We designed or constructed 76.9% of the power grid projects (220kV and above) in Inner Mongolia that commenced operation from 2013 to 2015 (in terms of length of power transmission lines);
- We designed or constructed 40.6% of the new energy and fossil-fuel power projects and designed or constructed 39.9% of the new energy power projects in Inner Mongolia that commenced operation from 2013 to 2015 (in terms of installed capacity); and

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## BUSINESS

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- We designed or constructed 38.5% of wind power projects in Inner Mongolia that commenced operation from 2013 to 2015 (in terms of installed capacity).

Our broad business network, well-established market position and brand name allow us to capture opportunities in the overseas market brought by China's outbound strategies, such as the "Belt and Road" initiative. Located at the border of China, we believe we enjoy location and technology advantages in our business in the surrounding countries. We focus on the strategic markets under the "Belt and Road" initiative, especially the markets in the "China—Mongolia—Russia Economic Corridor". Inner Mongolia has experienced economic growth and also benefits from the "Belt and Road" initiative. We are actively fostering cooperative relationships with enterprises in Southeast Asia, South Asia and Central Asia. We designed and constructed the first power grid project that transmits electricity to Mongolia. We envision more cooperation opportunities with enterprises in Mongolia in the future. In recent years, we have been actively exploring international markets and provided services in six countries: Pakistan, Indonesia, Cambodia, Mongolia, Tajikistan and Kyrgyzstan. We participated in the design and project management of a 900MW photovoltaic power project in Pakistan, which at that time was the largest single-unit photovoltaic power project in the world and represented another significant step in the area of global photovoltaic power plant construction.

Our market share, experience and technological expertise enable us to benefit from the growing power engineering and construction industry in China and overseas.

**We provide a comprehensive offering across the entire value chain and are capable of engaging in the design, construction, maintenance and overhaul services for all power sources and power grids.**

We provide a full range of services in consultancy, survey, design, general contracting, construction, equipment installation, commissioning, supervision, operation maintenance, overhauling and engineering. As a result, we are capable of serving the full life-cycle of power projects and the entire value chain of power engineering industry.

Our qualification in power engineering covers all major forms of power generating projects, such as solar power, wind power, hydropower, nuclear and fossil-fuel power projects. We are able to engage in projects that include power grid and all major power sources independently.

We believe our business lines benefit from strong synergies with each other. Survey, design and consultancy business is our core competitiveness. Our strong survey, design and consultancy business contributes to the growth of our construction contracting business. Both businesses are closely aligned to share potential customers, which offers significant opportunities for cross-selling and potential growth in our EPC business. With our leading industry position, comprehensive business qualifications, and extensive project experience, and by integrating our survey, design and consultancy with other upstream and downstream resources, we believe we can expand the market share of our overall business and enhance our profitability.

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## BUSINESS

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We believe there is significant potential in the power overhaul and maintenance market. Inner Mongolia is the province with the highest power installed capacity in China. In 2015, the overhaul and maintenance market for new energy and fossil-fuel power projects in Inner Mongolia reached RMB2.8 billion, and it is expected to expand with the growth of the total installed capacity. We are the sole state-owned power engineering and construction group in Inner Mongolia and expect to benefit from the growth potential of the region.

**We are able to capitalize on the opportunities in the fast growing areas of China's power engineering industry focusing on the construction of power grid and new energy projects.**

Power grid and new energy design and construction are the major sources of our profits. In 2014, 2015 and 2016, gross profit from our power grid and new energy design and construction business accounted for 78.1%, 74.7%, and 85.6% of our total gross profit for the same periods, respectively.

With a strong power grid construction team in China, our power grid construction service holds a leading position in Inner Mongolia. We have participated in the design or construction of nine national UHV projects. In terms of net profit in 2015, our subsidiary, IM Transition & Transformation Company, ranked second among China's 35 provincial enterprises engaged in electric power transmission and transformation construction projects. In terms of completed contract value in 2015, we participated in over 60% of Inner Mongolia's design and construction of power grid projects of 220kV and above.

In terms of installed capacity of solar power projects in operation in 2015, we were the largest construction enterprise in Inner Mongolia, with a market share of 23.5%. In terms of installed capacity of wind power projects in operation in 2015, we were the largest construction enterprise in Inner Mongolia, with a market share of 18.9%. Furthermore, our business extends to overseas markets and ten other provinces in the PRC. For example, we served as the general contractor in projects including a 50MW photovoltaic model base in the subsidence area associated with coal mines in Datong, Shanxi, a 20MW photovoltaic power project in Yanshi, Henan, and a 60MW photovoltaic power project in Jinzhai, Anhui. We participated in the design and/or construction of landmark projects including a 900MW on-grid photovoltaic power station project in Pakistan (巴基斯坦並網光伏電站900MW工程項目), the Siziwang 400MW wind power project (內蒙古四子王旗400MW風電場工程) and a 200MW wind power project for Huitengxile No. 2 (Kulun) Expansion (輝騰錫勒2# (庫倫) 擴建200MW風電場工程項目).

Under the Thirteenth Five-year Plan, the PRC government strengthened energy development in Western China and steadily improved the capabilities of cross-regional output, to accelerate the construction of inter-provincial or cross-region power transmission projects, especially outbound wind power transmission lines. According to the F&S Report, from 2017 to 2021, the cumulative length of China's power grid (110kV and above) construction is estimated to grow at a CAGR of 7.2%, with the estimated growth of its power transformation capacity at a CAGR of 9.2%. In addition, the long distance between the power source and power consumption has placed significant demands on China's UHV market.

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## BUSINESS

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The PRC's Thirteenth Five-year Plan emphasized utilizing wind energy, solar energy and biomass energy, developing renewable energy robustly and promoting regional energy transformation. The Energy Development Strategy Action Plan (2014-2020), published by the State Council in 2014, set a goal of 200GW for the cumulative on-grid expected installed capacity for wind power, and 100GW for the cumulative on-grid expected installed capacity of solar power by 2020, to promote the development of clean energies such as wind power and solar power. According to the F&S Report, Inner Mongolia ranked first among all provinces in China in 2015 in terms of wind power reserves and third in terms of total photovoltaic radiation.

Based on our established track record in these markets and combined with technological expertise in traditional power sources, we believe we have a significant advantage in the power grid and new energy construction markets, benefit from an early-mover advantage in these growing areas of China's power engineering and construction industry, and are well placed to expand our market share.

**We have continuously focused on innovation, customer relations, project mix and improvement of our business model so as to maintain profitability in our core businesses.**

In 2014, 2015 and 2016, the gross profit margin of our survey, design and consultancy business was 54.1%, 51.4% and 46.3% respectively. We believe such profitability was attributable in substantial part to our innovative approach, our sound customer relations, the impact of technological barriers to entry in the industries we operate in and our solid relationships with our customers.

In 2014, 2015 and 2016, the gross profit margin of our construction contracting business was 14.8%, 16.3% and 18.3%, respectively, primarily due to the continuous improvement of our project mix and business model by increasing the proportion of projects with relatively high profit margin including wind power projects, solar power projects and power grid projects, the average gross profit margins of which during the Track Record Period were 15.4%, 16.0% and 24.3%, respectively. Due to our long-term relationships with power grid and new energy companies and our brand name, revenue contribution from our power grid and new energy projects to our total revenue from our construction contracting business increased from 61.3% in 2014 to 92.7% for 2016.

Revenue contribution of our EPC projects to the revenue of our construction contracting business had continuously increased from 2.4% in 2014 to 45.0% in 2016. Through EPC projects we can better leverage our synergies, reduce costs and increase profitability.

**We have a highly experienced management team and a professional workforce.**

We believe our management team and professional workforce have been and will remain one of the core factors for our success.

We have an industrious and highly experienced management team. With extensive experience in power construction and engineering and with an average industry experience of over 20 years, our senior management has been dedicated to the power engineering industry and formed a highly professional and skilled team with a depth of management experience.

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## BUSINESS

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We have a large team of skilled engineers and other technical staff. As of December 31, 2016, we had 2,366 technical professionals on various engineering projects, among which there were 12 professor-level senior engineers, 481 senior engineers, 603 engineers and 723 state-certified professionals of various specialties. We also had three professionals who have been awarded the title of “Inner Mongolia design master” and five professionals who have been awarded the title of “Northern China power technology expert”. These distinguished professionals constitute a talented team with advanced qualifications and effective technical skills.

### OUR STRATEGIES

We implement a development strategy that centers on integrating our power industry solutions and diversifying our project mix. We plan to continue to provide comprehensive services to serve the full life-circle of power projects, and promote the sustainable development of clean energy projects. Our goal is to become a leading integrated power construction and investment group in China with an international reputation. In order to achieve our strategic goals, we plan to adopt the following development strategies.

#### **Reinforce the leading position of our core businesses in Inner Mongolia and other provinces throughout China.**

Our survey, design and consultancy and construction contracting businesses accounted for 67.9% of our total revenue in 2016. During the Track Record Period, we held a leading position in China’s power engineering and construction consultancy industry in terms of revenue. We are dedicated to further increasing the market share of these two core businesses in Inner Mongolia and other provinces in China to reinforce our leading position in the relevant markets:

- **Survey, design and consultancy:** We plan to capitalize on our advantages in the PRC power grid and new energy survey, design and consultancy businesses. We aim to place particular emphasis on developing EPC projects and increasing the volume of survey, design and consultancy business. We will also strive to make advancements in the independent design of large power generators and the design of UHV AC/DC current substations. In order to further our goal to expand into high-end, specialized services in survey, design and consultancy, we are working towards our long-term goal of obtaining the comprehensive Grade A qualification from the PRC government. The comprehensive Grade A qualification is the highest level of qualification granted by the Ministry of Housing and Urban-rural Development of the PRC to a limited number of enterprises in relation to engineering design in the PRC. The comprehensive Grade A qualification will enable us to provide engineering design services in respect of all 21 engineering design industries in the PRC. We are required to meet stringent requirements in order to apply for the comprehensive Grade A qualification. We are committed to developing our survey, design and consultancy capabilities and improving our industry position, and still strive to obtain the comprehensive Grade A qualification within the next five to 10 years.
- **Construction contracting business:** We will continue to enhance our strength in the construction of power grids and new energy projects. In December 2016, we also obtained

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## BUSINESS

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the Top Grade Qualification in general contracting of power engineering and construction thus enabling us to make further progress in our EPC business for large scale power units. In addition, we will seek to capture business opportunities for power plant maintenance and coal-fired power plant retrofitting, providing highly customized services.

We plan to capitalize on the synergies of our core businesses and further develop our capabilities in the design and construction of power grids and power projects. We plan to utilize our technological advantages, continually improve our management skills and service quality, and accelerate the growth of our business in designing and constructing UHV projects. We seek to expand our market reach, promote our output value in design and construction and enhance our energy construction brand in China.

### **Extend our strength in our core businesses to related sectors and selectively expand our other businesses.**

Leveraging our strengths in the power engineering design and construction, we will selectively make investments and acquisitions in high quality new energy projects and develop our trading business as we seek to improve our profitability.

- **Investment platform:** Our investment policy is to make investments or acquisitions which are consistent with the development policies of the national energy industry, will benefit our growth and is in line with our development plan. We will actively promote our capital activities, and make timely investments and acquisitions with regard to high-quality assets in the energy industry to optimize our business mix. We plan to leverage our advantages in power engineering, actively participate in investments in high-quality new energy projects, selectively acquire new energy power generation projects, and further grow our market share in the new energy market, in order to promote the balanced growth of our multiple business segments. We have not currently identified any investment targets.
- **Trading:** We intend to capitalize on our location in Inner Mongolia and strategic proximity to Central Asia and Mongolia, which have abundant energy resources, mining and natural resources, to strengthen our ability to obtain upstream resources from our suppliers, build and optimize our logistics channels, improve our operational efficiency and improve the procurement cost-efficiency of our other businesses through the platform created by our trading business. We foresee strong growth potential for our coal trading business and expect that our coal trading business will continue to expand in 2017 and contribute to a greater proportion of our Group's total revenue. We intend to strengthen our relationship with our existing customers and grow our customer base for our coal trading business. We also intend to further refine our coal trading processes to improve operational and cost efficiency and reduce risk.

### **Actively adapt to the evolving power industry and capture emerging business opportunities.**

We aim to strategically expand our UHV AC/DC power grid project presence in and outside Inner Mongolia, seeking to increase our market share by leveraging our leading technological

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## BUSINESS

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capabilities in this market. We also plan to capture opportunities arising from outbound UHV transmission channels to develop coal-fired power projects using low calorific value coal, self-contained heat-and-power cogeneration projects and power source assembling hub projects of outbound UHV transmission lines.

We plan to develop clean energy projects such as wind power and solar power projects, to expand our energy project portfolio of mutually complementary power sources of wind power and solar thermal power. We plan to increase our investment in solar power projects and selectively develop solar thermal power projects, biomass energy power projects and waste-to-energy power projects. We will selectively invest in solar thermal power generation projects and integrate design and construction, installation and commissioning, operation maintenance, and equipment manufacturing across the solar thermal power generation industry chain, with the goal of establishing a leading position in this market.

We will also seek to explore opportunities in the EPC contracting for our major customers' energy-saving, emission-reduction and retrofitting projects. We will actively promote the application of technologies and facilities for energy saving and environmental protection, enhance our clean energy policy studies and model project planning, promote clean power generation and seek to increase the utilization rate of coal. We will focus on promoting the clean energy and fossil-fuel power bundled mode and the micro-grid mode for power sales and distribution. We intend to methodically develop fossil-fuel power engineering and retrofitting project planning and reserves.

### **Continue to expand our overseas business.**

We aim to strengthen the development of our overseas market in line with our market strategy of maintaining a leading market position in Inner Mongolia, expanding across China and exploring overseas markets. Building on our advantages in power transmission and transformation and clean energy construction projects in China, we will actively explore the international power grid and new energy markets, especially businesses in the regions covered by the "Belt and Road," "China-Mongolia-Russia Economic Corridor" and "China-Pakistan Economic Corridor" initiatives. In order to lay a foundation for our overseas projects, we will develop professional teams committed to overseas power construction. We plan to further expand our overseas businesses through the following measures:

- *Optimize our overseas business presence:* We will focus on expansion in emerging markets such as Southeast Asia, Africa and Latin America. We will further expand our international network, strengthen our local management and enhance our risk controls.
- *Prioritize our overseas projects:* We will seek to increase overseas investment while promoting EPC contracting for international projects, project investment and financing, and equipment export.
- *Establish overseas business:* We will further refine our systems for risk prevention and control, and establish a three-tier risk management framework covering our headquarters, subsidiaries and overseas project teams.

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## BUSINESS

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We are currently exploring opportunities to participate in several wind power or municipal construction projects in Mongolia, Italy and Brazil.

We will focus on building our brand name in the global market to attract more potential business partners.

**Implement the strategy of “valuable company built upon valuable staff” and continue to enhance our professional team.**

We believe that outstanding employees are our core assets. We will continue to incentivize employee performance and enhance our performance evaluation system. We plan to continue to recruit talented employees and further train our key staff. We will continue to attract and recruit professionals specialized in EPC project management, overseas operations and capital management. We will also promote the reform of our human resources, enhance recruitment and improve incentive plans to enhance employee performance and the further alignment of our employees interests with ours.

### PERFORMANCE OF OUR PRINCIPAL BUSINESS SEGMENTS

#### Overview

The following table sets forth our segment revenue (after intersegment eliminations) in absolute amount and as a percentage of total revenue during the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
Survey, design and consultancy .....	500.3	13.0	522.0	8.0	567.8	5.8
Construction contracting .....	2,974.2	77.3	4,029.3	61.7	6,072.8	62.1
Trading <sup>(1)</sup> .....	–	–	1,481.2	22.7	2,228.1	22.8
Power project operation and other businesses .....	371.4	9.7	500.8	7.6	913.4	9.3
<b>Total .....</b>	<b><u>3,845.9</u></b>	<b><u>100.0</u></b>	<b><u>6,533.3</u></b>	<b><u>100.0</u></b>	<b><u>9,782.1</u></b>	<b><u>100.0</u></b>

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(1) Trading is a new business which we launched in June 2015, and therefore we did not generate any revenue from trading business in 2014.



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## BUSINESS

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### **Suspension of approval of new wind power projects**

The Inner Mongolia Development and Reform Commission has suspended the approval of new wind power projects in 2016. Our Directors are of the view that such suspension did not have any material impact on the Group's financial and operational positions for the following reasons:

- (i) in respect of our survey, design and consultancy business segment and our construction contracting business segment: (a) our existing uncompleted wind power projects are either under construction or have obtained regulatory approval; (b) while similar suspension policies have also been implemented in Heilongjiang, Jilin, Ningxia, Gansu and Xinjiang, such suspension policies are not expected to have an impact on the Group's business expansion in the future as we do not have any existing or pending wind power business in these areas subject to such suspension and since 2016 we have expanded our wind power business outside of Inner Mongolia in areas not subject to such suspension. In 2016, our business outside of Inner Mongolia accounted for 30.9% of our total revenue; and (c) we intend to participate in more photovoltaic power projects in light of the decrease in wind power project opportunities in Inner Mongolia. In 2016, photovoltaic power projects accounted for 39.3% of our total new contract value while wind power projects only accounted for 25.9% of our total new contract value; and
- (ii) in our power project operation and other businesses segment: (a) our existing wind power investment project, the Hengrun wind power plant, is already in operation and therefore is not subject to the suspension of approval of new wind power projects; and (b) our existing pending projects are mainly solar power projects and our investment in wind power projects in Inner Mongolia has seen a gradual decline in recent years.

### **SURVEY, DESIGN AND CONSULTANCY BUSINESS**

#### **Overview**

Our survey, design and consultancy business, one of our core businesses, covers various services throughout the stages of preliminary discussion, definition and implementation, including master planning, proposal studies, environmental impact assessment, feasibility studies, project application report, basic engineering, detailed engineering and project management. We provide design and engineering services mainly to power grids, wind power, solar power and fossil-fuel power companies in China and abroad. As of December 31, 2016, the aggregate contract value of the power grid and new energy projects in the backlog of our survey, design and consultancy business accounted for 73.5% of the total contract value of the backlog in the same segment. In 2016, the aggregate value of new contracts we entered into for power grid and new energy projects in our survey, design and consultancy business accounted for 80.4% of the total value of the new contracts in the same segment.

Survey, design and consultancy business requires extensive industry expertise. As of December 31, 2016, we held qualification certificates issued by government and industry associations

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## BUSINESS

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for survey, design, engineering consultancy, environmental impact assessment, energy-saving assessment, soil and water conservation engineering, survey and mapping, construction contracting supervision, special equipment design and water resources assessment, including eight industrial Grade A engineering qualification certificates and one comprehensive Grade A engineering qualification certificate. We believe our design and engineering expertise allows us to maintain an industry-leading position in China in the fields of power grid projects with various voltage levels, UHV AC/DC power grid projects, air-cooling units, wind power plants, photovoltaic power plants and solar thermal power plants. We also engage in the fields of ultra-supercritical or supercritical coal-fired generation units, large-scale CCPP, integration of wind power, solar power and storage, micro-power grid and biomass power generation. We believe we are a leading designer of new energy and power grid projects in China.

According to the F&S Report, in 2015, our design and engineering business had the largest market shares in Inner Mongolia of survey and design projects for power transmission and transformation of 220kV and above (in terms of completed contract value), photovoltaic market and wind power market (in terms of installed capacity). We had a market share of 61.4% in Inner Mongolia of survey and design projects for power transmission and transformation of 220kV and above in terms of completed contract value, a market share of 13.8% in Inner Mongolia's photovoltaic market in terms of installed capacity and a market share of 37.9% in Inner Mongolia's wind power market in terms of installed capacity. With regard to the UHV transmission power grid market, in 2015 we participated in all such projects in Inner Mongolia and several others in other provinces.

Segment revenue from our survey, design and consultancy business for 2014, 2015 and 2016 was RMB500.3 million, RMB522.0 million and RMB567.8 million, representing 13.0%, 8.0%, and 5.8%, respectively, of our total revenue for the same periods. Our segment gross profit for the same periods was approximately RMB270.5 million, RMB268.2 million, and RMB262.7 million, representing 35.3%, 26.3%, and 17.6%, respectively, of our gross profit for the same periods.

### Scope of Our Businesses

We provide a variety of survey, design and consultancy and related services, mainly including the following services:

- *Master planning*: Overall instructions on the objectives, missions and general guidelines of projects;
- *Proposal studies*: Studies of the necessity of a proposed project investment after master planning, mainly defining the basic scope, parameters and economic assessment of the proposed project;
- *Environmental impact assessment*: Analysis, estimation and evaluation of possible environmental impacts resulting from the implementation of a planning and construction project, introduction of measures to prevent and alleviate adverse environmental impacts and tracking and monitoring processes;

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## BUSINESS

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- *Feasibility studies:* Surveys, studies, analysis and comparisons of various aspects of a proposed project; estimation of possible economic benefits as well as the social and environmental impacts of the project; analysis of the risks and competitiveness of the project; and advisory opinions on the feasibility of the project construction. Feasibility studies are the main basis for making investment decisions;
- *Project application report:* For projects that need governmental approval of their investment and construction, we prepare project analytical reports and submit such reports to government authorities for their administrative approval of the proposed projects;
- *Basic project design:* Based on the approved feasibility study report, we further determine and standardize detailed engineering criteria, design principles and technological conditions and optimize project layouts and design plans. Process package design serves the purposes of controlling the overall process, progress and investment of the construction project. After the project owner's review and approval, we further provide specialized technical plans to satisfy owners' requests in terms of inspection, preparations for material procurement and construction, and detailed engineering, and to meet the regulatory requirements for fire control, environmental protection, safety, occupational health, energy saving and seismic resistance;
- *Detailed engineering:* We solve implementation issues of project construction, produce construction drawings in accordance with affirmed technical plans and principles, set standards for installment, inspection and completion acceptance of the projects and fulfill the requirements for material procurement, manufacturing and installation of equipment, project construction and facility operations; and
- *Project management:* As the agent of the project owner, we perform whole-process management and provide relevant consultancy services in areas of overall planning of the project, project definition, tendering and quotation, selection of contractors and the engineering, procurement and construction process.

### **Application of Advanced Technologies**

We have been steadily increasing our application of new and advanced technologies, some of which are set forth below:

- *Optimal allocation of wind power, photovoltaic power generating and energy storage capacity.* By precise reconciliation of wind power, photovoltaic power and energy storage designs, we have set what we believe is the most stable and reliable allocation in power plants. Our technology effectively mitigates the impact of isolated power generation from either wind power or photovoltaic power on the stability and reliability of the power grid and promotes the use of new energy power. The technology provides support for the large-scale construction of new energy micro-grids in Inner Mongolia and China, and provides technical support for new energy micro-grids and distributed grids in the power distribution reform.

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## BUSINESS

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- *Trough-type solar thermal system for direct heating.* At present, northern China primarily relies on fossil-fuel power units for heating, leading to high consumption of energy, whereas there are abundant solar energy resources in the northwestern regions. In view of the rapid growth of solar thermal power projects in recent years, we are actively promoting the use of the relatively advanced trough-type solar thermal energy technology in direct heating for primary and secondary heat supply. The system can provide continuous heating by setting up energy storage systems and is mainly used for heat supplies to residential and industrial buildings in winter.
- *Technology for utilization of residential heat in drain system of heating network in supercritical air-cooled heating units.* This technology reduces the residual heat loss in various types of thermal power generating units. The technology is applicable to supercritical air-cooled heating units of various parameters and capacities that use direct current boilers. This technology minimizes heat loss in heat transfers and ensures safe, stable and low-cost operation of the precise treatment system of condensed water, while maximizing the efficiency of heating network draining system. It also maintains high water quality in supercritical direct current boilers' water-supplies while maximizing the energy-saving benefits.
- *Optimized design for the super large cooling tower.* Inner Mongolia is rich in coal resources, but lacks water resources. The thermal power plant air-cooling system provides an effective solution to this problem. The air-cooling system produces significant effect in water conservation and environmental protection and reduces water consumption compared with traditional water-cooling systems.
- *New plasma oil-free ignition technology.* This technology reduces fuel consumption in the general operation of fossil-fuel power plants and won the First Prize at the China Electric Power Science and Technology Award.
- *Technology for enhancing efficacy of bed material filling in large CFB boilers during the startup process.* By using the power plants' coal screening and filtering functions, this innovative technology is efficient in filling bed materials during boilers' startup process and significantly saves manpower and time.

### **Power Grid Projects**

We have industry-leading design and engineering technologies in China. Leveraging our professional skills and recognized brand name, we primarily provide various survey, design and consultancy services for power grid projects.

### ***Completed Projects***

We have provided survey, design and consultancy services for many landmark power grid projects. During the Track Record Period, we provided design and engineering services for 355 power grid projects.

## BUSINESS

Set forth below is the total length of power transmission lines and installed capacity of power substations of our completed power grid projects for which we provided survey, design and consultancy services during the Track Record Period:

	Year ended December 31,		
	2014	2015	2016
Transmission lines (220kV and above) (km) .....	1,160.6	1,584.1	1,490.6
Power substations (MVA) .....	11,356.5	10,795.5	5,460.6

Set forth below are the landmark power grid projects completed during the Track Record Period in China for which we provided survey, design and consultancy services:

Project Name	Design Commencement Date	Design Completion Date	Total Contract Value <sup>(1)</sup>	Project Description
			<i>(RMB in millions)</i>	
Survey and Design Contract of Bai Yin Gao Le (Sang Gen Da Lai) 500kV Power Transmission and Transformation Project (白音高勒(桑根達萊)500KV輸變電工程勘察設計項目)	December 2011	December 2015	55.1	A relatively complex power grid project in Inner Mongolia.
Survey and Design Project of Ximeng – Shandong AC UHV Power Transmission and Transformation Project (錫盟—山東特高壓交流輸變電工程勘察設計項目)	December 2011	January 2015	17.6	1,000kV AC UHV transmission and transformation project.

(1) “Total contract value” represents the subtotal of the value of all the relevant contracts signed by us, excluding the value attributable to other parties.

## BUSINESS

### *Projects in Progress*

The following table sets forth some of the landmark power grid projects in progress, for which we provide survey, design and consultancy services:

<b>Project Name</b>	<b>Design Commencement Date</b>	<b>Expected Design Completion Date</b>	<b>Total Contract Value<sup>(1)</sup></b>	<b>Project Description</b>
			<i>(RMB in millions)</i>	
Design Project of Daquan Station East-Anbei Station East Section of Changji-Guquan ±1,100kV High Voltage DC Transmission Line Project (昌吉-古泉±1,100千伏特高壓直流輸電線路工程之大泉站東至安北站東段設計項目)	July 2015	June 2018	24.0	The transmission line project in the world with the longest designed transmission distance and the highest designed voltage.
Chagannaerhuduga (查幹淖爾呼都嘎) – Inner Mongolia and Hebei section of Ximeng-Taizhou ±800kV UHV-DC Transmission Line Project (錫盟—泰州±800kV輸送特高壓直流輸電線路工程之查幹淖爾呼都嘎-蒙冀省界段項目)	December 2014	December 2017	14.3	An important ancillary project for environmental protection in Northern China and the foundation of the energy base construction in Ximeng, Inner Mongolia. It can transmit the energy of coal through overhead electricity lines.
Design Project of Wulantaolegai (烏蘭陶勒蓋) – Inner Mongolia – Shaanxi section of Shanghai Miao to Shandong Dong Miao District ±800kV UHV-DC Transmission Line Project (上海廟—山東±800kV東廟區環境特高壓直流輸電線路工程之烏蘭陶勒蓋—蒙陝省界段設計項目)	December 2014	December 2017	19.7	An important ancillary project for environmental protection in Northern China and the foundation of the energy base construction in Ordos, Inner Mongolia. It can transmit the energy of coal through overhead electricity lines.

(1) “Total contract value” represents the subtotal of the value of all the relevant contracts signed by us, excluding the value attributable to other parties.

### **Power Generation Projects**

We believe we have industry-leading design and engineering technologies and a recognized brand name in China. We primarily provide various survey, design and consultancy services for power generation projects.

### *Completed Projects*

We have provided survey, design and consultancy services for many landmark power generation projects in various industries. During the Track Record Period, we provided design and engineering services for 135 wind power projects, 63 photovoltaic power projects and 86 fossil-fuel power projects.

## BUSINESS

Set forth below is the total installed capacity of our completed power generation projects under our survey, design and consultancy business during the Track Record Period:

	Year ended December 31,		
	2014	2015	2016
Wind power (MW) . . . . .	661.2	1,495.3	2,320.7
Photovoltaic power (MW) . . . . .	137.5	274.7	968.0
Fossil-fuel power (MW) . . . . .	1,268.4	3,313.0	2,317.6

Set forth below are the landmark power generation projects completed during the Track Record Period in China for which we provided survey, design and consultancy services:

Project Name	Design Commencement Date	Design Completion Date	Total Contract Value <sup>(1)</sup> <i>(RMB in millions)</i>	Project Description
100MW Photovoltaic Power Generation Project of Hohhot Wuchuan 300MW Photovoltaic Power Plant Phase I Design Project (呼和浩特武川縣300MW光伏電站一期工程100MW光伏發電設計項目)	February 2014	May 2015	4.0	One of the largest single-unit photovoltaic power plants in Inner Mongolia.
Survey and Design Project of Inner Mongolia Siziwang 400MW Wind Power Project (內蒙古四子王旗的400MW風電場工程勘測設計項目)	November 2011	June 2015	10.3	The largest single-unit wind power project in Inner Mongolia.
Tajikistan Dushanbe No.2 Fossil-fuel Power Plant Phase II 2×150MW Units Construction and Design Project (塔吉克斯坦杜桑貝-2號火電站二期2×150MW機組建設設計項目)	September 2014	September 2014	23.6	One of the largest fossil-fuel projects in Tajikistan.
Inner Mongolia Shengle 2×350MW Combined Cooling and Heat Power Unit Survey and Design Project (內蒙古盛樂2×350MW冷熱電聯供機組工程勘測設計項目)	June 2012	October 2015	26.0	The first project in the region with three dual-generator towers in one unit.

(1) “Total contract value” represents the subtotal of the value of all the relevant contracts signed by us, excluding the value attributable to other parties.

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## BUSINESS

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### *Projects in Progress*

The following table sets forth some of the landmark power generation projects in progress, for which we provide survey, design and consultancy services:

<b>Project Name</b>	<b>Design Commencement Date</b>	<b>Expected Design Completion Date</b>	<b>Total Contract Value<sup>(1)</sup></b> <i>(RMB in millions)</i>	<b>Project Description</b>
Xilin Heat Power Plant 2×350MW Combined Heat and Power Cogeneration Unit Survey and Design Project (錫林熱電廠2×350MW發電供 熱機組工程勘察設計項目)	July 2015	August 2017	21.7	The only power-heat cogeneration project of the power generation projects ancillary to the Ximeng-Shandong High Voltage Transmission Project.
800MW Engineering Design Project of On-grid Photovoltaic Power Station Project of Punjab in Pakistan (位於巴基斯坦旁遮普省的並網光伏 電站項目800MW工程設計項目)	June 2015	December 2017	17.0	“Belt and Road” initiative project. The largest single-unit photovoltaic power station design in the world.

(1) “Total contract value” represents the subtotal of the value of all the relevant contracts signed by us, excluding the value attributable to other parties.

### *Pending Projects*

We are actively engaging in the survey, design and consultancy works for newly planned power generation projects in China. We were engaged but have not commenced work for certain pending projects. As of December 31, 2016, in terms of designed installed capacity, our pending projects comprised new energy projects of 919MW and fossil-fuel power projects of 6,540MW.



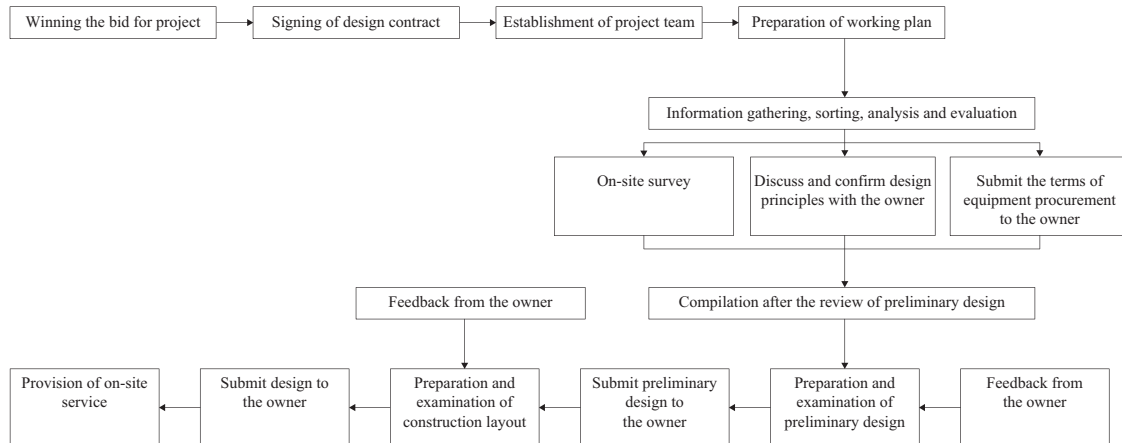
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# BUSINESS

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## Business Processes and Contract Terms

The following flow chart presents the general process for our survey, design and consultancy business.



The planning of a project typically lasts approximately one month to three years, while consultation typically lasts approximately one to six months. The project management service is provided throughout the life cycle of a project, which usually lasts approximately six months to one year.

The entire process of our survey, design and consultancy business usually includes the stages of preparation, bidding and the project operation after successful bidding. During the preparatory stage, we collect and analyze market information to determine the elements of the design. In the bidding stage, we make preliminary plans based on project specifications and prepare and submit bidding documents. During the project operation, we conduct further on-site surveys and propose more detailed plans for our customer's approval prior to the final draft of the documents. For projects in which we provide design services, we also provide on-site consultation and relevant technical services from time to time during the project construction, which resolves any potential or unexpected design problems.

We generally determine the price of our services during the bidding process. Before submitting the bidding documents, we normally evaluate the reasonable prices for our undertakings based on our experience and by taking into account factors such as the specific project requirements, the estimated cost of labor, the workload, market conditions and potential benefits of establishing a long-term business relationship. We usually adopt fixed-price contracts for most of our survey, design and consultancy projects. In general, we use historical prices from similar projects we have participated in the past as the basis for our pricing, and make adjustments to such pricing based on the above factors and other considerations involved in the bidding process.

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## BUSINESS

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We normally use standard contract terms in our survey, design and consultancy business. Depending on the projects, we would make necessary revisions to certain standard terms after negotiating with our customers. Typically, the key terms of our contracts include:

- *Pricing:* Prices are usually fixed and can be changed by both parties' agreement in response to the changes of our customers' requests or work scope;
- *Payment:* Our contracts typically provide for payments in installments based on milestones, such as approval of the feasibility report, completion of the detailed design and the completion of the project. Our contracts commonly provide that during the course of the project, we will be paid in installments ranging from 90% to 95% of the total contract value, based on the project progress (including an advance payment of approximately 20% to 50% of the total contract value, which is generally due within one month after the execution of the contract);
- *Warranty Period:* Our warranty period typically lasts for 12 months after the issuance of the completion certificate;
- *Retention Money:* Retention money is typically equal to approximately 5% to 10% of the total contract value. Typically, it will be refunded to us after the warranty period in the absence of a warranty claim;
- *Scope of Work:* Our contracts typically provide that our scope of work covers survey, design and consultancy services;
- *Variation of Designs:* The customer may request a variation of design. The customer may be responsible for the additional costs in light of the specific contract terms if such variation is beyond the original agreed scope within the period of contract; and
- *Compensation for Damages:* We are responsible for the costs for any variation in design, delay or other losses caused by our fault.

### Customers

For our survey, design and consultancy business, our main customers comprise large power generation and power grid companies. We have maintained business relationships with our major customers in survey, design and consultancy business for over five years. We did not enter into any long-term service agreements with our customers in survey, design and consultancy business and construction contracting business.

During the ordinary course of business, we receive contractual payments from our customers in installments. Customers usually pay us in Renminbi through telegraphic transfer and letters of acceptance.

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## BUSINESS

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### Qualifications

We held the qualifications necessary for engaging in our survey, design and consultancy business, in all materials aspects, encompassing survey, design and consultancy, survey and mapping, geological disaster prevention and supervision. The following table sets forth main survey, design and consultancy qualifications of our main subsidiaries as of December 31, 2016:

Name of certificate	Class of certificate
Engineering design qualification certificate	Grade A for Environmental Projects (specializing in atmospheric pollution prevention)
	Grade A for Power Industry
	Grade A for Telecommunication Industry (specializing in communication towers)
	Grade A for Municipal Industry (specializing in thermal engineering)
Engineering design qualification certificate	Grade B for Construction Industry (specializing in construction projects)
	Grade B for Municipal Industry (excluding gas engineering and railway transportation)
Engineering design qualification certificate	Grade B for Power Industry Grade C for Construction Industry (specializing in construction projects)
Engineering survey qualification certificate	Comprehensive Grade A
Engineering survey qualification certificate	Grade B
Qualification certificate of engineering consultancy unit	Grade A
Qualification certificate of engineering consultancy unit	Grade C
Qualification certificate of engineering consultancy unit (engineering project management qualification)	Grade A
Qualification certificate of surveying and mapping	Grade A
Qualification certificate of surveying and mapping	Grade B
Environmental impact assessment qualification of construction projects	Grade A
Certificate of evaluation of entity responsible for preparing soil and water conservation plan	Grade of four-star
Design license for special equipment and construction supervision certificate	N/A
Water resource proof qualification certificate	Grade B
Qualification certificate of engineering contracting	N/A

**CONSTRUCTION CONTRACTING BUSINESS****Overview**

The construction contracting business is one of our core businesses. We mainly provide construction services for power grid projects and large-scale power generation projects in China and abroad. In addition, we engage in other infrastructure construction projects. As of December 31, 2016, the aggregate contract value of the power grid and new energy projects in the backlog of our construction contracting business accounted for 88.6% of the total contract value of the backlog in the same segment. In 2016, the aggregate value of new contracts we entered into in respect of the power grid and new energy projects in our construction contracting business accounted for 93.8% of the total value of the new contracts in the same segment.

We ranked fourth among comprehensive power solution providers in China in 2015 in terms of revenue. According to the F&S Report, in 2015, in Inner Mongolia, we had a 62.6% market share of construction projects for power transmission and transformation of 220kV and above in terms of completed contract value, a 18.9% market share in the wind power project construction market in terms of installed capacity, a 23.5% market share in the photovoltaic power project construction market in terms of installed capacity and a 14.2% market share in the fossil-fuel project construction market in terms of installed capacity. See “Industry Overview.”

We provide construction contracting services, especially our EPC business, through our subsidiaries including IM Transition & Transformation Company, IM No. 1 Power Company, and IM No. 3 Power Company, as well as their respective subsidiaries. Our construction contracting business encompasses all construction processes of an engineering project, including project management, procurement, construction, equipment manufacturing and operational maintenance. Our construction contracting business relies on comprehensive capabilities in quality control, cost control, progress control and health, safety and environment management in the course of project execution. We have a team of professionals experienced in construction contracting, including project managers specifically appointed according to different projects, operation managers, project chief engineers, supply officers and specialized safety officers.

In 2014, 2015 and 2016, our segment revenue from the construction contracting business was RMB2,974.2 million, RMB4,029.3 million and RMB6,072.8 million, representing 77.3%, 61.7% and 62.1% of our total revenue for the same periods, respectively. The segment gross profit of our construction contracting business was RMB440.3 million, RMB656.6 million and RMB1,110.7 million, representing 57.5%, 64.3% and 74.5%, of our gross profit for the same periods, respectively.

We provide construction contracting services to wind power, solar power, power grid, fossil-fuel power and non-power projects. Our average gross profit margin for the Track Record Period of each project type above was 15.4%, 16.0%, 24.3%, 4.7% and 8.6%, respectively.

## BUSINESS

### Power Grid Projects

#### *Completed Projects*

During the Track Record Period, we provided construction services for 286 power grid projects.

Set forth below is the total length of power transmission lines and installed capacity of power substations of the completed power grid projects for which we provided construction contracting services during the Track Record Period:

	Years ended December 31,		
	2014	2015	2016
Transmission lines (220kV and above) (km) .....	1,820.5	4,249.5	857.1
Power substations (MVA) .....	30,132.0	9,048.0	5,104.0

Set forth below are several of the completed landmark power grid projects for which we provided construction contracting services that are representative in terms of scale and technological complexity:

Project Names	Commencement Date	Completion Date	Total Contract Value <i>(RMB in millions)</i>	Project Description
Lingzhou – Shaoxing ±800kV UHV DC Transmission Line (Shanxi Section) Project <i>(靈州—紹興±800千伏特高壓直流輸電線路（山西段）項目)</i>	October 2015	April 2016	81.9	The transmission line project in operation in the world with the highest voltage.
Wuchuan 500kV Power Transformation Project <i>(武川500千伏變電項目)</i>	July 2012	April 2014	53.5	The first 500kV carbon fiber transmission line in China.
Wuhai Lasengmiao Industrial Park 200kV Power Transformation Project <i>(烏海拉僧廟化工園區220千伏變電項目)</i>	September 2014	October 2015	33.4	The project won the 2016 China Quality Power Project Award.

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## BUSINESS

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### *Projects under Construction*

The following table sets out the total length of power transmission lines and installed capacity of power substations of the power grid projects under construction for which we provided construction contracting services during the Track Record Period:

	<u>Years ended December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Transmission lines (220kV and above) (km) .....	1,491.1	3,171.2	4,448.5
Power substations (MVA) .....	8,994.0	10,643.8	21,120.0

### *Pending Projects*

The following table sets out the total designed length of power transmission lines and designed installed capacity of power substations of the power grid pending projects as of December 31, 2016 for which we plan to provide construction contracting services:

	<u>As of December 31, 2016</u>
Transmission lines (220kV and above) (km) .....	1,364.1
Power substations (MVA) .....	5,349

### **Power Generation Projects**

#### *Completed Projects*

During the Track Record Period, we undertook the construction contracting works of 79 wind power projects, 43 photovoltaic power plant projects and 39 fossil-fuel power projects.

Set forth below is the total installed capacity of the completed power generation projects for which we provided construction contracting services during the Track Record Period:

	<u>Years ended December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Wind power (MW) .....	348.5	1,792.5	1,807.5
Photovoltaic power (MW) .....	70.0	490.0	1,241.0
Fossil-fuel power (MW) .....	1,320.0	350.0	1,670.0

## BUSINESS

Set forth below are several of the completed landmark power generation projects for which we provided construction contracting services that are representative in terms of scale and technological complexity:

<u>Project Names</u>	<u>Commencement Date</u>	<u>Completion Date</u>	<u>Total Contract Value</u> <i>(RMB in millions)</i>	<u>Project Description</u>
Inner Mongolia Siziwang Xingfu Wind Power Project Phase I (400MW) 35kV Integrated Circuits and Box-type Power Substation Installation, Wind Turbine and Tower Installation and 500kV and 220kV Transmission Project (內蒙古四子王幸福風電一期(400兆瓦)工程35千伏集電線路及箱變安裝、風機及塔筒設備安裝及500千伏、220千伏送出工程項目)	July 2014	November 2014	95.0	The largest single-phase installation wind power projects in Inner Mongolia.
Shaanxi Yulin Fugu Tianjiazhai 49.5MW Project Phase I Wind Turbine Foundation and Road Overhauling Project and Wind Turbine Elevation Project (陝西省榆林市府谷田家寨一期49.5兆瓦風機基礎及檢修道路工程及風機吊裝工程項目)	August 2015	November 2015	34.5	Our first project that adopts P&H tensionless pile wind turbine foundation.
Hainan Lingao Solar-wind Power Generation (Wind Power Section) Demonstration Project for the New Construction of 6MW Wind Power Generation Project (海南臨高風光互補示範工程(風電部分)新建6兆瓦風力發電工程項目)	May 2014	August 2014	45.8	Solar-wind Power Generation Demonstration Project and EPC General Contract Project.
Ulanqab Hongda Shiye Limited Corporation and Ulanqab Hongda Combined Heat and Power Generation Unit Project (烏蘭察布市宏大實業有限公司興和烏蘭察布市宏大熱電聯產機組工程項目)	April 2014	September 2015	189.5	Subcritical single-extraction condensing direct air-cooled turbo generator set, equipped with two pulverized coal-fired boilers; constructed desulfurization facilities.

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## BUSINESS

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### *Projects under Construction*

The following table sets out the total installed capacity of the power generation projects under construction for which we provided construction contracting services during the Track Record Period:

	<u>Years ended December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Wind power (MW) .....	394.5	699.0	1,595.5
Photovoltaic power (MW) .....	70.0	160.0	870.0
Fossil-fuel power (MW) .....	1,990.0	1,310.0	2,370.0

### *Pending Projects*

The following table sets out the designed installed capacity of the pending power generation projects as of December 31, 2016 for which we plan to provide construction contracting services:

	<u>As of December 31, 2016</u>
Wind power (MW) .....	100.0
Photovoltaic power (MW) .....	20.0

### **Building Construction**

We have extended our expertise from power engineering and construction to building construction projects, including residential buildings, steel structures and municipal works.

### **Qualifications**

As of December 31, 2016, we held qualifications including Top Grade Qualification in general contracting of power engineering and construction, Grade A Qualifications in general contracting of construction engineering, specialized contracting of steel structure engineering, specialized contracting of airport visual navigation aid engineering and specialized contracting of electromechanical installation engineering, and Grade B Qualification in specialized contracting of hoisting equipment installation engineering, all of which enable us to engage in the general contracting of engineering and construction and the project management of various levels of power engineering projects. We are therefore capable of engaging in the building construction of various major industrial and civil construction projects, including municipal projects, public road projects, port and waterway projects, electromechanical installation projects, steel structure, decoration and renovation and repair and maintenance.



## BUSINESS

### Construction Equipment

We own and use a large variety of advanced machines and equipment to provide construction contracting services, including various large crawler cranes, tower cranes, truck-mounted cranes, concrete mixing stations, large cutting machines and welding machines.

The following table sets forth details of the key machines and equipment that we use for our construction contracting business as of December 31, 2016:

Equipment	Number	Aggregate historical cost <i>(RMB in millions)</i>	Aggregate net book	Average age <i>(Year)</i>	Remaining useful life <i>(Year)</i>
			value as of December 31, 2016 <i>(RMB in millions)</i>		
650 tonne crawler crane . . . . .	1	35.6	13.4	10	4
450 tonne all-terrain crane, counterweight, pedal . . . . .	1	32.1	7.0	10	3
500 tonne crawler crane . . . . .	1	24.5	12.2	10	6
130 tonne truck-mounted crane . . .	1	5.7	2.7	10	6
100 tonne truck-mounted crane . . .	1	4.3	2.1	10	6
Stretching machine . . . . .	1	5.0	0.1	10	0
Stretching machine . . . . .	1	5.0	0.1	10	0
Stretching machine . . . . .	1	3.0	0.1	10	0
Stretching machine . . . . .	1	1.8	0.1	10	0
28 tonne hydraulic tractor . . . . .	1	2.2	1.6	10	7
75 tonne truck-mounted crane . . . .	1	2.2	1.1	10	6
Five-wheel pulley (450 sets) . . . . .	2	3.0	3.0	3	3
Tower crane . . . . .	1	10.2	0.9	14	1.3
Tower crane . . . . .	1	8.1	1.4	14	2.4
52 tonne truck-mounted crane . . . .	1	1.6	0.6	14	5.1
52 tonne truck-mounted crane . . . .	1	1.6	0.6	14	5.1
Gantry crane . . . . .	1	1.5	0.2	14	1.8
Gantry crane . . . . .	1	1.5	0.2	14	1.9
Crawler crane . . . . .	1	7.9	5.1	14	10
Truck-mounted crane . . . . .	1	3.1	1.5	14	7
Concrete transport vehicle . . . . .	5	2.2	1.2	10	6
Concrete pump truck . . . . .	1	2.3	0.5	10	2
Concrete pump truck . . . . .	1	3.3	0.4	12	4
Concrete batching plant . . . . .	1	2.0	1.0	10	5
Concrete batching plant . . . . .	1	2.0	1.0	10	5
Concrete batching plant . . . . .	1	4.0	0.6	5	1
<b>Total</b> . . . . .	<b>31</b>	<b>175.3</b>	<b>58.7</b>		

The following table sets forth details of the key construction equipment and machinery we intend to purchase using the proceeds from the Global Offering:

Equipment	Aggregate cost <i>(RMB in millions)</i>
2 x 160 tonne flat arm tower crane . . . . .	30.0
2 x 650 tonne crawler crane . . . . .	82.0
2 x 500 tonne truck-mounted cranes . . . . .	72.0
1 x 500 tonne crawler crane . . . . .	24.5
Various debugging equipment . . . . .	12.0
Various metal detection equipment . . . . .	8.5
1 x 100 tonne wind power tower . . . . .	13.6
4 x hydraulic aerial cage . . . . .	8.4
<b>Total</b> . . . . .	<b>251.0</b>

## BUSINESS

The purchase of such construction equipment and machinery will enable us to replace our old construction equipment and machinery and enhance our construction contracting business capabilities.

### Contracting Models, Business Processes and Contract Terms

#### *Contracting Models*

We provide comprehensive solutions for power projects, including project survey and design, procurement and construction under our construction contracting business. Based on the specific requirements of our customers, we mainly adopt the following contracting models for our services:

- **Construction.** Under this contracting model, we are in charge of the execution of the construction plan in accordance with the design plan and schedule provided by the project owner.
- **PC (Procurement and Construction).** Under this contracting model, we are retained for procurement of general equipment and materials for construction of a project. In addition, we are in charge of the execution of the construction plan in accordance with the design plan and schedule provided by the project owner.
- **EPC (Engineering, Procurement and Construction).** In this contracting model, we act as the contractor to undertake the entire process, including survey, design, procurement of materials and equipment, construction, equipment installation and commissioning of the project. An EPC contractor is responsible to the owner for the quality, safety and timely delivery of the project. EPC is one of the most common contracting models in the global engineering market. The model has more stringent requirements for funding, technology and management, and requires a contractor to be equipped with comprehensive capabilities in design, procurement, construction and other areas. An EPC project generally requires approximately one year to complete.

The following table sets forth the revenue contribution under the different contracting models during the Track Record Period:

	Year ended December 31,					
	2014		2015		2016	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	<i>(RMB in millions, except percentages)</i>					
<b>Construction</b> .....	1,930.9	64.9	1,991.3	49.4	2,693.9	44.4
<b>PC</b> .....	972.0	32.7	885.1	22.0	644.6	10.6
<b>EPC</b> .....	71.3	2.4	1,152.9	28.6	2,734.3	45.0
<b>Segment Revenue</b> .....	<u>2,974.2</u>	<u>100.0</u>	<u>4,029.3</u>	<u>100.0</u>	<u>6,072.8</u>	<u>100.0</u>

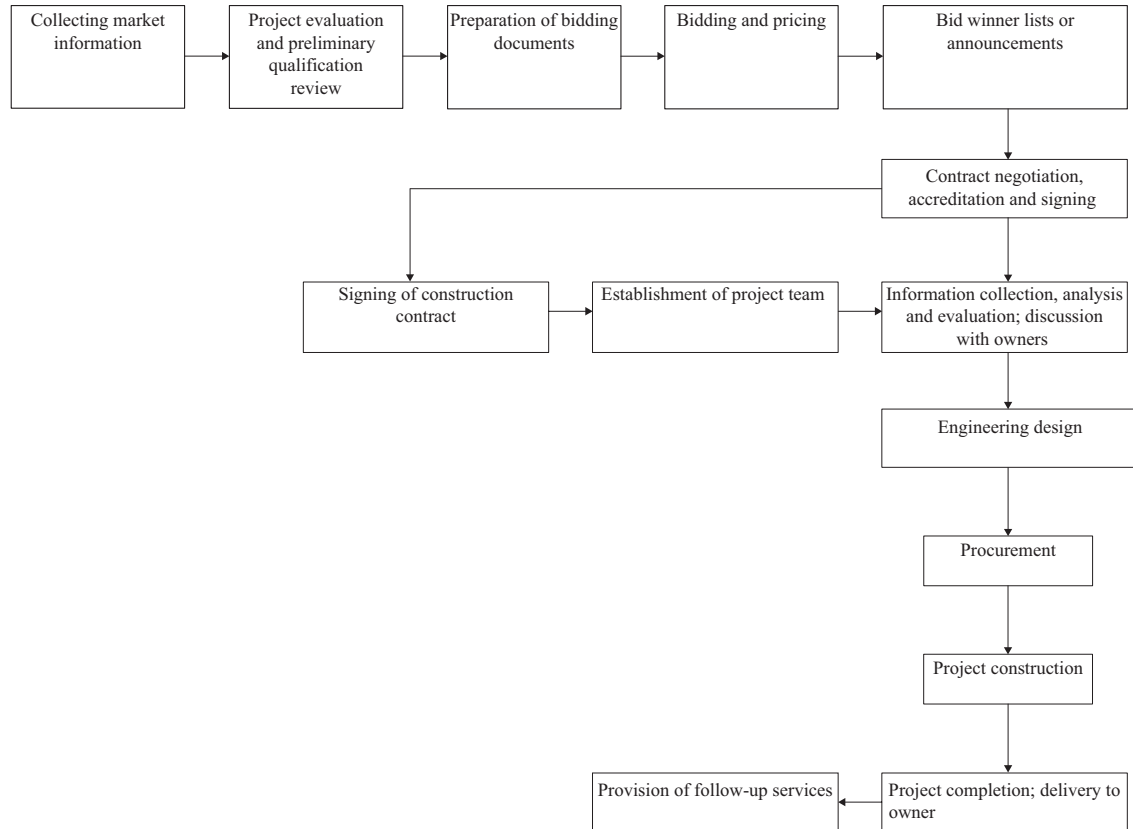
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## BUSINESS

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### *Business Processes*

The following flow chart sets forth the business processes for our construction contracting business:



Details of our key processes in selecting and undertaking construction contracting projects are set out below:

- **Collecting market information:** We collect updated and reliable market intelligence to identify potential projects. The sources of information we use to identify potential projects include our specialized marketing research and surveys, regular communications with our customers, tendering and bidding market information, our survey, design and consultancy business, and information obtained from the contractors, agents, suppliers and equipment manufacturers with which we cooperate.
- **Project evaluation:** After identifying a potential project, we will conduct a preliminary evaluation to assess whether we meet the qualifications required by the newly-identified project, the adequacy of our resources, the costs and prospective profitability of the project, and other factors to decide whether or not to pursue the project. If our preliminary evaluation indicates that we meet the requirements of a potential project and we intend to undertake the project, we will conduct a detailed assessment of the technical and commercial features of the project, which may involve on-site inspections to accurately estimate the time and resource and determine the competitiveness and costs of the bidding.

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## BUSINESS

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The assessment usually involves the following: analysis of material and equipment costs, labor costs and other related costs; location analysis with respect to water supply, electricity supply, transportation and other infrastructure; capital expenditure analysis of the needed construction equipment and its estimated duration of use; and credit analysis of the potential customers and their time length of payment. The assessment for major projects shall be reviewed and approved by the senior management.

- **Preliminary qualification review:** Before approving us to bid for a project, our potential customers would generally request us to pass a preliminary qualification review to ensure that we meet certain minimum requirements with regard to financial condition, qualifications and scale of operations.
  
- **Bidding and pricing (including pricing for related financing assistance and investment consultancy services):** We usually bid for projects independently as the general contractor. We typically determine our pricing in the bidding phase of a project. Accurate pricing for a project is critical to ensuring lower costs and achieving profitability. We determine our price quotation and subsequently submit our tender based on a comprehensive and prudent estimation of: (a) engineering costs based on specific project requirements and work scope; (b) procurement costs based on the estimated costs of the required materials and equipment; (c) construction costs based on the project scale, workload and estimated subcontracting costs; and (d) management fees and expenses based on the estimated human resources required for the project. In addition, when determining the pricing of a project, we rely on our past experience and information collected during the project evaluation phase, and take into account factors such as the differences in site and environmental conditions, as compared to those in the previous similar projects, the location of the project, the supplies and prices of materials, machinery and local labor and the tax expenses involved.
  
- **Project Implementation:** We begin the implementation of a project after entering into the contract with the customer. We manage the project throughout its entire course by setting up a project task force to control and monitor the quality, safety, progress and costs of the project. The major steps involved in the implementation of a project include engineering, procurement and construction.
  - (i) *Engineering design:* Engineering design is a key aspect of the construction contracting business. It involves a variety of engineering design services throughout the entire project term and usually includes, among others, basic engineering design, detailed engineering design and technical services associated with the equipment and material procurement, construction and trial operation. Basic engineering design documents must meet the requirements for the preparation of goods procurement and construction works. Approved basic engineering design documents are the foundation for carrying out detailed engineering design works. Detailed engineering design documents must meet the requirements for equipment and material procurement, equipment manufacturing, construction and trial operation. Our

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## BUSINESS

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construction contracts set forth the scope of engineering work we undertake, which usually consists of design, check, review and approval.

- (ii) *Procurement*: Procurement involves planning, purchasing, expediting, inspection, transportation and management of goods, materials and equipment, as well as management of subcontractors' procurement activities. We generally procure materials and equipment by means of framework purchase agreements, price enquiries and comparisons, tender bidding and other methods, aiming to ensure a timely supply of equipment, materials and related services that meet our quantity and quality requirements.
  
- (iii) *Construction*: Generally, construction activities are carried out by our relevant subsidiaries, and each project is managed by our project management team. Our project construction department typically follows our construction guidelines in preparation of a detailed project plan and operation manual, which will be implemented upon the approval by our management and project owners. When necessary, we will engage subcontractors to ensure work progress and enhance overall profitability of the project. See “– Subcontracting and Third-Party Services.”

Upon implementation of a project, an acceptance inspection will be conducted in accordance with the contractual requirements and relevant criteria and specifications.

### *Contract Terms*

Our typical terms of contract also set out the following key terms.

- **Variation of Contract**: During the ordinary course of most projects, the customer, and sometimes the contractor, may initiate modifications or changes to the original contract. The scope and price of such modifications or changes are typically documented in a modification clause in the original contract, and reviewed, approved and paid for in accordance with the normal design change provisions of the contract. Pursuant to the terms of our contracts, under the approved initial design framework, no additional fee shall be charged by us as a result of any change to the contract made by us, while compensation shall be claimed against project owners for any change to the contract not made by us.
  
- **Pricing and Payment Terms**: Most of our contracts are awarded and carried out on a fixed-price basis with a pre-determined construction cost and timetable for project completion. Some contracts contain fee adjustment or risk-sharing clauses to cover increased raw material costs. Most contracts provide that installment payments shall be made upon achieving project milestones. The general pricing and payment terms of a contract include:
  - (i) **Pricing terms**: There are generally three major types of pricing methods for our construction contracting contracts: (1) fixed lump sum, whereby a customer pays a

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## BUSINESS

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fixed price to us upon completed performance of the contract, and such fixed price may change with subsequent changes of the customer's requirements or scope of work; (2) fixed unit price, whereby the final price to be paid by a customer is determined on the basis of the total amount of work delivered at the fixed unit price; and (3) project costs plus fees, whereby we charge our customer all relevant costs of a project and an agreed amount of fees. The vast majority of our construction contracting contracts adopt fixed unit price.

- (ii) **Price adjustment terms and incentive terms:** Some of our contracts contain price adjustment mechanisms, allowing us and our customers to adjust prices upon material changes to project requirements, scope of work, required materials and equipment or other factors as applicable. For example, after a customer confirms, we are contractually allowed to increase the price for certain additional costs incurred as a result of material changes to the scope or requirements of work, including changes pursuant to enhanced design or construction standards required by law or regulations, changes to the project design or other expansion of the work scope. In addition, some of our contracts may contain incentive terms, under which we are allowed to share the cost saved comparing to the initial budget, or receive certain awards based on the early completion circumstances, either of which is subject to our customers' confirmation. The majority of our construction contracting contracts contained fee adjustment or risk-sharing clauses to cover the increase in our cost and expenses.
- (iii) **Payment terms:** Payments from customers consist of advance payments and progress payments. For large-scale projects, we typically receive progress payments in installments based on the amount of work that we have completed. In general, our construction contract requires a customer to make an advance payment of 10% to 30% of the total contract value. Such payment is usually made within three months after the execution of the contract and within a specified period prior to our commencement of work. Upon our completion of milestones set out in the relevant contract, our customers would pay us subsequent progress payments (except retention money) in installments, which typically constitute 85% to 65% of the total contract value. We notify our customer when we reach such milestones, and the customer then certifies our construction progress. Progress payments are usually due within one to 14 days after the certification. We notify our customer when the entire project is completed, and the customer then gathers relevant entities to conduct the final inspection and acceptance for our project. If our completed work satisfies the relevant criteria of completion and inspection, the customer would issue us a formal completion report. Based on this report, our customer would make the final payment to us pursuant to the contract.
- **Advance payment guarantee, performance guarantee and other guarantee terms:** We are usually required to provide advance payment guarantees and performance guarantees in an amount equal to 10% to 30% of the total contract value to our customers. If we fail to perform our contractual duties, our customer may present the advance payment guarantees and the performance guarantees to the issuing financial institutions for payment in

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## BUSINESS

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accordance with the relevant contract. Advance payment guarantees typically begin to be deducted after 50% of the project is completed, and performance guarantees are typically released within one to three months after the project completion certification is received.

- **Retention funds:** Pursuant to the project contract terms, our customers typically withhold approximately 5% to 10% of the total contract value as retention funds against any possible quality defects of our work within the warranty period. The warranty period usually lasts one to two years after the completion of the project. During the warranty period, we are responsible for any defects arising from our works in accordance with the contract terms. However, some of our customers are willing to accept our contractual bank guarantees in lieu of the whole or part of the retention funds. Such retention funds and/or bank guarantees are held by our customers for the duration of the warranty period, and will be refunded to us upon expiration of the warranty period or will lapse upon expiration.
- **Compensation for damages:** We are generally responsible for any delay or defects in our work attributable to us. Some of our contracts also provide that the project owner shall have the right to engage a third party to complete the project at our cost in the case of delay or defects attributable to us. We implemented a series of project management procedures applicable to each stage of a construction project according to the nature and characteristics of a specific project and the actual needs of the project, including project implementation, labor management, raw materials procurement, monitoring, and quality control to ensure a project could be completed according to the contract terms. We have also adopted a monitoring scheme for our employees, as well as subcontractors, to ensure that they strictly comply with our project management procedures. We also implement routine and ad-hoc goal management, responsibility management and on-site inspections to ensure that our employees and subcontractors comply with our project management procedures.

In relation to our contract backlog of our construction contracting business as of December 31, 2016 of RMB5,907.4 million (see “– Backlog” for further details of our backlog), approximately RMB3,128.0 million of such contract backlog contained fee adjustment or risk-sharing clauses.

### Customers

For our survey, design and consultancy business, our main customers comprise large power and power grid companies. We have maintained business relationships with our major customers in construction contracting business for over five years. We did not enter into any long-term service agreement with our customers in our construction contracting business.

During the ordinary course of business, we receive contractual payments from our customers in installments. Customers usually pay us in Renminbi through telegraphic transfer and letters of acceptance.

### Suppliers

We select suppliers based on the quality of their products, post-sales services, track record, pricing and other factors. For our construction contracting business, our main suppliers are traders of

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## BUSINESS

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parts, equipment and machinery and those that sell steel, timber, cement and other raw materials. We have maintained stable business relationships with our main suppliers in construction contracting business. We did not enter into any long-term procurement agreement with our main suppliers in our construction contracting business. During the ordinary course of business, we normally make payments upon cargo's arrival. We typically pay our suppliers in Renminbi through telegraphic transfer.

With our strong procurement capabilities and abundant supply sources of raw materials, parts and equipment from various different markets, we can meet our customers' needs without being dependent on limited supply sources of any particular market.

### **Raw Materials, Primary Equipment and Auxiliary Equipment Procurement and Inventory Management**

We procure equipment and raw materials under our EPC projects or for carrying out our construction work. Primary equipment procured under our EPC projects includes wind turbines, tower tubes, photovoltaic modules and primary transformers. Auxiliary equipment procured under our EPC projects includes power inverters, box-type transformers cables, switch boxes, circuit breakers and electrical isolators. Raw materials procured for our EPC projects include steel, timber, cement and sand. We also procure construction equipment and machinery for carrying out our work, including crawler cranes, truck-mounted cranes, tower cranes, concrete mixers, trucks, pumps, drills and trolleys. See “– Construction Contracting Business – Construction Equipment.” Our procurement is typically conducted through a bidding process. The raw materials, primary equipment and auxiliary equipment needed for our construction contracting projects are mainly procured in China.

Most of our construction contracts provide fixed unit prices. Therefore, we use raw material control and procurement management systems for our projects that offer procurement management services. We monitor closely the supply, payment and delivery arrangement and allocation of raw materials, parts and equipment, in order to adjust our procurement plans and payment and delivery arrangement according to the project needs. We monitor closely and control the inventory level of raw materials, parts or equipment to optimize our operation. We have an inventory control system in place to monitor the planning and distribution of the warehouse inventories of raw materials, parts or equipment, so as to keep pace with the project needs and time allotment. Upon the completion of the project, we might have a small amount of remaining or unused raw materials, parts or equipment, for which we would normally include them into inventories for future purposes.

In addition, we have established our centralized procurement platform through our trading business. We believe that the centralized procurement and other methods (such as organizing tendering procedures) will reduce our procurement costs.

## **TRADING BUSINESS**

### **Overview**

We started our trading business in June 2015 on a trial basis. We engage in the purchase and sale of selected commodities, which primarily include petroleum products, coal and chemical raw materials, based on business opportunity, customer demand and profitability. We intend to expand our



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## BUSINESS

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trading business and develop our expertise in commodity markets to help us build our centralized procurement platform for our construction contracting business. We believe that a centralized procurement platform could enhance our collective bargaining power with suppliers and lower our procurement costs for construction contracting projects, particularly EPC projects, which in turn would improve the profit margin of our construction contracting business.

We foresee strong growth potential for our coal trading business and expect that our coal trading business will continue to expand in 2017 and contribute to a greater proportion of our Group's total revenue. We intend to strengthen our relationship with our existing customers and grow our customer base for our coal trading business. We also intend to further refine our coal trading processes to improve operational and cost efficiency and reduce risk.

### *Revenue generated from our trading business which we conducted as principal*

The following table sets forth a breakdown of the segment revenue from our trading business which we conducted as principal by product type for the period in 2015 after we commenced our trading business and for 2016:

	Seven months ended December 31, 2015		Year ended December 31, 2016	
	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>			
Petroleum products .....	86.8	5.9	1,224.2	54.9
Coal .....	282.0	19.0	415.7	18.7
Chemical raw materials .....	21.1	1.4	575.3	25.8
Others <sup>(1)</sup> .....	1,091.3	73.7	12.9	0.6
<b>Total</b> .....	<b><u>1,481.2</u></b>	<b><u>100.0</u></b>	<b><u>2,228.1</u></b>	<b><u>100.0</u></b>

(1) Others include various types of metal materials and agricultural products.

Since June 2015, we have mainly traded four types of petroleum products, including light oil, light cycle oil, mixed aromatics and MTBE. Our traded coal products mainly included thermal coal, bituminous coal and anthracite. Our traded chemical raw materials mainly included PVC.

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## BUSINESS

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### *Agency income generated where we acted as agent in relation to trading transactions*

We also acted as agent in respect of a number of trading transactions. In accordance with IFRS accounting principles, the revenue from such trading transactions where we acted as agent have been accounted for as agency income. See “Financial Information – Description of Selected Components of our Consolidated Statements of Profit and other Comprehensive Income – Other Income.” The following table sets forth a breakdown of the agency income generated where we acted as agent in relation to trading transactions by product type for the period in 2015 after we commenced our trading business and for 2016:

	Seven months ended December 31, 2015		Year ended December 31, 2016	
	Amount	% of our Group's profit before tax	Amount	% of our Group's profit before tax
	<i>(RMB in millions)</i>		<i>(RMB in millions)</i>	
Coal .....	–	–	46.3	6.1
Oil and chemical raw materials .....	–	–	0.3	0.0
Metal materials .....	–	–	3.7	0.5
Agricultural products .....	–	–	1.1	0.2
<b>Total</b> .....	<u>–</u>	<u>–</u>	<u>51.4</u>	<u>6.8</u>

### **Business Process**

We may act as principal under our trading business or agent in respect of certain trading transactions. We have acted as agent in respect of a number of trading transactions in 2016 and we may in future continue to act as agent in respect of our trading business. In deciding whether to act as a principal in selling the goods to the customer or to act as an agent to assist the customer to source for a supplier to supply the goods, we will consider various factors, including our ability to meet the customers' requirements from our own inventory, the prevailing market price of the relevant goods and other transaction risk, warehousing, delivery and logistics considerations relevant to the proposed trade. The following sets out key details of the principal business model and agency business model:

- **Principal business model:** In trading transactions where we act as principal, we purchase goods from various suppliers and the goods will be delivered to us as the customer. We will acquire title to such goods and will be responsible for their storage. We subsequently source for potential customers and sell the goods to them under a separate contract.
- **Agency business model:** As an agent, we facilitate the sale and purchase of goods between the supplier and the end customer. We would first confirm our customers' needs, and would then source for suppliers to meet such customers' needs. As we are participating in the transaction only as an agent, we will arrange for the supplier to deliver the goods directly to the customer, and therefore we do not bear any inventory risk. In terms of pricing, given that we are acting as an agent in assisting the customer to source for

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## BUSINESS

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the goods from the supplier, we will normally charge our customers a premium above the purchase price at which we purchase the goods from the supplier.

We normally enter into sale and purchase contracts with suppliers and customers on a per-order basis. Our sale and purchase contract specifies quality and quantity control, shipment arrangement, price, supply duration and payment methods on an order to order basis. The delivery and transportation of goods for our trading business typically involve sea transportation, road transportation and railway transportation by third-party service providers.

Since 2015, we have traded petroleum products by sourcing from affiliated trading companies of international petroleum companies and then selling to our customers, mainly oil refineries and petroleum companies. We are typically responsible for the cost of sea transportation, while the overseas suppliers are responsible for all costs prior to the shipment. We normally import petroleum products from renowned international petroleum companies by entering into import contracts of which the method and period of pricing are determined by us. We therefore have the flexibility to adjust the purchase price so as to avoid unnecessary loss caused by the price volatility of the international petroleum market. We generally make payments to our suppliers by arranging for letters of credit. We will then sell the purchased petroleum products to our customers. The timing of title transfer of such petroleum products from us to our customers varies according to the credit of our customers. We normally require a full payment of the purchase price to be made before the title transfer if we sell petroleum products to a private company. If a sale were made to a reputable state-owned enterprise, the title transfer can take place before a full payment is made and an extension of payment period up to thirty days will be granted to such customer by us.

Our coal trading is conducted principally in Inner Mongolia, Hebei and Shanxi. We normally enter into coal purchase agreements with our suppliers, pursuant to which we are only able to take delivery of the coal after the payment of purchase price is made. The title of coal will pass on to us when a written confirmation letter is issued by the supplier affixed with both parties' seals before the coal is delivered to a designated place agreed by the parties. Where the coal purchased by us will be delivered to us by shipping, the title of such coal may pass on to us after the title transfer procedures are completed before the relevant port authority. The title of coal will be further transferred to our customers when: (i) a written confirmation letter is issued by us affixing both parties' seals before the coal is delivered to a designated place agreed by the parties; (ii) a written confirmation letter is issued by our customer where our customer is a power plant before the coal is delivered to such power plant; (iii) title transfer procedures are completed before its delivery at the relevant port authority; or (iv) the coal is loaded onto a ship and a written confirmation letter is issued by us. Depending on our customers' creditworthiness, we require our customers to (i) pay against the invoices issued by us when the coal is delivered to their warehouses and accepted after examination or (ii) make partial or full payment in advance prior to delivery of the coal.

Our chemical raw materials trading is conducted in strategic locations in China, such as Eastern China and Southern China. Usually the chemical raw materials purchased by us will be stored in a warehouse operated by a third party warehouse provider. The title of the purchased chemical raw materials will pass on to us when we receive a letter from the warehouse provider confirming such

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## BUSINESS

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chemical raw materials have been delivered to its warehouse. The title of such chemical raw materials will be further transferred to our customers when a title transfer letter is issued by us to the customer affixed with the seal of the warehouse provider, provided that the purchase price has been paid by our customer.

### **Entering into and subsequent transfer of coal underwriting arrangement**

#### *Overview of the coal underwriting arrangement*

In order to capitalize on the strong demand for coal in recent years and secure a stable supply of coal for our growing coal trading business, IM Products Company, in its ordinary course of business, entered into three legally binding coal underwriting agreements (the “**Mine X Agreement**”, the “**Yanjiaqu Agreement**”, the “**Balongtugou Agreement**”, together, the “**Coal Underwriting Agreements**”) with IM Mengxing on October 6, 2016, for a term of four years and three months, in respect of the underwriting of the sale of coal from three coal mines, namely Mine X coal mine, Yanjiaqu coal mine and Balongtugou coal mine. The performance by the parties under each of the Coal Underwriting Agreements is not inter-conditional upon the performance by the parties of any of the other Coal Underwriting Agreements. The Coal Underwriting Agreements set out a framework pursuant to which IM Products Company and IM Mengxing will sell the coal and allocate the proceeds from the sale, with further details to be discussed between the parties. On March 19, 2017, IM Products Company, in its ordinary course of business, entered into a supplemental coal underwriting agreement (the “**Supplemental Coal Underwriting Agreement**”, together with the Coal Underwriting Agreements, the “**Amended Coal Underwriting Agreements**”) with IM Mengxing to further refine the coal underwriting arrangement under the Coal Underwriting Agreements. The Amended Coal Underwriting Agreements will expire on December 31, 2020, and there are no provisions setting out any right to automatically renew the Amended Coal Underwriting Agreements after the expiry of these agreements. As advised by our PRC legal advisers, the arrangements under the Coal Underwriting Agreements and the arrangements as amended and supplemented by the Supplemental Coal Underwriting Agreement do not amount to lending arrangements under PRC law, nor are they in violation of any mandatory provisions of PRC laws and regulations.

#### *Background of IM Mengxing*

IM Mengxing is a privately-owned enterprise incorporated in the PRC and is an Independent Third Party. IM Mengxing’s business activities primarily consist of the mining, processing, wholesale distribution and sale of coal. As of the Latest Practicable Date, IM Mengxing fully owned the company which owns Yanjiaqu coal mine and has majority control over the company which owns Balongtugou coal mine. However, IM Mengxing is in the process of acquiring Mine X coal mine, therefore the identity of Mine X coal mine is not disclosed in this prospectus and only limited information regarding Mine X coal mine is disclosed.

### *Establishment of coal underwriting arrangement*

In 2015, IM Products Company started dealing with the controlling shareholder of IM Mengxing (the “**Mengxing Shareholder**”), an entrepreneur who also owns shareholding interests in other mining companies, in view of the Mengxing Shareholder’s ability to access a quality customer base and railway logistics network. The Mengxing Shareholder was then a shareholder of Inner Mongolia Mengxing Industry Co., Ltd. (“**IM Mengxing Industry**”) and in June 2015, IM Products Company entered into its first coal purchase agreement with IM Mengxing Industry (then known as Inner Mongolia Shenglong Boyuan Industry and Trade Co., Ltd.) shortly after the incorporation of IM Products Company. IM Products Company also subsequently conducted further coal trading business with companies owned by Inner Mongolia Mengxing Investment Group Co., Ltd., in which the Mengxing Shareholder had a shareholding interest. Over the years, IM Products Company and the Mengxing Shareholder developed a strong business relationship and after the incorporation of IM Mengxing in July 2016, IM Products Company began discussions with IM Mengxing in relation to establishing the coal underwriting arrangement and entered into the Coal Underwriting Agreements in October 2016. IM Products Company and IM Mengxing decided to enter into the Coal Underwriting Agreements to enable IM Products Company to obtain a steady supply of coal from IM Mengxing at a low price while enabling IM Mengxing to secure IM Products Company as a stable purchaser of coal produced by its coal mines and benefit from its good credit and strong customer base, in particular by capitalizing on the coal demand of IM Products Company’s state-owned enterprise customers. The agreement by IM Products Company to make advance payments to IM Mengxing in respect of the purchase of coal by IM Products Company serves as a further incentive for IM Mengxing to enter into the Coal Underwriting Agreements with IM Products Company.

### *Information regarding Mine X, Yanjiaqu coal mine and Balongtugou coal mine*

IM Mengxing is in the process of acquiring Mine X coal mine, therefore only limited information regarding Mine X coal mine is disclosed. Based on the mining permit in respect of Mine X coal mine currently valid till December 2018, its current production capacity is 1.2 million tons per year.

Yanjiaqu coal mine is located in Yijinhuluo Banner, Nalintaohai Town in Ordos City. Yanjiaqu coal mine is currently in operation. Based on the mining permit in respect of Yanjiaqu coal mine currently valid till May 2018, Yanjiaqu coal mine occupies a mine area of 7.0 square kilometers and its production capacity is 600,000 tons per year.

Balongtugou coal mine is located in Yijinhuluo Banner, Nalintaohai Town in Ordos City. Balongtugou coal mine is currently in operation. Based on the mining permit in respect of Balongtugou coal mine currently valid till January 2019, at the relevant time Balongtugou coal mine occupied a mine area of 2.6 square kilometers and its production capacity was 900,000 tons per year.

### *Material terms of the Amended Coal Underwriting Agreements*

The material terms of the Coal Underwriting Agreements, as amended and supplemented by the Supplemental Coal Underwriting Agreement (each Coal Underwriting Agreement as amended and

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## BUSINESS

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supplemented, the “Amended Mine X Agreement”, the “Amended Yanjiaqu Agreement” and the “Amended Balongtugou Agreement” and collectively, the “Amended Coal Underwriting Agreements”) include:

- **Underwriting arrangement:** IM Products Company undertakes to purchase at least five million tons of coal from IM Mengxing in each year from 2017 to 2020, which IM Products Company shall further sell to its customers. However, any failure by IM Products Company to purchase at least five million tons from IM Mengxing for any particular year shall only affect IM Products Company’s entitlement to the minimum gross profit before deduction of VAT as set out below and shall not be deemed to be a breach of the Supplemental Coal Underwriting Agreement. IM Mengxing undertakes to sell at least five million tons of coal to IM Products Company in each year from 2017 to 2020 or up to 10 million tons of coal per year in each year from 2017 to 2020 in the event that the purchase requirements of IM Products Company exceed five million tons per year. If the coal produced by Mine X coal mine, Yanjiaqu coal mine and Balongtugou coal mine is insufficient to satisfy the requirements of IM Products Company, IM Mengxing shall obtain and sell to IM Products Company coal from other coal mines the operation of which IM Mengxing is able to coordinate, control or influence or other sources. The purchase price shall be determined based on the following formula:

$$\text{Purchase price per ton} = (\text{Selling price to customers} - \text{RMB160}) \times 50\% + \text{RMB160}$$

- **Sale of coal:** IM Products Company shall enter into coal sale and purchase agreements with the customers to sell the coal which it purchases from IM Mengxing. IM Products Company undertakes that the price at which it sells the coal to customers shall not be less than the prevailing price of coal quoted by Shenhua Group Corporation Limited per ton of coal of similar quality.
- **Advance payments:** As a pre-condition to the coal underwriting arrangement, IM Products Company shall pay to IM Mengxing an advance payment of RMB300.0 million under the Mine X Agreement, RMB350.0 million under the Yanjiaqu Agreement and RMB350.0 million under the Balongtugou Agreement for the underwriting of the sale of coal from three coal mines, namely Mine X coal mine, Yanjiaqu coal mine and Balongtugou coal mine. The advance payments shall be deposited into a bank account jointly controlled by IM Mengxing and IM Products Company, and shall not be withdrawn from such account without the consent of both parties. IM Mengxing shall only be allowed to use such advance payments to pay for the costs and expenses incurred in relation to the respective mines. The purchase price to be paid by IM Products Company to IM Mengxing for the supply of coal shall be deducted from the advance payments paid by IM Products Company to IM Mengxing, and IM Products Company shall only be required to pay for the coal purchased from IM Mengxing to the extent that the advance payments are insufficient to satisfy such purchase price. IM Mengxing is required to pay a fund usage fee on a quarterly basis to IM Products Company based on the prevailing balance of advance payments held by IM Mengxing, the duration for which such amount of advance payments have been held by IM Mengxing and the prevailing bank lending rates issued by the People’s Bank of China for the corresponding period. To the extent that any amount of the

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## BUSINESS

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advance payments has not been utilized upon the expiry of 24 months from the date of their payment to IM Mengxing, IM Mengxing is required to repay the unutilized balance of the advance payments to IM Products Company.

- **Minimum gross profit before deduction of VAT:** Provided that IM Products Company purchases at least five million tons of coal from IM Mengxing for a particular year, IM Mengxing shall ensure that the aggregate gross profit before deduction of VAT that IM Products Company receives under the Amended Coal Underwriting Agreements, being the revenue IM Products Company receives from selling the coal supplied by IM Mengxing minus the purchase price paid to IM Mengxing for the coal, shall be at least RMB560.0 million for that particular year. To the extent that the aggregate gross profit before deduction of VAT that IM Products Company receives under the Amended Coal Underwriting Agreements is less than RMB560.0 million, IM Mengxing shall pay the shortfall to IM Products Company before January 31 of the following year in the form of cash or coal as may be determined by IM Products Company. To the extent that the aggregate gross profit before deduction of VAT that IM Products Company receives under the Amended Coal Underwriting Agreements exceeds RMB560.0 million for a particular year, IM Products Company shall be entitled to retain the entire amount of profit, including any excess amount above RMB560.0 million. However, if IM Products Company, as a result of its own fault, fails to purchase at least five million tons of coal from IM Mengxing for a particular year, IM Mengxing has no obligation to pay the shortfall to IM Products Company for that particular year.

Where IM Mengxing has failed to meet its obligations under the Supplemental Coal Underwriting Agreement, IM Mengxing shall (i) put the coal production and sale activities of Mine X coal mine, Yanjiaqu coal mine and Balongtugou coal mine under the strict supervision of IM Products Company, or (ii) provide such other security as stipulated in the Supplemental Coal Underwriting Agreement, until IM Products Company recovers the full amount of any advance payments not applied as payment for purchases of coal by IM Products Company at the relevant time, the minimum profit due to it and any other losses incurred by IM Products Company.

- **Security in favor of IM Products Company:** The payment obligations of IM Mengxing under the Amended Coal Underwriting Agreements will be secured by:
  - (i) in relation to the Amended Mine X Agreement, a share charge granted by the shareholders of IM Mengxing in favor of IM Products Company over their 100% interest in the share capital of IM Mengxing;
  - (ii) in relation to each of the Amended Coal Underwriting Agreements, a share charge granted by IM Mengxing in favor of IM Products Company over its 100% interest in the share capital of the companies which own Mine X coal mine, Yanjiaqu coal mine and Balongtugou coal mine;
  - (iii) in relation to each of the Amended Coal Underwriting Agreements, a performance bond granted by a financial institution in favor of IM Products Company, backed by a mortgage

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## BUSINESS

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granted by IM Mengxing to such financial institution over the mining permit of the respective coal mines;

- (iv) in relation to the Amended Coal Underwriting Agreements, the proceeds from the sale of coal during a three-month period starting from October 20, 2016 to January 20, 2017 (after deducting an agreed amount) by three designated companies in which the controlling shareholder of IM Mengxing has a shareholding interest, namely Yijin Huoluo Banner Xingwang Coal Co., Ltd. in respect of the Mine X Agreement, Yijin Huoluo Banner Yucai Coal Co., Ltd. in respect of the Yanjiaqu Agreement and Yijin Huoluo Banner Zhenxing Coal Co., Ltd. in respect of the Balongtugou Agreement, such proceeds to be deposited into bank accounts to be controlled by IM Products Company; and
- (v) in relation to the Amended Coal Underwriting Agreements, a share charge granted by the controlling shareholder of IM Mengxing in favor of IM Products Company over his 69% interest in the share capital of Inner Mongolia Mengxing Chemical Limited.

IM Mengxing undertakes to arrange for the security under the Coal Underwriting Agreements which remained outstanding on the date of the Supplemental Coal Underwriting Agreement to be provided as soon as possible, unless granted a waiver in writing by IM Products Company.

- **Force majeure and other events:** Should any of the following events occur, namely (i) any unforeseen and unavoidable events, including but not limited to earthquakes, typhoons, floods, fires, wars, changes in laws and regulations, enactment of new laws and regulations or any other government actions which affect the ability of IM Products Company or IM Mengxing to perform their respective obligations under the Amended Coal Underwriting Agreements or affect the normal production of coal by Mine X coal mine, Yanjiaqu coal mine or Balongtugou coal mine, or (ii) the prevailing price of coal quoted by Shenhua Group Corporation Limited per ton of coal of similar quality falls below RMB160.0 per ton, IM Mengxing and IM Products Company shall discuss a mutually acceptable solution.
- **Termination:** In the event that a breach or default of any of the Coal Underwriting Agreements or the Supplemental Coal Underwriting Agreement occurs, the non-defaulting party shall inform the defaulting party in writing of such breach or default, and the defaulting party shall have 30 days from the date of such written notice to rectify the breach or default. If the defaulting party is unable to rectify the breach or default within such 30-day deadline, the non-defaulting party has the right to terminate the Coal Underwriting Agreements and the Supplemental Coal Underwriting Agreement by giving 15 days' written notice to the defaulting party.

### ***Determination of the minimum gross profit before deduction of VAT***

The minimum gross profit before deduction of VAT under the Amended Coal Underwriting Agreements were determined based on the parties' expectation of total amount of coal to be produced by the relevant coal mine, the expected sale price of such coal and the costs and expenses associated



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## BUSINESS

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with the coal production (for example labor costs, fuel and raw material costs, infrastructure construction and water and electricity expenses) which was agreed to be borne by IM Mengxing, and taking into account various factors, including the strategic benefit that IM Mengxing may enjoy from forming a cooperative relationship with IM Products Company and the opportunity costs related to the advance payments made by IM Products Company.

### *Performance of the Amended Coal Underwriting Agreements*

#### *Advance payments*

As of the Effective Date, IM Products Company had paid an aggregate of RMB1,000.0 million as advance payments to IM Mengxing.

However, due to the delay in acquisition of the company which owns Mine X coal mine, IM Mengxing has returned an aggregate of RMB250.0 million of the advance payment as of the Effective Date.

#### *Security*

As of the Effective Date, IM Mengxing and/or its shareholders had provided the following security in favor of IM Products Company to secure IM Mengxing's payment obligations under the Coal Underwriting Agreements:

- (i) a share charge granted by the shareholders of IM Mengxing in favor of IM Products Company over their 100% interest in the shares of IM Mengxing in respect of the payment obligations of IM Mengxing under the Yanjiaqu Agreement and the Balongtugou Agreement;
- (ii) the establishment of bank accounts controlled by IM Products Company for the deposit of proceeds from the sale of coal during a three-month period starting from October 20, 2016 to January 20, 2017 (after deducting an agreed amount) by three designated companies in which the controlling shareholder of IM Mengxing has a shareholding interest, namely Yijinhuoluo Banner Xingwang Coal Co., Ltd. in respect of the Mine X Agreement, Yijinhuoluo Banner Yucai Coal Co., Ltd. in respect of the Yanjiaqu Agreement and Yijinhuoluo Banner Zhenxing Coal Co., Ltd. in respect of the Balongtugou Agreement;
- (iii) a share charge granted by IM Mengxing in favor of IM Products Company over its 100% interest in the shares of Ordos City Yanjiaqu Coal Co., Ltd., the company which owns Yanjiaqu coal mine, in respect of the payment obligations of IM Mengxing under the Yanjiaqu Agreement; and
- (iv) a share charge granted by a controlling shareholder of IM Mengxing in favor of IM Products Company over his 69% interest in the share capital of Inner Mongolia Mengxing Chemical Limited, in respect of the payment obligations of IM Mengxing under each of the Coal Underwriting Agreements.

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## BUSINESS

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As of the Effective Date, IM Mengxing was in the process of arranging for the following remaining security measures as agreed in the Coal Underwriting Agreements to be provided:

- (i) in relation to the Mine X Agreement and the Balongtugou Agreement, a share charge granted by IM Mengxing in favor of IM Products Company over its 100% interest in the share capital of the companies which own Mine X coal mine and Balongtugou coal mine; and
- (ii) in relation to each of the Coal Underwriting Agreements, a performance bond granted by a financial institution in favor of IM Products Company, backed by a mortgage granted by IM Mengxing to such financial institution over the mining permit of the respective coal mines.

Although IM Products Company has not received all of the security measures as agreed in the Coal Underwriting Agreements, one of the shareholders of IM Mengxing had agreed to grant a share charge in favor of IM Products Company over his 69% interest in the share capital of Inner Mongolia Mengxing Chemical Limited, in respect of the payment obligations of IM Mengxing under each of the Coal Underwriting Agreements, in addition to the security measures originally agreed to be provided in the Coal Underwriting Agreements. IM Products Company agreed to pay the advance payments as the aggregate value of the security already provided by IM Mengxing and/or its shareholders had exceeded the amount of advance payments. Based on a valuation report by an independent valuer dated December 25, 2016, the appraised value of the net assets of Inner Mongolia Mengxing Chemical Limited was approximately RMB1.08 billion as at November 30, 2016. Based on a valuation report by an independent valuer dated March 25, 2017, the appraised value of the net assets of Ordos City Yanjiaqu Coal Co., Ltd., the company which owns Yanjiaqu coal mine, was approximately RMB1.09 billion as at March 18, 2017. In addition, Yijinhuoluo Banner Xingwang Coal Co., Ltd., Yijinhuoluo Banner Yucai Coal Co., Ltd. and Yijinhuoluo Banner Zhenxing Coal Co., Ltd., had previously established bank accounts for the deposit of proceeds from their sale of coal, and had transferred control of such bank accounts to IM Products Company. In light of the expiry of the deposit period on January 20, 2017 and taking into account the value of the other security already provided by IM Mengxing and/or its shareholders in favor of IM Products Company, IM Products Company has returned control of such bank accounts to the respective companies. IM Mengxing has undertaken to arrange for the outstanding security under the Coal Underwriting Agreements to be provided as soon as possible.

### *Outstanding performance*

As of the Effective Date, IM Mengxing was in the process of performing the following terms of the Amended Coal Underwriting Agreements:

- IM Mengxing is in the process of arranging for certain remaining security measures as agreed in the Coal Underwriting Agreements to be provided;
- IM Mengxing is in the process of acquiring the company which owns Mine X coal mine; and

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## BUSINESS

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- IM Mengxing is in the process of acquiring the remaining 30% of the share capital of the company which owns Balongtugou coal mine.

### *Coal purchase*

As of the Effective Date, IM Products Company had purchased an aggregate of 327,398 tons of coal from IM Mengxing under the Amended Coal Underwriting Agreements, for an aggregate value of RMB82.2 million.

### *Coal production*

To the extent that the coal produced by Mine X coal mine, Yanjiaqu coal mine and Balongtugou coal mine is insufficient to satisfy the requirements of IM Products Company, IM Mengxing, through the respective companies which own these coal mines, may apply to the PRC governmental authorities to increase the coal production capacity of these coal mines.

Under the Amended Coal Underwriting Agreements, IM Mengxing shall also, where necessary, obtain and sell to IM Products Company coal from other coal mines the operation of which IM Mengxing is able to coordinate, control or influence or other sources. IM Mengxing has entered into two coal underwriting agreements with the owners of two other coal mines. Under such agreements, the owners of the coal mines have undertaken to supply a total of at least 6.2 million tons of coal to IM Mengxing every year during the term of the respective agreements, up till the expiry of these agreements in 2020.

### *The Joint Venture Proposal*

Notwithstanding the Amended Coal Underwriting Agreements, IM Mengxing and IM Products Company also entered into a non-legally binding memorandum of understanding on March 19, 2017 to explore the possibility of establishing a joint venture company with Inner Mongolia Zhendong Energy Co., Ltd., which is an affiliate of IM Mengxing, to serve as the purchaser of coal from IM Mengxing and the seller of the coal to the customers (the “**Joint Venture Proposal**”). IM Products Company submitted the Joint Venture Proposal to the relevant governmental authorities for approval but the relevant governmental authorities did not approve the Joint Venture Proposal.

### *Transfer of Amended Coal Underwriting Agreements to IM Energy Group and provision of custodial services*

The coal underwriting arrangement under the Amended Coal Underwriting Agreements is a new business model which differs from the short-term coal purchase and sale arrangements we have normally been conducting in our coal trading business. Given the inherent risks and uncertainties associated with operating a new business model, our board of Directors held a meeting to further evaluate the Amended Coal Underwriting Agreements, and decided that IM Products Company should transfer the underwriting arrangements under the Amended Coal Underwriting Agreements to IM

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## BUSINESS

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Energy Group and IM Products Company should provide custodial services to IM Energy Group in respect of the Amended Coal Underwriting Agreements, for the following reasons:

- i. the Joint Venture Proposal, which was the preferred method to carry out the coal underwriting arrangement, was not approved by the relevant government authorities. As a result, we are no longer as keen to proceed with the coal underwriting arrangement based on our less-preferred method;
- ii. the PRC National Energy Administration issued a statement in February 2017 setting out the PRC government's initiative to tighten government control over, and further reduce, the coal production capacity in China. This may increase the uncertainties in connection with IM Mengxing's performance of the Amended Coal Underwriting Agreements and expose us and our Shareholders to more commercial risks;
- iii. there are uncertainties surrounding IM Mengxing's acquisition of the company which owns Mine X coal mine; and
- iv. notwithstanding the transfer of coal trading business to IM Energy Group's Retained Business, our Directors are of the view that the competition between the coal trading business of our Group and that of IM Energy Group transferred is extremely limited.

See "Relationship with the Controlling Shareholder – Delineation of Business – B. Coal underwriting arrangement of IM Energy Group transferred from our Group pursuant to the Coal Underwriting Transfer and Provision of Custodial Service Agreement" for further details on the basis on which our Directors are of the view that the competition is extremely limited.

On May 22, 2017, IM Products Company, IM Energy Group, IM Mengxing, the controlling shareholder of IM Mengxing and our Company entered into an agreement ("**Coal Underwriting Transfer and Provision of Custodial Service Agreement**"), which became effective on June 20, 2017 (the "**Effective Date**"). Under the Coal Underwriting Transfer and Provision of Custodial Service Agreement:

- (i) IM Products Company shall transfer all of its rights and obligations under the Coal Underwriting Agreements and the Supplemental Coal Underwriting Agreement to IM Energy Group;
- (ii) before the Coal Underwriting Transfer and Provision of Custodial Service Agreement becomes effective, IM Products Company shall nonetheless not be required to make any further payments to IM Mengxing under the Amended Coal Underwriting Agreements. To the extent that any payment is required from IM Products Company to IM Mengxing after such date, IM Energy Group agrees to be responsible for making all such payments;
- (iii) IM Mengxing shall pay the aggregate amount of RMB690.3 million owed by it to IM Products Company under the Amended Coal Underwriting Agreements as of the Effective

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## BUSINESS

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Date (the “**IM Mengxing Payment Amount**”), comprising (a) the remaining balance of the advance payments as of the Effective Date and (b) the fund usage fee in respect of the advance payments paid by IM Products Company accrued up till the Effective Date. As of the Effective Date, the remaining balance of the RMB1,000.0 million in advance payments was RMB667.8 million, after deducting (i) RMB250.0 million which IM Mengxing had already returned due to the delay in acquisition of the company which owns Mine X coal mine, and (ii) RMB82.2 million representing the aggregate coal purchase price of the coal purchased by IM Products Company under the Amended Coal Underwriting Agreements. The fund usage fee accrued up till the Effective Date was RMB22.5 million. IM Products Company shall transfer the right to receive the IM Mengxing Payment Amount to IM Energy Group, such that IM Energy Group shall be entitled to receive payment of the IM Mengxing Payment Amount from IM Mengxing;

- (iv) IM Energy Group shall use the amounts to be received from the dividends to be paid by our Company to it for 2016 and the special dividend to be distributed prior to the Listing Date (the “**Dividend Payments**”) and any other sources of funds to pay IM Products Company an amount equivalent to the IM Mengxing Payment Amount, in return for IM Energy Group obtaining the right to receive the IM Mengxing Payment Amount from IM Products Company. IM Energy Group shall pay such amount to IM Products Company in full prior to the Listing Date. Our Company undertakes to approve the Dividend Payments to be made to IM Energy Group as soon as practicable and approve of the arrangement by IM Energy Group to use the Dividend Payments to pay such amount to IM Products Company;
- (v) IM Mengxing agrees to supply coal to IM Energy Group in accordance with the terms of the Amended Coal Underwriting Agreements. Insofar as allowed under applicable laws, rules and regulations (including but not limited to the Listing Rules), IM Energy Group undertakes to appoint IM Products Company as a custodian in respect of the Amended Coal Underwriting Agreements. As a custodian, IM Products Company shall (a) manage and supervise the performance of the Amended Coal Underwriting Agreements and (b) coordinate and assist with the sale of coal purchased by IM Energy Group under the Amended Coal Underwriting Agreements, for example by facilitating the logistics regarding the execution of the coal sale and purchase transactions. IM Energy Group shall find its own customers and IM Products Company’s role is merely to facilitate the logistics regarding the execution of the coal sale and purchase transactions. IM Energy Group shall pay a custodian fee to IM Products Company equivalent to 0.7% of the revenue generated from the sale of coal managed by IM Products Company. IM Products Company shall not have any obligations to make any payment or supply any coal under such custodian arrangements and shall not be subject to any liabilities or penalties in relation to its services in coordinating and assisting with the sale of coal purchased by IM Energy Group under the Amended Coal Underwriting Agreements;
- (vi) IM Energy Group further undertakes not to carry out any other trading business other than the coal underwriting pursuant to the Amended Coal Underwriting Agreements and

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## BUSINESS

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undertakes to minimize any competition from arising between IM Energy Group's Retained Business and our business;

- (vii) all security measures granted by IM Mengxing in favor of IM Products Company shall be transferred in favor of IM Energy Group; and
- (viii) from the Effective Date:
  - (a) IM Products Company shall not have any further business dealings with IM Mengxing;
  - (b) IM Energy Group shall be fully responsible for carrying out the purchase of coal from IM Mengxing under the Amended Coal Underwriting Agreements;
  - (c) neither our Company nor IM Products Company shall have any rights or obligations under the coal underwriting arrangements between IM Energy Group and IM Mengxing;
  - (d) neither our Company nor IM Products Company shall be named as a plaintiff, defendant or third party, or be liable, whether jointly or severally, in respect of any litigation or arbitration proceedings or any other form of dispute between IM Energy Group and IM Mengxing in respect of the Coal Underwriting Transfer and Provision of Custodial Service Agreement;
  - (e) if our Company, IM Products Company or any other subsidiaries controlled by our Company is required to perform any obligation or bear any responsibility in respect of the Amended Coal Underwriting Agreements (including but not limited to the payment of any fees to, the payment of any compensation for any direct or indirect losses to, or the performance of any obligations in favor of, IM Mengxing, its controlling shareholder or any other party), such obligations and responsibilities shall be transferred to IM Energy Group to be performed and borne by IM Energy Group;
  - (f) our Company, IM Products Company and any other subsidiaries controlled by our Company shall not bear any liability, whether jointly or severally, or any other legal risk (including any liability or risk which may result in an adverse impact) under the Amended Coal Underwriting Agreements;
  - (g) neither our Company nor IM Products Company shall be named as a plaintiff, defendant or third party, or be liable, whether jointly or severally, in respect of any litigation or arbitration proceedings or any other form of dispute arising out of any obligation or responsibility of our Company, IM Products Company and/or any other subsidiaries controlled by our Company in respect of the Amended Coal Underwriting Agreements; and
  - (h) if any dispute arises between any party and our Company, IM Products Company and/or any other subsidiaries controlled by our Company in respect of the Amended

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## BUSINESS

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Coal Underwriting Agreements and liability is imposed on any of our Company, IM Products Company and/or any other subsidiaries controlled by our Company as a result, IM Energy Group shall bear all such liabilities, such that our Company, IM Products Company and any other subsidiaries controlled by our Company shall not bear any liability, whether jointly or severally, or any other legal risk (including any liability or risk which may result in an adverse impact to the financial condition, reputation, business prospects or operations of our Company, IM Products Company and/or any other subsidiaries controlled by our Company) under the Amended Coal Underwriting Agreements.

IM Energy Group has undertaken to us that it would not enter into any new agreement with IM Mengxing to renew the Amended Coal Underwriting Agreements after such agreements expire, and IM Energy Group has no intention to inject the coal underwriting arrangements to our Group in the future.

For further details on the custodial service provided by IM Products Company to IM Energy Group, please refer to the section headed “Connected Transactions” in this prospectus.

### **Customers**

We typically receive written orders from our customers and do not enter into any long-term supply agreements with our main customers.

Our petroleum trading customers primarily include oil refineries and petroleum enterprises. Customers of our coal trading business primarily include coal traders and power plants. Customers of our chemical raw materials trading business are mainly chemical production enterprises and chemical material traders.

We normally request payments from our customers upon pickup. Our customers typically pay us in Renminbi through telegraphic transfer. With respect to chemical material trading, customers usually pay us in Renminbi through letters of acceptance.

### **Suppliers**

We typically place written orders with our suppliers and generally do not enter into any long-term supply agreements with our main suppliers.

Our petroleum trading suppliers are petroleum trading companies. Suppliers of our coal trading business are coal mine enterprises and coal traders. Suppliers in our chemical raw materials trading business are chemical enterprises in China.

While engaging in petroleum trading business, we typically engage agents who will (i) provide our suppliers with irrevocable 90-day letters of credit in US dollars; and (ii) make payments to

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## BUSINESS

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suppliers through telegraphic transfer after presenting proof documents regarding shipments. We will then reimburse our agents for such payments. While engaging in other trading businesses, we normally make payments upon the cargo's arrival and sometimes we make certain advance payments based on our suppliers' requests. We typically pay our suppliers in Renminbi through telegraphic transfer.

With our strong procurement capabilities and abundant supply sources from diverse markets, we can meet our customers' needs without being dependent on limited supply sources of any particular market.

### Inventory Management

To reduce our financial exposure, we adopt a relatively conservative trading policy. Under our trading policy, we usually take delivery of shipments from a supplier only when we have already reached a firm understanding with the customers and thus we typically maintain a limited amount of inventory in order to reduce the risks associated with storage.

## POWER PROJECT OPERATION AND OTHER BUSINESSES

### Overview

We invest in and operate a variety of power projects. We selectively commit our capital to those projects that meet our investment criteria. We also engage in operation maintenance and overhaul services for power plants, property development and power equipment manufacturing.

The following table sets forth a breakdown of the segment revenue of our power projects operation and other businesses during the Track Record Period:

	Year ended December 31,					
	2014		2015		2016	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	<i>(RMB in millions, except percentages)</i>					
Power project operation .....	141.5	3.7	150.1	2.3	137.5	1.4
Other businesses .....	229.9	6.0	350.7	5.4	775.9	7.9
<b>Total</b> .....	<b><u>371.4</u></b>	<b><u>9.7</u></b>	<b><u>500.8</u></b>	<b><u>7.7</u></b>	<b><u>913.4</u></b>	<b><u>9.3</u></b>

### Power Projects Operation

Our investment and operation of power projects is complementary to our construction contracting business. We have invested in and operated power plants since 2011.

#### *Operating project*

As of December 31, 2016, we owned one wind power project in operation in Inner Mongolia, the Hengrun wind power plant, with a consolidated installed capacity of 199MW, representing 100%



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## BUSINESS

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of our total consolidated installed capacity. As we own the wind power plant which we operate, there is no limit to the term for which we are entitled to operate our wind power plant. We normally enter into electricity sale and purchase contracts with local power grid companies to supply such companies with electricity generated by our wind power plant. The key terms of such contracts include:

- **duration:** the term of the contract is usually one year and will be renewable subject to parties' negotiations prior to the expiration of the contract;
- **supply of electricity:** we are required to supply a fixed amount of electricity which is required to meet both the national standard and the industry standard;
- **electricity purchase price:** the on-grid power purchase price shall be calculated on a monthly basis based on the on-grid power purchase rate stipulated by the PRC government. The on-grid power purchase price will be settled monthly in advance based on the local benchmark rate and the shortfall (if any) between such price and the price calculated based on the on-grid power purchase rate stipulated by the PRC government will be settled by the customer when it receives the renewable energy subsidies granted by the Finance Department of Inner Mongolia; and
- **other obligations:** we are obliged to obtain all the necessary approvals and permits from relevant authorities in connection with the operation of our power plant and the sale of electricity to the customer. We are required to report to our customers the conditions and reliability indices of our power generators on a monthly basis, and to provide our customers with a maintenance program in relation to the power generators periodically.

### *Pending Projects*

We also have abundant pending projects for future development. As of December 31, 2016, by entering into development agreements with local governments we have reached preliminary agreements to develop nine wind power projects in a number of regions in Inner Mongolia and one wind power project in Guangdong province, with an estimated aggregate installed capacity of approximately 2,000MW. Advanced pending projects are those for which we have submitted the relevant filings with the regulatory authorities but have not commenced the construction. We periodically reassess our pending wind power projects to determine the proper timing for development to support our management's decisions on investing resources into feasible projects. Through such assessments, we may also decide not to proceed with a pending project that we deem unsuitable for development.

We commenced developing photovoltaic and solar thermal project operation business plans in 2015. As of the Latest Practicable Date, preliminary consents have been received from the regulatory authorities for four photovoltaic power generation projects, with a total expected installed capacity of approximately 4,150MW, and three solar thermal power generation projects are pending approval, with a total expected installed capacity of approximately 150MW. In respect of the four photovoltaic power generation projects which have received preliminary consents from the regulatory authorities,

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## BUSINESS

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we will only make the decision whether to proceed with the projects after the government subsidy approvals in relation to these projects have been received. In respect of our three solar thermal power generation projects pending approval, we have submitted applications for the projects to be approved as national model solar thermal power generation projects. We will only make the decision whether to proceed with the projects after the projects have been approved and included into the list of national model solar thermal power generation projects.

As of the Latest Practicable Date, we had obtained the quota from the Development and Reform Commission of Inner Mongolia for the construction of a 2×350MW coal-fired power plant. As of the Latest Practicable Date, we were applying to the same government authority in Inner Mongolia for the approval of this project. We are in the process of conducting the feasibility study and preparing the relevant application to the regulatory authorities to obtain the approval for the project. We will only make the decision whether to proceed with the project after we have obtained the approval of the regulatory authorities.

We typically enter into framework agreements or cooperative agreements with local governments in relation to the development of our pending power projects. Typical key terms of such agreements include:

- **project implementation:** we agree to cooperate in the implementation of the stipulated projects by providing funding, technology and equipment and/or labor. We are responsible for conducting the feasibility studies, obtaining the relevant regulatory approvals and the construction, management and operation of such projects;
- **technology:** we agree to employ technologies and equipment in accordance with the national industry standards and in compliance with national environmental regulations; and
- **preferential treatment:** we are entitled to enjoy the benefit of the favorable policies implemented by the local government in relation to such agreements and projects.

Notwithstanding such framework agreements or cooperative agreements, we are not obliged to undertake the investment in, and development of, any particular power project within any timeframe pursuant to such framework agreements or cooperative agreements. In respect of the four photovoltaic power generation projects which have received preliminary consents from the regulatory authorities, we are not obliged to undertake the investment in, and development of, these projects. If we do not proceed to develop the relevant projects within two years after the date of the relevant consents, the regulatory authorities will withdraw the project development rights in respect of those projects. However, there will not be administrative penalties imposed on us if we do not proceed with such projects. We will consider various factors, including the prevailing economic conditions, our own operational requirements, our investment capabilities, our ability to obtain the required regulatory approvals, the availability of funding and the cooperation of joint venture partners in order to determine whether to invest and develop a power project and the amount to be invested in such project. Should we proceed to undertake such projects, we intend to finance our investments in such

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## BUSINESS

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projects through various sources, including cash flows from operations, bank borrowings, the issuance of debt securities, capital contributions from our shareholders and the proceeds from the Global Offering. As of December 31, 2016, we had not made any capital commitments in respect of our pending power projects.

### **Other Businesses**

We have significantly expanded our operation maintenance and overhaul services for power plants in response to increasing demand in recent years. In 2014, 2015 and 2016, our revenue generated by maintenance and overhauling of power grid facilities and power generation equipment is RMB44.9 million, RMB67.0 million and RMB77.4 million, respectively.

We also engage in manufacturing and processing of steel structure for power transmission, with our manufacturing factories and facilities in Hohhot. We also develop affordable housing for our employees and other properties for sale.

### **OVERSEAS BUSINESS**

Our overseas business is subject to international economic and political conditions that are beyond our control. See “Risk Factors – We have overseas business that is subject to foreign economic and political uncertainties” in this prospectus for further details. We implement certain measures to mitigate such risks, including:

- employing project management teams consisting of highly experienced professionals;
- fully assessing the relevant risks when selecting any overseas projects;
- formulating and strictly implementing sound and detailed plans to maintain the quality of projects;
- employing contract management teams to closely monitor the project contracts to avoid any breach of contract and to seek damages in the event of any breach of contract by other contracting parties; and
- complying with applicable laws and regulations and obtaining all the licenses and permits necessary for our overseas business from the competent authorities.

When selecting projects, we fully consider the potential profitability and risks, our own capability and qualification, as well as the specifications of the projects, such as the work scope, construction period, payment currency, payment conditions, tax, applicable laws, regulations and rules and dispute resolution. In addition, for our overseas business, local environmental and economic conditions are crucial to our project selection. We will carefully evaluate the geographic and

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## BUSINESS

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geomorphic conditions, hydrogeology, potential natural disasters, local labor market, potential local procurement sources, tax, customs clearance, commodity prices, banking and utility supply before undertaking any overseas project.

We proactively undertake energy construction projects in relevant regions along the “Belt and Road,” “China-Mongolia-Russia Economic Corridor” and “China-Pakistan Economic Corridor” regions and surrounding countries, developing and expanding overseas energy markets. As of December 31, 2016, we have provided survey, design and consultancy services in six countries. We mainly engaged in fossil-fuel power, new energy and other large projects. In recent years, our overseas projects have been mainly concentrated in Southeast Asia, South Asia and Central Asia. From 2014 to 2016, we have undertaken seven major overseas projects. In particular, we participated in the design and construction the world’s largest single-unit 900MW photovoltaic power project in Pakistan.

In recent years, we have grown our overseas businesses. We have participated in a number of projects in Pakistan, Cambodia, Indonesia, Kyrgyzstan, Tajikistan and Mongolia. We are also currently exploring opportunities to participate in several wind power or municipal construction projects in Mongolia, Italy and Brazil. Based on our current overseas business expansion plans, we do not expect our assets and business in jurisdictions with significant political and legal risks to become significant.

## BUSINESS

The following table sets forth our key overseas projects completed during the Track Record Period.

Project Name	Project Type	Contract Date	Design Completion Date	Contract Value <sup>(1)</sup> (RMB in millions)	Project Description	Relevant National Policy
Survey and design of Tajikistan Dushanbe No. 2 Fossil-fuel Power Plant Phase II 2×150MW Units Construction Project (塔吉克斯坦杜桑貝-2號火電站二期2×150MW機組建設勘測設計項目)	Fossil-fuel power	August 2014	December 2015	23.7	One of the largest fossil-fuel power projects in Tajikistan.	Belt and Road
Design of Cambodia Sihanoukville 3×135MW Coal-fired Power Plant (柬埔寨西哈努克港3×135MW燃煤電廠設計項目)	Fossil-fuel power	April 2011	November 2014	25.0	The largest fossil-fuel power project in Cambodia.	Belt and Road
100MW Engineering design for CD land of the Photovoltaic Power Plant Project in Punjab Province, Pakistan (巴基斯坦旁遮普省並網光伏電站CD地塊100MW工程設計項目)	Photovoltaic power	August 2015	February 2016	2.1	CD land design of the world's largest single-unit photovoltaic project.	China – Pakistan Economic Corridor
100MW Engineering design for EF land of the Photovoltaic Power Plant Project in Punjab Province, Pakistan (巴基斯坦旁遮普省並網光伏電站EF地塊100MW工程設計項目)	Photovoltaic power	August 2015	February 2016	2.1	EF land design of the world's largest single-unit photovoltaic project.	China – Pakistan Economic Corridor

(1) “Total contract value” represents the subtotal of the value of all the relevant contracts signed by us, excluding the value attributable to other parties.

### BACKLOG AND NEW CONTRACT VALUE

#### Backlog

Backlog represents our estimate of the contract value of work that remains to be completed as of a certain date. The contract value represents the amount that we expect to receive under the terms of the contract assuming the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles. See “Risk Factors – Risks Relating to Our Business and Industry – Backlog is subject to unexpected adjustments and cancellations and, therefore, may not be indicative of our future results of operations.”

## BUSINESS

The following table sets forth the aggregate contract value of projects in the backlog of our survey, design and consultancy business and construction contracting business for the periods indicated:

	As of December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
<b>Survey, design and consultancy business</b> .....	1,351.8	32.9	1,215.9	30.7	1,276.9	17.8
– Power grid .....	588.3	14.3	544.6	13.8	686.2	9.6
– Wind power .....	215.4	5.2	170.7	4.3	180.1	2.5
– Solar power .....	47.9	1.2	68.2	1.7	72.0	1.0
– Fossil-fuel power .....	497.9	12.1	430.5	10.9	338.6	4.7
– Others <sup>(1)</sup> .....	2.4	0.1	1.9	0.0	–	–
<b>Construction contracting business</b> .....	2,752.3	67.1	2,740.1	69.3	5,907.4	82.2
– Power grid .....	1,401.9	34.2	1,863.4	47.1	1,999.6	27.8
– Wind power .....	148.4	3.6	111.8	2.8	1,718.6	23.9
– Solar power .....	67.4	1.6	155.5	3.9	1,516.9	21.1
– Fossil-fuel power .....	349.9	8.5	106.3	2.7	231.2	3.2
– Others <sup>(1)</sup> .....	784.7	19.1	503.0	12.7	441.1	6.1
<b>Total</b> .....	<b><u>4,104.1</u></b>	<b><u>100.0</u></b>	<b><u>3,955.9</u></b>	<b><u>100.0</u></b>	<b><u>7,184.3</u></b>	<b><u>100.0</u></b>

(1) Others refers to municipal work projects and building construction projects.

As of December 31, 2016, our aggregate backlog for our overseas business was approximately RMB21.4 million.

The estimated revenue which we expect to recognize in 2017 from the aggregate backlog of our survey, design and consultancy business and our construction contracting business as of December 31, 2016 is RMB3,963.5 million. Our backlog and our estimated revenue to be recognized from our backlog are based on certain assumptions such as the performance of the relevant contracts in full in accordance with their terms, and are subject to certain uncertainties such as the subsequent termination or modification of the contracts or delays in the performance of the contracts. Therefore such estimates of revenue which we expect to recognize from our backlog should not be taken as an indicator of our future earnings.

### New Contract Value

The value of a contract is the amount that we expect to receive under the terms of the contract if the contract is performed by us in accordance with its terms. New contract value represents the aggregate value of contracts we entered into during a specific period.

## BUSINESS

The following table sets forth the aggregate value of new contracts we entered into in respect of our survey, design and consultancy business and construction contracting business for the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
<b>Survey, design and consultancy business</b> .....	684.9	15.5	621.8	9.7	590.1	5.9
– Power grid .....	433.9	9.8	418.7	6.5	367.3	3.7
– Wind power .....	75.9	1.7	73.0	1.1	62.0	0.6
– Solar power .....	44.2	1.0	56.7	0.9	45.2	0.5
– Fossil-fuel power .....	128.2	2.9	73.4	1.1	105.6	1.1
– Others <sup>(1)</sup> .....	2.7	0.1	0.0	0.0	10.0	0.1
<b>Construction contracting business</b> .....	3,720.6	84.5	5,812.1	90.3	9,462.5	94.1
– Power grid .....	1,743.5	39.6	2,154.6	33.5	2,434.0	24.2
– Wind power .....	500.7	11.4	1,190.4	18.5	2,540.8	25.3
– Solar power .....	562.9	12.8	1,955.4	30.4	3,901.0	38.8
– Fossil-fuel power .....	322.9	7.3	96.7	1.5	306.8	3.1
– Others <sup>(1)</sup> .....	590.6	13.4	415.0	6.4	280.0	2.8
<b>Total</b> .....	<b><u>4,405.5</u></b>	<b><u>100.0</u></b>	<b><u>6,433.9</u></b>	<b><u>100.0</u></b>	<b><u>10,052.7</u></b>	<b><u>100.0</u></b>

(1) Others refer to municipal work projects and building construction projects.

### Completed Contract Value

Completed contract value represents the aggregate value of contracts that we completed during a specified period.

In 2015, the aggregate value of the contracts we completed in respect of our power grid, wind power, solar power, fossil-fuel and other (comprising municipal work projects and building construction projects) construction projects was RMB1,693.1 million, RMB1,227.0 million, RMB1,867.3 million, RMB340.3 million and RMB696.7 million, respectively.

In 2016, the aggregate value of the contracts we completed in respect of our power grid, wind power, solar power, fossil-fuel and other (comprising municipal work projects and building construction projects) construction projects was RMB2,297.9 million, RMB933.9 million, RMB2,539.6 million, RMB182.0 million and RMB341.9 million, respectively.

The aggregate value of the contracts we completed in respect of our survey, design and consultancy business in 2015 and 2016 is RMB757.7 million and RMB529.1 million, respectively.

### RESEARCH AND DEVELOPMENT AND TECHNOLOGY

Research and development of our technology is crucial to our business expansion. Our research and development focuses primarily on technological innovation, engineering application and project

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## BUSINESS

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management. To sustain our leadership in the industry, we have long been dedicated to research and development in power grid and power generation technologies and applying best industry practices. Benefiting from the solid platform and investments in our research and development capabilities, we have developed advanced technologies. In 2014, 2015 and 2016, our research and development expenditure and fees were RMB31.9 million, RMB36.9 million, RMB49.6 million. During the Track Record Period, we did not capitalize any of our research and development expenditures.

### **Research and Development Team**

Our research and development activities are primarily driven by our customers' demands, and have played an indispensable role in processing technologies, engineering technologies and construction technologies and project management technologies that are closely related to our business.

We have an outstanding research and development team. As of December 31, 2016, we had 2,366 technical professionals on various engineering projects, among which there were 12 professor-level senior engineers, 481 senior engineers, 603 engineers and 723 state-certified professionals of various specialties. We also had three professionals who have been awarded the title of "Inner Mongolia design master" and five professionals who have been awarded the title of "Northern China power technology expert".

As of the Latest Practicable Date, we had acquired a total of 37 proprietary technologies of national power engineering and a total of 294 awarded patents (including 41 invention patents and 253 utility patents) in China, ranking top in the PRC energy engineering industry for the number of owned patents. We also won an more than 110 scientific and technological awards, including "self-developed direct air-cooling unit steam-extraction and low-vacuum joint heating technology," "large-scale power plant engineering design intelligent collaborative management platform" and "Inner Mongolia Grid wind power ultra-short-term forecasting system," all of which received the Region's First Prize of the Science and Technology Progress Award. In addition, we have received a total of 221 outstanding engineering design awards and consultancy awards, including the national Outstanding Engineering design Award because of our development of the "standardized design process based online management system". We undertook a national key scientific research project, "1MW trough solar thermal power generation engineering of National 863 Project." The project was conducted in collaboration with the Institute of Electrical Engineering of Chinese Academy of Sciences, and has already been delivered to the owner.

In recent years, we integrated quality scientific research resources from well-known domestic research institutions and universities, and constantly strengthened our capability of independent innovation, so as to improve the collaboration among enterprises, institutions and universities. We have engaged in technology exchange activities and project collaboration with many universities and research institutes such as Zhejiang University and the Institute of Electrical Engineering of Chinese Academy of Science. The agreements with these institutions typically provide that the both parties are responsible for their own part of the research work funding, and share intellectual properties obtained through the joint research effort. We plan to enhance our cooperation opportunities to improve the research and development efficiency and promote the results and achievements of our research and development.



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## BUSINESS

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### Key Technologies

We have a large number of core technologies in the areas of high-voltage power transmission and transformation, wind power, photovoltaic power, and fossil-fuel power, as well as in general construction areas including civil construction, electromechanical installation, and energy conservation and environmental protection. Some of these technologies have reached an internationally advanced level.

As of December 31, 2016, our core technologies included:

- In the high-voltage power transmission and transformation field, we own three core technologies, including advanced technologies such as the “High-efficiency aseismic 110kV power distribution device.”
- In the wind power field, we own 21 core technologies, including advanced technologies such as the “comprehensive control system and method for wind and photovoltaic energy storage.”
- In the photovoltaic power field, we own four core technologies, including advanced technologies such as “new system and control method for intelligent generation and storage of wind and solar energy.”
- In the fossil-fuel power field, we own 25 core technologies, including advanced technologies such as the “Linear installation of 350MW NCB unit in the turbine house” and the “Flexible joining structure between brick walls and metal walls.”

We independently researched and developed various landmark technologies, and own the exclusive rights in relation to the use of, and benefits derived from, such technologies. The following table sets forth our landmark technologies as of December 31, 2016:

<u>Power Category</u>	<u>Technology</u>	<u>Achievements</u>	<u>Introduction of core technology</u>
Photovoltaic power	New system and control method for intelligent generation and storage of wind and solar power (新型風光儲智 慧聯合發電系統及其 控制方法)	Invention patent	The invention has improved the continuity and stability of disc-type solar thermal power generation system. It has addressed the problem of large-scale on-grid transmission of electricity from the most efficient solar thermal power stations. It is the first disc-type solar thermal energy power station in China.
Photovoltaic power	Automatic cleaning device of solar photovoltaic modules and its method (太陽能光伏組件的自動清洗 裝置和方法)	Invention patent	It is an automatic cleaning device of solar photovoltaic modules to remove dust (dirt). The device is highly efficient and can be used in different environments. It improves the power generation efficiency of photovoltaic power stations.

## BUSINESS

<u>Power Category</u>	<u>Technology</u>	<u>Achievements</u>	<u>Introduction of core technology</u>
Photovoltaic power	Research and application of the most economically-efficient size of section diameter of DC power cables of photovoltaic power stations (光伏電站直流動力電纜經濟截面的研究與應用)	Proprietary technology	The technology applies to the calculation of input and output currents of photovoltaic arrays, which helps to select applicable power cables scientifically and economically and is efficient.
Wind power	Comprehensive control system and method for wind and photovoltaic energy storage (風光儲綜合控制系統和方法)	Invention patent	It provides the calculation method for wind and photovoltaic energy capacity allocation as well as energy storage allocation. It allocates the actual energy storage capacity based on the actual energy storage unit. The invention can accurately calculate the energy storage capacity of a single wind power unit and single photovoltaic panel.
Wind power	System and method for selection of different types of wind power units (比較風電機組選型優劣的系統和方法)	Invention patent	By calculating the generating efficiency of different wind power projects and wind power unit capacity of different wind power plants, the system evaluates the selection of wind power units under different wind conditions and chooses the best solution.
Thermal power	Longitudinal layout of the turbine house for 350MW NCB unit (350MW級NCB機組的汽機房的縱向佈置)	Invention patent	This is known as NCB layout of the turbine house, including the appropriate layout of major and secondary steam systems, turbine by-pass system, water supply system, lubricating system, recycle system for bleeding steam, vacuum system and condensation recovery system, turbine selection and optimization of the layout of turbine house.
Thermal power	Flexible joining structure between brick walls and metal walls (砌牆與金屬牆之間的可變形銜接結構)	Invention patent	It is a connection structure with standardized arrangement, simple construction and less materials. It is suitable for the connection of walls with various materials and wide gaps.
Thermal power	Research and application of biological water treatment system for power plant boiler (生物質電廠鍋爐水處理系統方案研究與應用)	Technology achievement	The application of secondary reverse osmosis technology in biological water treatment system of power plant boiler. The innovative use of reverse osmosis to remove salt can solve the problem of treatment of waste water of power plant boiler with less energy consumption.

## AWARDS AND ACHIEVEMENTS

As of December 31, 2016, we had received national awards for our survey, design and consultancy business, including National Outstanding Project Survey Award, National Outstanding Project Design Award, National Outstanding Project Consulting Award and National Quality Project Award. These awards are generally reviewed and granted annually or every two years. In the construction contracting area, we have won a number of national awards, including the General Contracting Bronze Key Award, National Quality Project Silver Award and China Quality Power Project Award.

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## BUSINESS

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The following table sets out the representative awards we have obtained in recent years:

<u>Year</u>	<u>Project name</u>	<u>Nature of project</u>	<u>Awards</u>
2016	Construction of power substation (220kV) in Chemical Industry Park in Lasengmiao, Wuhai (烏海拉僧廟化工園區220kV變電站工程項目)	Power grid project	2016 China Quality Power Project Award (Small and Medium-sized Constructions)
2015	Huadian Wind Power Project (200MW) in Bayingolin, Baotou, Inner Mongolia — (內蒙古華電包頭巴音200MW風電場工程項目)	New energy project	Outstanding Project Design for Power Industry Award (Second Prize) of China
2014	20MWp Comprehensive Photovoltaic and Agricultural Development and Utilization Project of the Agricultural Cultivation Bureau of Bayannaer (巴彥淖爾市農墾管理局20MWp光伏發電農業綜合開發利用項目)	New energy project	Outstanding Project Design for Power Industry Award (Second Prize) of China
2013	Inner Mongolia Zhun Neng Gangue Power Plant 2x330MW CFB air-cooling turbine unit (內蒙古准能矸石電廠2x330MW CFB空冷機組工程項目)	Power generation project	National Outstanding Project Design for power industry Award (Third Prize)
2013	Inner Mongolia Meng Dian Hua Neng Thermal Power Corporation Limited Erenhot solar-wind power generation for urban electricity supply (內蒙古華電二連浩特風光互補城市供電示範項目)	New energy project	National Outstanding Project Design for power industry Award (Second Prize)
2013	500kV Power substation in Linhebei (臨河北 500KV 變電站項目)	Power grid project	National Outstanding Project Design for power industry Award (Third Prize)

## INTELLECTUAL PROPERTY

Through our research and development initiatives, we have obtained various intellectual property rights that are valuable to our business. We protect our intellectual properties through patents, copyrights, trademarks and contractual rights. As of the Latest Practicable Date, we held 294 patents, comprising 41 invention patents and 253 utility patents in China, and had approximately 32 patent applications pending in China. We acquired new patents through our products and technologies as a result of our research and development activities.

Our research and development and other key employees are required to adhere to our confidentiality policies prohibiting them from disclosing any of our proprietary technologies and trade secrets. In addition, we maintain full ownership rights to any intellectual property developed by our research team. We have also implemented an information security system to prevent unauthorized access to our technological information systems. We generally seek intellectual property protection

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## BUSINESS

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against third-party misappropriation for new inventions we develop, including product improvements or technologies, though there is no assurance that such protection will be effective. We may also be subject to claims for infringement of intellectual property rights of others. See “Risk Factors – Risks Relating to Our Business and Our Industry – We may not be able to adequately protect our intellectual property rights in relation to our research and development of technology, which could result in losses to our revenue and profit and could, in turn, materially and adversely affect our business, financial position and results of operations.”

Our Directors believe that our intellectual property rights, including our trademarks and patents, are important to our future business development. For further information about our main intellectual property rights, see “Appendix VI – Statutory and General Information.”

To our knowledge, during the Track Record Period and up to the Latest Practicable Date, there were no claims or legal proceedings involving other parties having infringed on any of our key intellectual property rights, or vice versa.

### INFORMATION SYSTEMS

With respect to our survey, design and consultancy and construction contracting businesses, we own and utilize a variety of advanced information instruments, including process software, auxiliary engineering design computer software and project management software.

We use these systems and the software extensively in our design and construction contracting projects, for which they serve as an intelligent power design coordinating management system platform to support the comprehensive management of our process design, project design, overall factory design and project management and to facilitate the collaboration of our professionals based in different locations. The platform simulates the management procedures of the entire design process and enables the intelligent management of design. The coordinating design management platform was developed by using information technology to regulate design activities through the embedded corporate management standards. The design process is automatically and dynamically managed according to our standards.

In addition, we own a centralized procurement E-commerce platform, an advanced financial information platform and other information systems. Our integrated information system provides an intelligent, efficient and comprehensive platform for informed decision-making and the optimal sharing of our resources.

### SUBCONTRACTING AND THIRD-PARTY SERVICES

In line with customary market practice, we engage third-party subcontractors to provide extra workforce or specialty services from time to time to lower costs, primarily in our survey, design and consultancy, construction contracting business.

In most of our projects, we serve as a project constructor or a construction general contractor. When necessary, we procure services from our subcontractors to undertake projects in their respective

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## BUSINESS

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specialties, which may vary from project to project, such as civil engineering, zero-defect testing, installation of fire safety systems and graphics services, to ensure the progress and improve the overall profitability of the project. We follow strict criteria in selecting subcontractors and establish long-term relationships with them. We keep a list of qualified subcontractors to provide suitable subcontracting business at an acceptable price. We generally select subcontractors through a bidding process. Subcontractors must either be on our list of qualified subcontractors, or have passed our evaluation. There were a number of subcontractors on our regularly reviewed updated list for survey, design, logistics, installation and construction services. We select subcontractors primarily based on their qualifications, track record, financial strengths and offer prices. The subcontracting agreements typically reflect the principal terms of our contracts with our project owners. Subcontracting arrangements are made on a project-by-project basis, and the duration of each subcontracting agreement generally depends on the timetable, scope of work and other requirements of each project. We have taken measures to manage our subcontracting costs, including: (i) maintaining a list of preferred subcontractors which is regularly reviewed and updated, thereby maintaining long-term business relationships with our preferred subcontractors to secure availability of subcontracting business at reasonable prices; and (ii) engaging subcontractors through a tender and bidding process in which we typically solicit bids from at least three potential subcontractors, primarily based on their qualifications, proposed subcontracting fees and track record. Our customers sometimes require us to obtain their consent before we subcontract.

According to our subcontracting contracts, we usually make progress payments to our subcontractors and retain 5% to 10% of the total contract value until the expiry of the warranty period, which typically lasts 12 months after our inspection and acceptance of the services provided by our subcontractors. The warranty periods and other major terms under our subcontracting contracts are usually equivalent to those in our contracts with customers.

We have internal control measures in place, under which we manage and monitor the performance of our subcontractors in terms of both quality and delivery of their services, using on-site supervisors and on-site reviews with the subcontractors. If we identify any performance issues, we will have follow-up discussions with the subcontractors and monitor their rectification measures.

We require our subcontractors to comply with our work safety standards and policies, and to take measures to avoid any safety or other incidents during the course of their services. In the event of any failure by our subcontractors to meet our safety standards, we may cease to work with them or claim damages.

We incorporate subcontractors' work quality, progress, health, safety and environmental protection record into our management system, as we remain responsible to our customers for our subcontractors' contractual performance pursuant to the contracts or applicable laws. We adopt various measures to monitor the subcontractors' performance. On any ongoing project, we set up regular meetings with our subcontractors and dispatch on-site supervisors to manage various aspects of the subcontractors' work, to ensure their compliance with relevant rules and regulations. We also maintain close relationships with subcontractors by providing training programs for them.

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## BUSINESS

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Meanwhile, we might retain third parties to provide relevant services for warehouse security and transportation in our trading business. These third parties are required to adhere to their internal safety rules and policies, in order to avoid accidents of safety or other kinds during the course of their services. If the third parties fail to follow the relevant safety rules, we will terminate our cooperation and claim for damages.

To the best of our knowledge, our retained subcontractors and third-party service providers are all independent from us.

### SEASONALITY

Our construction contracting business is subject to seasonality. We typically record higher profits in the second half of the year than in the first half of the year. We attribute this seasonality to cold weather and more public holidays during winter (generally from January to March), which have a significant impact on our construction. We anticipate that, as we improve our technology and equipment, we may gradually reduce the effect of seasonality in our business operations. Nevertheless, we may still experience cost increases or delays when conducting our business operations during particular seasons.

### COMPETITION

The participants in China's power industry primarily comprise state-owned enterprises, international engineering companies and private enterprises. We believe we are one of the major market participants in China's power design and power construction industry, as well as a market leading design and construction company in the power grid, new energy and fossil-fuel power industries in China. Our main competitors consist of design and construction enterprises with which we share similar competitiveness in terms of capital sources, technological strength, employee qualifications and expertise and brand recognition. Due to substantial requirements for capital, equipment, technology, professional expertise and qualifications, we believe there are barriers to entry in the industry in which we participate.

Our main competitors include Power Construction Corporation of China, China Energy Engineering Group and power transmission and transformation companies in different provinces. We believe we are competitive due to our expertise in the construction contracting of power grid, wind power plants and photovoltaic power plants as well as large-scale power stations and our proximity to abundant resources in Inner Mongolia, Northern China and surrounding areas of Mongolia.

The main competitors of our trading business are the regional commodity companies in China.

### CUSTOMERS AND SUPPLIERS

In 2014, 2015 and 2016, 34.2%, 23.8% and 18.1%, respectively, of our revenue was attributable to our largest customer. For the same periods, approximately 53.2%, 47.1% and 39.2%, respectively, of our revenue was attributable to our five largest customers.

## BUSINESS

The following table sets out the years of business relationship with the Group, the revenue contribution, the percentage of our total revenue and the transaction nature with respect to each of our five largest customers in 2014.

<u>Company name</u>	<u>Years of business relationship with the Group</u>	<u>Revenue contribution</u> <i>(RMB in thousands)</i>	<u>Percentage of total revenue</u> <i>(%)</i>	<u>Transaction nature</u>
This customer engages in the construction and management of power grids and manages the design, research and construction of power resources. It has a registered share capital of RMB4.7 billion as of December 31, 2016	Since its establishment	1,316,521.1	34.2	Sale of electricity and engineering construction
Inner Mongolia Mandula Power and Real Estate Development Co., Ltd. (內蒙古滿都拉電力房地產開發公司)	Three years from 2012	482,410.9	12.5	Engineering construction
Baotou Aluminum Co., Ltd. (包頭鋁業有限公司)	Six years from 2009	92,220.1	2.4	Engineering construction
Erdos Beijiao Thermal Power Co., Ltd. (鄂爾多斯北驕熱電有限責任公司)	Two years from 2013	81,921.7	2.1	Engineering construction
Huadian Inner Mongolia Energy Co., Ltd. (華電內蒙古能源有限公司)	Five years from 2010	75,468.4	2.0	Engineering construction

The following table sets out the years of business relationship with the Group, the revenue contribution and, the percentage of our total revenue and the transaction nature with respect to each of our five largest customers in 2015.

<u>Company name</u>	<u>Years of business relationship with the Group</u>	<u>Revenue contribution</u> <i>(RMB in thousands)</i>	<u>Percentage of total revenue</u> <i>(%)</i>	<u>Transaction nature</u>
This customer engages in the construction and management of power grids and manages the design, research and construction of power resources. It has a registered share capital of RMB4.7 billion as of December 31, 2016	Since its establishment	1,556,018.4	23.8	Sale of electricity and engineering construction
This customer engages in the trading, storage and transport of petrochemical products and chemical products and has a registered share capital of RMB1.1 billion as of December 31, 2016	One year from 2015	586,690.3	9.0	Trading
Inner Mongolia Mandula Power and Real Estate Development Co., Ltd. (內蒙古滿都拉電力房地產開發公司)	Four years from 2012	381,789.0	5.8	Engineering construction
Inner Mongolia Halun New Energy Development Co., Ltd. (內蒙古哈倫系能源發展有限責任公司)	One year from 2015	296,300.0	4.5	Engineering construction
Inner Mongolia Annuoji New Energy Co., Ltd. (內蒙古安諾吉新能源有限責任公司)	One year from 2015	264,151.0	4.0	Engineering construction

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## BUSINESS

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The following table sets out the years of business relationship with the Group, the revenue contribution, the percentage of our total revenue and the transaction nature with respect to each of our five largest customers in 2016.

<u>Company name</u>	<u>Years of business relationship with the Group</u>	<u>Revenue contribution (RMB in thousands)</u>	<u>Percentage of total revenue (%)</u>	<u>Transaction nature</u>
This customer engages in the construction and management of power grids and manages the design, research and construction of power resources. It has a registered share capital of RMB4.7 billion as of December 31, 2016	Since its establishment	1,768,818	18.1%	Sale of electricity and engineering construction
Qingdao Chihua Economic and Trade Co., Ltd. (青島馳華經貿有限公司)	One year from 2015	650,753.8	6.7%	Trading
Inner Mongolia Huachen New Energy Co., Ltd. (內蒙古華晨新能源有限公司)	From 2016	538,557.6	5.5%	Engineering construction
Inner Mongolia Mengxing Chemical Co., Ltd. (內蒙古蒙興化工有限公司)	One year from 2015	448,373.8	4.6%	Trading
This customer engages in the construction of photovoltaic power generation facilities and the research and development and the sales of photovoltaic products. It has a registered share capital of RMB80.0 million as of December 31, 2016	From 2016	421,879.8	4.3%	Engineering construction

During the Track Record Period, our largest customers typically comprised large power generation and power grid companies operating in Inner Mongolia, as well as trading companies starting from the commencement of our trading business in June 2015. Due to the limited number of large power generation and power grid companies operating in Inner Mongolia, we repeatedly deal with such customers in our construction contracting business and thus earn significant portion of our revenue from such customers. We have maintained business relationships with such customers for over five years and will continue to foster strong business relationships with them. The revenue contribution from our trading customers is relatively large due to the nature of the business. We typically purchase and sell commodities in large quantities, resulting in large transaction volumes compared to our other businesses.



## BUSINESS

The following table sets out the years of business relationship with the Group, the purchase amount, the percentage of our consolidated purchases and the transaction nature with respect to each of our five largest suppliers in 2014.

Name	Years of business relationship with the Group	Purchase amount (RMB in thousands)	Percentage of consolidated purchases (%)	Transaction nature
Sichuan Guangan Zhifeng Construction Engineering Co., Ltd. (四川廣安智豐建設工程有限公司)	11 years from 2004	222,150.0	7.2	Construction subcontracting
Inner Mongolia Quanxin Construction Engineering Co., Ltd. (內蒙古全新建築工程有限責任公司)	14 years from 2000	135,056.2	4.4	Construction subcontracting
Shaanxi Tianyu Power Engineering (Group) Co., Ltd. (陝西天禹電力工程(集團)有限公司)	Five years from 2010	56,098.0	1.8	Construction subcontracting
Beijing State Grid Zhongneng Power Transmission and Transformation Engineering Co., Ltd. (北京國網中能送變電工程有限公司)	Three years from 2012	53,688.4	1.7	Construction subcontracting
Wuhai Hongtai Power Construction Engineering Co., Ltd. (烏海市宏泰電力建設工程有限責任公司)	Four years from 2011	51,045.6	1.7	Construction subcontracting

The following table sets out the years of business relationship with the Group, the purchase amount, the percentage of our consolidated purchases and the transaction nature with respect to each of our five largest suppliers in 2015.

Name	Years of business relationship with the Group	Purchase amount (RMB in thousands)	Percentage of consolidated purchases (%)	Transaction nature
This supplier engages in the trading of chemical products and ferrous metals. It has a registered share capital RMB30.0 million as of December 31, 2016	One year from 2015	417,755.0	7.6	Purchase of metal materials
Sichuan Guangan Zhifeng Construction Engineering Co., Ltd. (四川廣安智豐建設工程有限公司)	12 years from 2004	300,566.9	5.5	Construction subcontracting
This supplier engages in the trading of various products and materials, including coal, fertilizers, steel, metal products, wood and chemical products. It has a registered share capital RMB20.0 million as of December 31, 2016	One year from 2015	252,639.0	4.6	Purchase of electrolytic copper
Shanghai Electric Wind Power Equipment Co., Ltd. (上海電氣風電設備有限公司)	One year from 2015	200,000.0	3.6	Purchase of equipment
Jiangsu Rongma New Energy Co., Ltd. (江蘇榮馬新能源有限公司)	One year from 2015	198,852.0	3.6	Purchase of equipment

## BUSINESS

The following table sets out the years of business relationship with the Group, the purchase amount, the percentage of our consolidated purchases and the transaction nature with respect to each of our five largest suppliers in 2016.

Name	Years of business relationship with the Group	Purchase amount (RMB in thousands)	Percentage of consolidated purchases (%)	Transaction nature
This supplier engages in the trading of various products and materials, including chemical products. It has a registered share capital US\$100.0 million as of December 31, 2016	One year from 2015	1,312,230.0	15.8%	Purchase of petroleum
Yingli Energy (China) Co., Ltd. 英利能源（中國）有限公司	One year from 2015	352,457.0	4.3%	Purchase of metal materials
This supplier engages in the production of wind power generation facilities and related electrical products, high-tech green batteries and new energy power generation facilities. It also provides consulting services in relation to wind power generation and engineering. It has a registered share capital of RMB453.8 million as of December 31, 2016	From 2016	289,497.0	3.5%	Purchase of equipment
Sichuan Guangan Zhifeng Construction Engineering Co., Ltd. 四川廣安智豐建設工程有限公司	13 years from 2004	287,160.0	3.5%	Construction subcontracting
The supplier engages in the manufacture, research, operation and maintenance of solar energy products. It has a registered share capital of RMB100.0 million as of December 31, 2016	From 2016	270,109.0	3.3%	Purchase of equipment

During the Track Record Period, our largest suppliers typically comprised construction raw material suppliers and construction subcontractors, as well as trading or manufacturing companies starting from the commencement of our trading business in June 2015. The consolidated purchases from our trading suppliers is relatively large due to the nature of the business. We typically purchase and sell commodities in large quantities, resulting in large transaction volumes compared to our other businesses.

All of the aforementioned customers and suppliers were Independent Third Parties. To the knowledge of our Directors, none of the Directors or Supervisors and their respective associates or any shareholders who hold more than 5% of our issued share capital have any interest in the aforementioned customers or suppliers.

## BUSINESS

### SALES AND MARKETING

We usually obtain design and construction contracting contracts through bidding and tender procedures. The following table sets out the tender numbers and contract value of our (i) survey, design and consultancy business; and (ii) construction contracting business during the Track Record Period:

	Years ended December 31,					
	2014		2015		2016	
	Contract value <i>(RMB in millions, except percentages)</i>	Tender numbers	Contract value <i>(RMB in millions, except percentages)</i>	Tender numbers	Contract value <i>(RMB in millions, except percentages)</i>	Tender numbers
<b>Survey, Design and Consultancy</b>						
Tenders submitted .....	437.1	99	740.4	196	1,108.3	182
Contracts awarded .....	240.3	54	266.2	79	510.9	127
Success rate .....	55.0%	54.5%	36.0%	40.3%	46.1%	69.8%
<b>Construction Contracting</b>						
Tenders submitted .....	11,181.6	443	15,004.9	406	25,479.7	424
Contracts awarded .....	3,458.0	182	5,060.1	176	8,771.2	144
Success rate .....	30.9%	41.1%	33.7%	43.3%	34.4%	34.0%

In our trading business, we rely on our internal sales and marketing team in selling the products of our trading business. Our internal sales and marketing team is in charge of our sales and marketing activities, including developing and maintaining connections with customers, entering into sales contracts, execution and market management.

### ENVIRONMENTAL PROTECTION, HEALTH AND SAFETY

We view environmental protection, health and safety as an important enterprise and social responsibility. We employ an environmental protection, health and safety supervision and management system that covers governmental supervision, social supervision, internal control and external certification. The environmental protection, health and safety supervision and management system of our major operating subsidiaries has obtained relevant certifications, including quality, environmental and occupational health and safety certificates of ISO9001/ISO14001/OHSAS18001.

We believe that during the Track Record Period our business complies with the applicable PRC national and local and foreign health and safety laws and regulations in all significant respects.

Our safety and quality departments of our subsidiaries are responsible for implementing the health, safety and environmental protection measures with the duties of: (i) supervising and examining the safety and quality control measures of construction companies and construction management companies; (ii) regulating occupational health, hygiene and safety conditions; and (iii) monitoring compliance with environmental protection regulations relating to air, water, noise and solid wastes pollution.

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## BUSINESS

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We impose safety and anti-pollution measures, as well as regular safety and environmental inspections, at all stages of our operations in order to minimize work accidents and injuries. We also supervise our subcontractors' compliance with safety and environmental regulations and procedures.

### **Environmental Protection**

We are subject to national and local laws and regulations in China with respect to air pollution, noise, harmful substances, sewage and waste disposal and other related foreign environmental laws and regulations. Some of our environmental protection measures include the following:

- Establishing and implementing environmental protection procedures and building environmental protection facilities for construction projects. Such matters must be approved by the relevant departments of our company for they are a part of the preliminary project planning stage;
- Disposal of pollutants emitted during our operations in accordance with local standards, so as to order to reduce waste water, waste gas and solid wastes pollution; and
- Using only facilities and products that meet the national environmental standards, and encouraging the use of natural and clean resources to improve product quality.

Our operations may generate air or water pollution, noise, hazardous materials and solid wastes, and we must abide by the relevant rules and regulations on occupational health, safety and environmental protection such as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and the Law of the People's Republic of China Concerning Environmental Protection (《中華人民共和國環境保護法》). See "Regulatory Environment."

Since environmental compliance costs are largely borne by the project owners, we believe that these costs account for a very small portion of our overall project cost. Although we are responsible for complying with the rules stated in the permits during the course of our construction business, these costs are ultimately shifted to the project owners (but we will bear related costs incurred in the power plant investment business). We also believe that environmental compliance costs of our survey, design and consultancy business and trading business are negligible.

Having consulted our PRC legal advisers, JunHe LLP, our Directors confirm that we and our subsidiaries have complied with the applicable environmental protection laws and regulations in our operations in all material aspects during the Track Record Period.

### **Health and Safety**

Although we have stringent safety measures in place, our construction operations involve inherent occupational risks and our business operations have been, and may in the future be, subject to unexpected incidents and accidents, resulting in employee fatalities and injuries caused by traffic

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## BUSINESS

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accidents, falling objects, electrocution, typhoons, mudslides, fire, earthquake and similar events. In particular, our construction contracting business has experienced, and may in the future experience, fatalities and injuries as a result of accidents such as collapses, explosions and machinery accidents.

On April 1, 2014, a safety incident (the “**Accident**”) involving one of our subsidiaries, IM No. 1 Power Company, which was then a subsidiary of IM Power Group, occurred on a coal gangue thermal power plant construction site.

According to the report published by the Ordos Administration of Work Safety dated November 18, 2014 in relation to the Accident, the workers of IM No.1 Power Company were working on a water wall component which fell and hit a section of a secondary hot air wind box, causing both the water wall component and the section of the secondary hot air wind box to fall onto the ground below; the Accident caused the deaths of four workers of IM No.1 Power Company and injured two other workers of IM No.1 Power Company; the Ordos Administration of Work Safety held that IM No. 1 Power Company was responsible for the management of the safety of the construction site and was one of the parties responsible for the Accident and it therefore recommended the imposition of a fine on IM No. 1 Power Company; the Ordos Administration of Work Safety held the then general manager of IM No. 1 Power Company responsible for his failure to exercise effective leadership over IM No.1 Power Company and it therefore recommended the imposition of a fine on him; and the Ordos Administration of Work Safety also held three former employees of IM No. 1 Power Company responsible for falsely reporting the number of fatalities to the local government and recommended that these employees be criminally prosecuted.

Notwithstanding the description in the report from the Ordos Administration of Work Safety, we would like to emphasize that IM No.1 Power Company was engaged as a construction subcontractor in relation to this construction project, and had subcontracted the portion of the installation work where the Accident occurred to a subcontractor (the “**Subcontractor**”). It was the Subcontractor’s workers who directly caused the Accident and all of the casualties resulting from the Accident were the Subcontractor’s workers.

As a result of the Accident, IM No. 1 Power Company was fined RMB2.5 million and the then general manager of IM No. 1 Power Company was fined RMB55,000. Two former employees of IM No. 1 Power Company were also criminally prosecuted and punished in connection with the Accident. IM No. 1 Power Company and the then general manager have paid in full the fine imposed against them. After the Reorganization, we also conducted a review of the safety measures of IM No. 1 Power Company and implemented enhanced safety measures to prevent a recurrence of similar incidents. We, our Directors and/or our senior management members were not subject to any material litigation as a result of the Accident. Though we incurred a direct economic loss of approximately RMB8.0 million from the Accident, our Directors are of the view that the Accident did not have a material impact on the Group’s operations and financial performance.

On October 13, 2016, a safety incident involving one of our subsidiaries, IM Transition & Transformation Company, occurred on a power transmission tower construction site for a power transmission line project. A subcontractor engaged by IM Transition & Transformation Company was

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## BUSINESS

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carrying out the assembly of a tower pole when the tower pole toppled due to strong wind. Three workers of the subcontractor who were working on the tower pole fell to the ground below as the pole toppled, resulting in the death of one of the workers and injuries to the other two workers. According to the report published by the local administration of work safety dated December 1, 2016, it was held that IM Transition & Transformation Company, as one of three indirect causes of the accident, was responsible for the management of the construction site and was one of the parties responsible for the accident. As a result of this accident, IM Transition & Transformation Company was fined RMB200,000 and the project safety manager of IM Transition & Transformation Company was fined RMB11,469. It was also held that the subcontractor, the deceased worker of the subcontractor and the inspector of the construction supervising company involved in this accident shall be primarily responsible for this accident. After the accident, we conducted a review of the safety measures of IM Transition & Transformation Company and implemented enhanced safety measures to prevent a recurrence of similar incidents. We, our Directors and/or our senior management members were not subject to any material litigation as a result of this accident and our Directors are of the view that this accident does not have a material impact on the Group's operations and financial performance.

During the Track Record Period, no material administrative penalty was imposed against us due to our violation of relevant safe production laws and regulations and we were not involved in any material safety incidents. During the Track Record Period, we did not have any work-related fatalities involving our employees and, save as disclosed above, involving our subcontractors.

We have a safety supervision and management system at our headquarters and in each of our subsidiaries. The relevant functional departments are responsible for the formulation and implementation of occupational safety rules and standards, and providing occupational safety training to our staff. We also set up safety supervision and management teams for construction projects, which are responsible for on-site implementation of and compliance with security-related rules, regulations and internal policies and coordinating other security-related matters. We issued one First Grade management regulation in January 2015, ten Second Grade safety management regulations in July 2015 and have adopted twelve safety measures since March 2016. These measures relate to internal control procedures and internal control enforcement procedures:

- **internal control procedures:** we have established a safety management system, and implemented various management systems and procedures, for example the Project Safety Management Measures, the Project Safety Training System, the Project Safety Risk Control Measures, the Project Safety Monthly Inspections and other safety-related procedures. We also implemented the Safety Emergency Management Measures, containing an incident-response system and chain of command setting out the relevant personnel's responsibility for managing and taking action in the event of a safety incident; and
- **internal control enforcement procedures:** we have established a Project Safety Monthly Inspection and Punishment system. In compliance with the Project Safety Monthly Inspections, we have set up safety inspection teams to conduct monthly inspections on the operation of the safety system and all of the projects under construction. When any specific

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## BUSINESS

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safety problem is discovered, the safety inspection team will promptly issue a rectification notice with detailed rectification requirements and suggestions. The safety inspection team will issue a monthly safety inspection notification. We continue to strengthen supervision over work safety and training for employees to further raise their awareness and knowledge of safety-related issues.

In accordance with our Safety Emergency Management Measures, in the event of the occurrence of a safety emergency incident, the following steps will be taken:

- during the early-warning stage of an emergency, the relevant company shall report to the relevant department of the Group of any special information within its responsibility and report to the emergency management office of the Group of any general information;
- upon the occurrence of an accident, the relevant company involved shall report to each relevant department of the Group within one hour via telephone or fax, as well as the safety supervision department of the local government;
- during the emergency response period, the relevant company involved shall report to the special management group set up in response to the accident of the general information of such accident and the special management group will then report the accident information to the safety supervision department of the local government;
- the relevant company shall summarize and report to the Group details of the rescue within seven days from the completion of the emergency rescue; and
- an investigation report shall be submitted by the governmental department in charge of work safety supervision to the relevant authorities in accordance with the Regulations on the Management of Accident Report and Investigation issued by the State Council of the PRC as well as other effective rules and regulations.

In addition, we also have in place the Construction Subcontractor Safety Management Regulations relating to the management and supervision of the performance of our subcontractors in terms of both quality and delivery of their services (see “– Subcontracting and Third-Party Services” for further details). We maintain a central record of reviewed and approved subcontractors, and project managers are required to actively inspect the credentials, equipment and management capabilities of the subcontractors working on their projects, periodically inspect and review the subcontractors’ ability to carry out their duties and responsibilities and report to the Company the key details of the subcontractors working for them. We require our subcontractors to purchase customary insurance policies based on customary industry practice. The measures we have adopted also include intensified safety inspections for the ongoing projects and safety trainings for our subcontractors with long-term cooperative relationships.

We have engaged a renowned internal control consultant to review our internal controls over financial reporting and other areas, including construction project safety. The internal control

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## BUSINESS

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consultant has conducted a review of the effectiveness of the project safety internal control measures of IM No. 1 Power Company and IM No. 3 Power Company, including a review of the reasonableness of the safety budget expenditures and the project safety work procedures, and conducting a safety evaluation test with a sample subsidiary and analyzing the safety performance review results for the period from July 2015 to June 2016. The internal control consultant did not find any control deficiency for the sample subsidiary tested based on the scope of review.

Our Directors and the internal control consultant are of the view, and the Sponsor concurs with such view, that our enhanced safety measures have sufficiently and effectively enhanced the quality of our safety management system to prevent the occurrence of safety incidents and work-related fatalities. However, given the nature of our business, accidental nature of such events, human factors involved in such events and historical fatality record of other listed companies in our industry, it is beyond the control and ability of our Directors, the internal control consultant or the Sponsor to give full assurance that we will not have any work-related fatalities in the future.

We conduct regular safety training sessions with our employees and promote safe working practices. We have adopted safety standards in connection with construction, equipment installation, production and equipment manufacturing. We train our safety personnel and assist them in acquiring the requisite expertise and certifications to handle safety matters.

During the Track Record Period, our operating subsidiaries have obtained and maintained safe production permits as required. The safe production permit is renewable every three years. We have not yet experienced any suspension of any safe production permits by the PRC local authorities. We believe that our business complies with applicable national, local and foreign environmental laws and regulation in all material respects.

### **INTERNAL CONTROL AND RISK MANAGEMENT MEASURES**

Our Board of Directors is responsible for establishing our internal control system and assessing its effectiveness. In accordance with applicable laws and regulations, we have established procedures for developing and maintaining internal control systems. Such systems cover corporate governance, operations, management, legal matters, finance and auditing, as appropriate for the needs of our organization. We have established comprehensive risk management, primarily composed of departments specialized in auditing, finance, safety and quality, investment and legal matters and other functional management departments, through which we monitor, evaluate and manage risks related to construction safety, financial matters, market development, capital management, human resources and other matters that we are exposed to in our business activities. We plan to review and refine our risk management system regularly, based on changes to our business. Our senior management oversees our risk management systems and reviews the results of our annual risk assessment. Our risk assessment is conducted by a number of risk management departments within our Company and our subsidiaries. These departments conduct annual risk evaluations and regular risk management and controls, and report to senior management about material findings, in a timely manner. Our senior managers engaged in risk management have extensive experience related to power facility construction and equipment manufacturing.



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## BUSINESS

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In order to comply with our anti-corruption/anti-bribery obligations under applicable laws and regulations, we have established a series of internal policies, measures and procedures. Our Professional Ethic Codes and Behavior Principles elaborate on issues of conflicts of interest, commercial secrets, confidentiality obligations, information disclosure, company property, and the behavior principles for dealing with customers or third parties. We have also established a whistleblower mechanism and relevant investigation procedures against corruption and bribery, to facilitate the execution of our anti-corruption/anti-bribery policies, measures and procedures.

### QUALITY CONTROL

Our independent quality control departments in various subsidiaries monitor the quality of our engineering design and construction services.

We prepared a quality management manual, established a set of quality control procedures and quality control standards. We also implement the quality supervision and management organizational structure. For example, in our survey, design and consultancy business and construction contracting business, we would run a series of strict quality control tests in accordance with relevant national or industrial standards at different stages of the project, especially before the delivery of the completed project or products to the customer.

Additionally, in order to spot quality issues as early as possible, we have established a quality control reporting mechanism. We handle minor quality problems immediately and submit significant issues to our management for their resolution. We also carry out supervision and assessment activities to improve our product and services quality. Regarding our design business, we have also make post-project return visits to our customers for design quality, preliminary review and internal audit matters. For our construction contracting business, we conduct process monitoring and customer satisfaction surveys at the construction stage of the project and during the annual visit. In addition, we established a project quality assurance system to execute quality assurance work efficiently and effectively in a structured and realistic manner.

We have exercised quality control over mechanical equipment and construction processes or methods in our construction projects, including conducting sampling tests and quality inspection on all materials, parts and components, working procedures, semi-products and finished products. We have also implemented certain quality control standards established by the International Organization for Standardization. We have implemented a quality control system pursuant to ISO9001 standards with detailed internal control procedures for major aspects of our operations, including business sources, contract management, project management, procurement, inspection, subcontracting and accountability of responsible personnel. The safety and quality supervision departments in our subsidiaries, consisting of supervisors and quality inspection staff, are responsible for implementing quality control measures. As of December 31, 2016, we had approximately 470 employees in charge of our quality control in different fields of our business.

Our Directors confirm that there was no material quality problems associated with our completed projects during the Track Record Period.

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## BUSINESS

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### INVESTMENT MANAGEMENT

We have in place stringent investment analysis, approval, execution and monitoring procedures to ensure optimization of our investment portfolio:

- **Investment analysis:** We identify suitable investment projects based on our development strategy and medium to long-term plans. Before an investment proposal is submitted for approval, the relevant investment team conducts in-depth research and analysis on various aspects relating to the investment, including market analysis, capital outlay required, profit forecasts, investment risks, liquidity analysis, investment management issues, taxation issues, impact on our assets and business, availability of financing and legal and compliance issues. Based on their findings, the investment team will prepare and submit a feasibility report and investment execution plan in respect of the proposed investment project.
- **Investment approval:** The feasibility report and investment execution plan in respect of the proposed investment project is reviewed by our management, with more stringent review processes and higher levels of approvals required for larger scale and higher value investment projects. For significant investment projects, our management may also engage external consultants and other professionals where appropriate to provide opinions and reports to our management to facilitate and assist our management's review and analysis of the investment project.
- **Investment execution:** Upon the approval of an investment project, our management will designate the project manager and project team members to execute the investment, including the designation of responsibilities, allocation of work, and the establishment of investment execution and management procedures.
- **Investment monitoring:** We have established financial and performance supervision and management measures to monitor the execution and performance of our investments and regulatory compliance and record-keeping policies ensure compliance with applicable rules and regulations. The investment team is required to submit periodic reports to our management detailing the current progress and results of the investment project. Where the investment team deems it necessary to amend any of the parameters of the investment or terminate the investment, they would be required to submit a proposal to our management for approval.

### INSURANCE

We maintain insurance in relation to a number of risks, with specific insurance coverage determined based on assessment of our risk exposure. The cost of the insurance coverage may fluctuate each year due to our claim records and conditions of the insurance and reinsurance markets.

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## BUSINESS

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The owner of the projects we participate in typically purchase insurance relating to the construction process. Such insurance generally covers the entire contract period, including the warranty period following the completion of the project. Regarding our trading business, insurance for cargo shipment is usually borne by the upstream supplier or downstream customers in accordance with the contract. We maintain insurance coverage that we believe is consistent with our risk of loss and the customary practice in the industry.

We also purchase pension insurance, medical insurance, unemployment insurance, occupational injury insurance and maternity insurance for our employees in accordance with the relevant PRC laws and regulations. We purchase insurance from a number of reputable insurance companies. In formulating our insurance plan and selecting insurance companies, we would take into consideration their track record, relevant experience, coverage, and premium policies.

### EMPLOYEES

As of December 31, 2016 and the Latest Practicable Date, we had 7,503 and 6,007 employees, respectively. The following table sets out the number of employees by business segment as of December 31, 2016:

<u>Business segment</u>	<u>Number of Employees</u>
Survey, Design and Consultancy .....	1,373
Construction Contracting .....	5,896
Trading .....	95
Power Project Operation and Other Businesses .....	78
Others .....	48
<b>Total</b> .....	<b><u>7,503</u></b>

The following table sets out the number of employees by region as of December 31, 2016:

<u>Region of employee</u>	<u>Number of Employees</u>
Within Inner Mongolia .....	4,921
Outside Inner Mongolia .....	2,582
<b>Total</b> .....	<b><u>7,503</u></b>

We have established a comprehensive training system for our employees, based on their responsibilities, covering professional knowledge, technical skills, operational skills, operations and management and other areas. We hire employees through on-campus recruitment and human resource market.

As of the Latest Practicable Date, we have not experienced any strikes or other material labor disturbances that have interfered with our operations, and we believe our management has maintained good relationships with our employees.

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## BUSINESS

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According to relevant regulations of PRC local governments where we operate business, we contribute pension and medical insurance, unemployment insurance, maternity insurance and occupational injury insurance for our employees. We compute the contribution amount based on a specific percentage of the employee's gross salary in accordance with relevant PRC laws and regulations. We contribute housing provident fund to employees in accordance with PRC applicable laws and regulations. Apart from statutory contributions, we also voluntarily provide our employees and retired employees with benefits including supplementary health insurance plans and supplementary pension plans, as well as annual bonuses to our current employees.

### PROPERTIES

Our headquarters office is located at Harbor Building, No.29 Middle-West Lane, Erdos East Street, Saihan District, Hohhot, Inner Mongolia, China.

As of December 31, 2016, our property for sale represented 0.1% of our total assets and no single property accounted for 15% or more of our total assets by book value. Accordingly, this prospectus is exempt from the requirement under Chapter 5 of the Hong Kong Listing Rules and section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

#### Owned Land

As of the Latest Practicable Date, we owned 16 parcels of land in China with an aggregate site area of 838,281.2 sq.m. We have obtained land use right certificates for all 16 parcels of land.

As advised by our PRC legal advisers, as of the Latest Practicable Date, there were no mortgage, seizure or other restrictions on our owned 16 parcels of land.

#### Owned Buildings

As of the Latest Practicable Date, we owned four buildings in China with an aggregate gross floor area of 29,054.8 sq.m. We have obtained the relevant building ownership certificates in respect of such buildings.

As advised by our PRC legal advisers, as of the Latest Practicable Date, there were no mortgage, seizure or other restrictions on the above four buildings.

#### Leased Buildings

As of the Latest Practicable Date, we leased 37 buildings in China with an aggregate gross floor area of 65,465.88 sq.m. from connected persons or Independent Third Parties. Among them, our Controlling Shareholder is the landlord of 19 of our leased buildings with an aggregate gross floor

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## BUSINESS

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area of 54,207.1 sq.m., accounting for approximately 82.80% of the total gross floor area of the buildings leased by us. Such buildings were mainly used for office purposes. The remaining 18 buildings, owned by Independent Third Parties, with an aggregate gross floor area of 11,258.77 sq.m., and accounting for approximately 17.2% of the total gross floor area of the buildings leased by us, were mainly used for office purposes.

Among such 37 leased buildings, the landlords for 9 buildings with an aggregate gross floor area of 27,402.95 sq.m., accounting for approximately 41.86% of the total gross floor area of building leased by us, have obtained the relevant building ownership certificates. The landlords for the remaining 28 buildings, accounting for approximately 58.14% of the total gross floor area of building leased by us, had not obtained the relevant building ownership certificates. Our Directors believe that these 28 buildings are in safe condition.

As advised by our PRC legal advisers, the PRC law may not fully protect our rights under the leases of our leased buildings with defective titles. Therefore, third parties may challenge our rights to use these buildings, and we may have to vacate the relevant premises should any challenge succeed.

We believe our use of these leased buildings with defective titles will not materially adversely affect our business operations for the following reasons:

- As of the Latest Practicable Date, we are not aware of any ownership controversy or dispute or third party claims which will have an adverse or material effect on our business, regarding these buildings;
- Our Controlling Shareholder, as the owner of 16 leased buildings with defective titles with an aggregate gross floor area of 28,846.4 sq.m., has undertaken to us that such buildings do not have significant ownership disputes, and the lack of building ownership certificates will not affect the right of our Controlling Shareholder to lease such buildings, and will not affect the use of the leased buildings by us; and that if we cannot continue to use the leased buildings within the lease term because of lack of building ownership certificates, or we can continue to use the leased buildings while paying additional expenses, our Controlling Shareholder will compensate us for all losses (including paying such other expenses) fully and in a timely manner. Our Controlling Shareholder also agreed to obtain the building ownership certificates as soon as practicable and if the relevant lease has not been terminated after it having obtained relevant building ownership certificates, our Controlling Shareholder would promptly provide evidence of such building ownership certificates to us;
- Another landlord, as the owner of one of our leased buildings with defective titles, with an aggregate gross floor area of 7,181.87 sq.m., has undertaken to us that such buildings do not have significant ownership disputes and the lack of building ownership certificates will not affect the right of this landlord to lease the two buildings, and will not affect our use of the leased buildings. This third party landlord also agreed to obtain the building ownership certificates as soon as practicable and if the relevant lease has not been terminated after it

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## BUSINESS

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having obtained relevant building ownership certificates, the landlord would promptly provide evidence of such building ownership certificates to us; and

- The remaining 11 leased buildings with defective titles, with an aggregate gross floor area of 2,034.69 sq.m., are primarily used by us for office, housing and warehousing purposes.

As a result, we believe that the risk that we may be required to vacate the relevant premises are remote, and even if we are required to vacate, we will have sufficient notice in accordance with the relevant lease agreements and we can readily find comparable properties to relocate our business. Based on information currently available to us, and taking into account the time required for relocating the business located on properties with defective titles, we estimate that the total cost and expenses for relocating our offices which are located on these buildings will be immaterial. As these 37 leased buildings are principally used by us as office premises, we do not expect any such relocation process and the related costs to have a material and adverse effect on our business. In addition, we believe that rental costs for these leased buildings would not be materially different should the landlord obtain relevant certificates.

As advised by our PRC legal advisers, JunHe LLP, we believe that the forgoing defects on our leased buildings, individually and collectively, will not have a material adverse impact on our operations.

### LEGAL COMPLIANCE AND PROCEEDINGS

Our Directors and PRC legal advisers, JunHe LLP, confirmed that, during the Track Record Period and as of the Latest Practicable Date, we have complied with the relevant PRC laws and regulations in all material respects and obtained all licenses, approval and permits material to our operations in accordance with the PRC laws and regulations. We renew our licenses, approvals or permits from time to time to comply with the relevant laws and regulations.

We are involved in certain legal proceedings from time to time in the ordinary course of our business. After consulting with our PRC legal advisers, our Directors confirmed that, during the Track Record Period and as of the Latest Practicable Date, there was no pending lawsuit or lawsuit against us or our Directors that might independently or collectively has material impact on our business, financial condition and results of operations.

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## CONNECTED TRANSACTIONS

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### OVERVIEW

Immediately following the completion of the Global Offering, IM Energy Group will hold approximately 72.5% of our total issued share capital directly and indirectly through IM Sulige Company (assuming no Over-allotment Option is exercised), and will remain as our Controlling Shareholder. Pursuant to Rules 14A.07 (1) and (4) of the Listing Rules, IM Energy Group and its associates are our connected persons. We will continue to have certain transactions with IM Energy Group and/or its associates, which will constitute connected transactions under Chapter 14A of the Listing Rules.

### EXEMPT CONTINUING CONNECTED TRANSACTION

The following transaction is conducted in the ordinary course of business of our Group and on normal commercial terms or better, where each of the relevant percentage ratios (except for the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, be less than 0.1% on an annual basis. By virtue of Rule 14A.76(1)(a) of the Listing Rules, the transaction will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **Photovoltaic Power Station Operation, Maintenance and Management Agreements**

**Parties:** IM No. 1 Power Company (as the service provider);  
Inner Mongolia Halun New Energy Development Co., Ltd. (“**IM Halun Company**”)  
(as the service receiver); and  
Inner Mongolia Hengda New Energy Co., Ltd. (“**IM Hengda Company**”) (as the  
service receiver).

**Principal terms:** IM No. 1 Power Company entered into a photovoltaic power station operation, maintenance and management framework agreement with each of IM Hengda Company and IM Halun Company (both are subsidiaries of IM Energy Group) in March and April 2016, respectively, pursuant to which IM No. 1 Power Company will provide operation, maintenance and management services for the photovoltaic power stations owned by IM Halun Company and IM Hengda Company, including daily maintenance, operation management, inspection and repair of circuits, establishment and perfection of power station database, and inspection, supervision, evaluation as well as instruction of various works.

**Reasons for the transaction:** The construction of the relevant photovoltaic power stations of IM Energy Group, ranging from commencement and completion to issue of inspection reports, was conducted by our Group. Therefore, we have sufficient knowledge of the general conditions of these photovoltaic power stations and fully understand the specific requirements to provide suitable operation maintenance and management services. In addition, the prices and terms offered by our Group to IM Energy Group are no less favorable than those offered to Independent Third Parties and are in line with local market conditions. As such, the provisions of the daily operation, maintenance and management services for the photovoltaic power stations to IM Energy Group are profitable and are in the interests of our Group and our Shareholders as a whole.

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## CONNECTED TRANSACTIONS

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**Historical amounts:** In 2014, 2015 and 2016, the transaction amounts were nil, nil and nil, respectively.

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### **Continuing connected transaction that is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement**

The following transaction is conducted in the ordinary and usual course of business of our Group and on normal commercial terms or better, where each of the relevant percentage ratios (except for the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, be more than 0.1% but less than 5% on an annual basis. By virtue of Rule 14A.76(2)(a) of the Listing Rules, the transaction will be subject to the reporting, annual review and announcement requirements but exempted from the independent shareholders' approval requirement.

#### **Property Lease Framework Agreement**

**Parties:** IM Energy Group (as the lessor); and  
our Company (as the lessee).

**Principal terms:** We entered into a property lease framework agreement (the “**Property Lease Framework Agreement**”) with IM Energy Group on June 22, 2017, pursuant to which we may lease certain properties from IM Energy Group and/or its associates. The properties leased by our Group have a total gross floor area of 54,207.1 sq.m., mainly located in Inner Mongolia Autonomous Region, the PRC, and are mainly used for offices. The Property Lease Framework Agreement is valid for a term of three years commencing from the Listing Date and is renewable upon mutual agreement of both parties. The relevant subsidiaries or associates of both parties will enter into separate leases which set out the specific terms and conditions according to the principles and conditions provided in the Property Lease Framework Agreement.

**Reasons for the transaction:** During the Reorganization, the relevant properties that we have been occupying have not been injected to our Group and remained under the management of IM Energy Group. As relocation of our offices, warehouses and plants to other premises will result in unnecessary business interruption as well as relevant expenses, we entered into the above transaction to ensure smooth operations and save costs.

**Pricing policy:** Under the Property Lease Framework Agreement, the rentals and other charges shall be determined and paid as follows:

- both parties shall refer to the market rates surveyed and provided by Independent Third Parties, which shall reflect a range of market price of similar properties in the neighboring districts of the relevant properties, and determine the rentals within such range of market price to ensure a fair and reasonable rental level under the Property Lease Framework Agreement;



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## CONNECTED TRANSACTIONS

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- we shall pay rentals for the leased properties on a monthly basis and both parties shall review and adjust the rentals upon the renewal of the Property Lease Framework Agreement by reference to the prevailing market conditions, including but not limited to factors like the geographical location, the standard of construction and the surrounding area; and
- we shall bear all utility charges, heating fees, and other miscellaneous expenses incurred in using the relevant properties during the term of the lease, and also be responsible for costs for maintenance and repair.

**Historical amounts:** In 2014, 2015 and 2016, the transaction amounts were nil, nil and approximately RMB5.8 million, respectively.

**Annual caps:** The maximum aggregate annual rental amounts for the three years ending December 31, 2017, 2018 and 2019 shall not exceed the caps as set out below:

	<b>Proposed annual cap for the year ending December 31,</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>(RMB million)</i>		
Total rental .....	9.89	9.89	9.89

**Basis of caps:** The annual caps are estimated on the basis of the annual rental of the leased properties with a gross floor area of approximately 54,207 sq.m. multiplied by the unit rates with reference to the market rates surveyed and provided by Independent Third Parties. The above annual caps are exclusive of utility charges, heating fees, costs for maintenance and repair and other miscellaneous expenses incurred by us.

### **Coal Underwriting Transfer and Provision of Custodial Service Agreement**

**Parties:** IM Products Company (as the service provider);  
 IM Energy Group (as the service receiver);  
 IM Mengxing and its controlling shareholder; and  
 our Company.

**Background:** On October 2016 and March 2017, IM Products Company, a wholly-owned subsidiary of our Company, entered into the Amended Coal Underwriting Agreements with IM Mengxing in respect of the underwriting of the sale of coal.

**Principal terms:** On May 22, 2017, IM Products Company, IM Energy Group, IM Mengxing, IM Mengxing’s controlling shareholder and our Company entered into an agreement (“**Coal Underwriting Transfer and Provision of Custodial Service Agreement**”), pursuant to which,

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## CONNECTED TRANSACTIONS

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among others, (i) IM Products Company shall transfer all of its rights and obligations under the Amended Coal Underwriting Agreements to IM Energy Group; and (ii) IM Energy Group undertakes to appoint IM Products Company as a custodian in respect of the Amended Coal Underwriting Agreements for a term of three years commencing June 20, 2017. As a custodian, IM Products Company shall (a) manage and supervise the performance of the Amended Coal Underwriting Agreements and (b) coordinate and assist with the sale of coal purchased by IM Energy Group under the Amended Coal Underwriting Agreements, for example by facilitating the logistics regarding the execution of the coal sale and purchase transactions. IM Energy Group shall find its own customers and IM Products Company's role is merely to facilitate the logistics regarding the execution of the coal sale and purchase transactions. In return, IM Products Company shall charge a custodian fee equal to 0.7% of the revenue generated from the sale of coal managed by IM Products Company. IM Products Company shall not have any obligations to make any payment or supply any coal under such custodian arrangements and shall not be subject to any liabilities or penalties in relation to its services in coordinating and assisting with the sale of coal purchased by IM Energy Group under the Amended Coal Underwriting Agreements. Upon the expiry of the three year terms, IM Energy Group undertakes that, provided that our Company and IM Products Company have obtained all necessary approvals (including, where necessary, approval by the independent shareholders of our Company under the Listing Rules), IM Energy Group will agree to continue with appointing IM Products Company to provide custodial service and will enter into separate written agreement.

In addition, pursuant to the Coal Underwriting Transfer and Provision of Custodial Service Agreement, IM Energy Group undertakes not to carry out any other trading business other than the coal underwriting pursuant to the Amended Coal Underwriting Agreements. For other terms of the Coal Underwriting Transfer and Provision of Custodial Service Agreement, please refer to the section headed "Business – Trading Business – Entering into and subsequent transfer of coal underwriting arrangement".

We have also adopted certain corporate governance measures to monitor and mitigate potential competition between our Group and IM Energy Group. Please refer to the section headed "Relationship with the Controlling Shareholder – Delineation of Business – B. Coal underwriting arrangement of IM Energy Group transferred from our Group pursuant to the Coal Underwriting Transfer and Provision of Custodial Service Agreement – Corporate governance measures to monitor and mitigate potential competition" for further information.

**Reasons for the provision of custodial service:** Our Directors are of the view that, notwithstanding that the competition between our Group and the IM Energy Group is extremely limited, our Group would be placed in a better position to avoid potential competition from IM Energy Group and safeguard the interest of our Group and our Shareholders by monitoring the operation of underwriting of the coal under the Amended Coal Underwriting Agreements undertaken by IM Energy Group through the provision of custodial service. The provision of custodial services by IM Products Company will enable IM Products Company to evaluate the customers sourced by IM Energy Group and the coal trades carried out by IM Energy Group with such customers, in order for IM Products Company to monitor IM Energy Group's compliance with its Non-competition Undertaking, determine if such dealings would result in any competition with our Group's coal trading

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## CONNECTED TRANSACTIONS

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business in breach of the Non-competition Undertaking and take appropriate steps to avoid any such competition.

**Pricing policy:** Our Directors are of the view that the custodian fee is on normal commercial term as it is determined following arm's length negotiation between our Company and IM Energy Group after taking into account the estimated labor cost and expenses to be incurred by our Company and the extent of custodial service provided by our Company.

**Historical amounts:** During the Track Record Period, there was no historical custodial service provided by our Group in respect of coal underwriting and thus the transactions amounts were nil, nil and nil in 2014, 2015 and 2016, respectively.

**Annual caps:** The maximum aggregate annual custodian fee for the three years ending December 31, 2017, 2018 and 2019 shall not exceed the caps as set out below:

	<b>Proposed annual cap for the year ending December 31,</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>(RMB million)</i>		
Total custodian fees . . . . .	13.3	13.3	13.3

**Basis of caps:** The annual caps for the custodian fees are determined based on the expected revenue of the coal under the management of IM Products Company taking into account IM Mengxing's undertaking to sell at least five million tons of coal to IM Energy Group in each year from 2017 to 2020.

Our Directors are of the view that (i) the Coal Underwriting Transfer and Provision of Custodial Service Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business, on normal commercial terms and terms that are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Coal Underwriting Transfer and Provision of Custodial Service Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Continuing connected transaction that is subject to the reporting, annual review, announcement and independent shareholders' approval requirements**

The following transaction is conducted in the ordinary and usual course of business of our Group and on normal commercial terms or better, where each of the relevant percentage ratios (except for the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, be more than 5% on an annual basis. By virtue of Rule 14A.76(2) of the Listing Rules, the transaction will be subject to the reporting, annual review, announcement and the independent shareholders' approval requirements.

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## CONNECTED TRANSACTIONS

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### **Photovoltaic Power Station EPC Agreement**

Parties: IM Survey & Design Institute (as the general contractor); and  
IM Hengda Company (as the owner).

**Principal terms:** IM Survey & Design Institute entered into a photovoltaic power station EPC agreement (the “**Photovoltaic Power Station EPC Agreement**”) with IM Hengda Company in 2015, pursuant to which IM Survey & Design Institute undertook the EPC work in respect of the photovoltaic power station owned by IM Hengda Company. The total contract value of the Photovoltaic Power Station EPC Agreement is approximately RMB799.0 million. The agreement shall continue until the obligations of the parties thereunder are fulfilled. As of the Latest Practicable Date, the said EPC work has been completed and the Company expects that the relevant acceptance inspection and payment shall take place on or before December 31, 2017.

**Reasons for the transaction:** IM Hengda Company invited public tender for its photovoltaic power station EPC project. After carrying out relevant evaluation procedures and considering various factors, including the technical experiences, equipments, facilities, professional qualification, business reputation, project management skills, tender price and other relevant factors of all the tenderers, IM Hengda Company selected IM Survey & Design Institute as the general contractor, mainly for the purposes of ensuring the on-schedule completion of construction of its photovoltaic power station, benefiting from its professional experience, as well as achieving greater value by virtue of the large scale of EPC operation of IM Survey & Design Institute. In addition, the prices and terms offered by IM Survey & Design Institute are no less favorable than those offered to Independent Third Parties and are in line with local market conditions. As such, the transaction under the Photovoltaic Power Station EPC Agreement is profitable and is in the interests of our Group and our Shareholders as a whole.

**Pricing policy:** Under the Photovoltaic Power Station EPC Agreement, the consideration was determined after arm’s length negotiation between both parties with reference to (i) the cost of raw materials, equipment and labor, management expenditures, process consumption and reasonable profits; and (ii) comparable prices then available in the market for EPC projects of the same or similar scale.

**Historical amounts:** In 2014, 2015 and 2016, the completed contract value were nil, RMB59.1 million and RMB99.8 million, respectively.

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## CONNECTED TRANSACTIONS

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**Annual caps:** The maximum contract value to be completed for the three years ending December 31, 2017, 2018 and 2019 shall not exceed the caps as set out below:

	<b>Proposed annual cap for the year ending December 31,</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>(RMB million)</i>		
Total contract value to be completed . . . . .	641.0	Nil	Nil

**Basis of caps:** The annual caps were estimated on the basis of (i) the total contract value and historical contract value under the Photovoltaic Power Station EPC Agreement; (ii) the construction progress and plan of implementation of the photovoltaic power station, which in turn depends on the estimated time when IM Hengda Company obtains the subsidies for its new energy power generation business from relevant governmental authorities to ensure the profitability of sales of electricity generated from its photovoltaic power station.

### MEASURES OF INTERNAL CONTROL

To ensure our Company's conformity with the above pricing policies from time to time, our Company will adopt a series of internal control policies for its daily operation. Such internal control policies shall be implemented and supervised by the financial department of our Company:

- our Company has established and adopted a management system on connected transactions. According to the management system, the financial department of our Company is responsible for the information gathering on and monitoring of connected transactions, and conducting evaluation on the fairness of the transaction terms and the pricing terms;
- according to the internal control policies, financial department of our Company is required to create and update accounts for the Property Lease Framework Agreement, the Coal Underwriting Transfer and Provision of Custodial Service Agreement and the Photovoltaic Power Station EPC Agreement under the sub-section headed "Non-exempt Continuing Connected Transactions" above and report to our Directors (including our independent non-executive Directors) in respect of the execution and performance status of such connected transactions; and
- the independent non-executive Directors of our Company have also reviewed and will continue to review the Property Lease Framework Agreement, the Coal Underwriting Transfer and Provision of Custodial Service Agreement and the Photovoltaic Power Station EPC Agreement under the sub-section headed "Non-exempt Continuing Connected Transactions" above to ensure such agreements are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such

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## **CONNECTED TRANSACTIONS**

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agreements. The auditors of our Company will also conduct an annual review on the pricing and annual cap of the Property Lease Framework Agreement, the Coal Underwriting Transfer and Provision of Custodial Service Agreement and the Photovoltaic Power Station EPC Agreement under the sub-section headed “Non-exempt Continuing Connected Transactions” above.

### **WAIVER FROM THE STOCK EXCHANGE**

The Property Lease Framework Agreement and the Coal Underwriting Transfer and Provision of Custodial Service Agreement under the sub-section headed “Non-exempt Continuing Connected Transactions” above constitutes continuing connected transaction of our Company and is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

The Photovoltaic Power Station EPC Agreement under the sub-section headed “Non-exempt Continuing Connected Transactions” above constitutes continuing connected transaction of our Company and is subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As we expect such non-exempt continuing connected transactions will continue on a recurring and continuing basis, our Directors (including our independent non-executive Directors) consider that strict compliance with the above announcement and/or independent shareholders’ approval requirements (as the case may be) would add unnecessary administrative costs and would be unduly burdensome. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver under Rules 14A.04 and 14A.105 of the Listing Rules from strict compliance with the announcement and independent shareholders’ approval requirements (as the case may be) in respect of the non-exempt continuing connected transactions under the Property Lease Framework Agreement, the Coal Underwriting Transfer and Provision of Custodial Service Agreement and the Photovoltaic Power Station EPC Agreement. We will comply with the applicable requirements under the Listing Rules if any of the proposed annual caps set out above are exceeded, or when there is a material change in the terms of these transactions.

### **CONFIRMATION FROM OUR DIRECTORS**

Our Directors (including our independent non-executive Directors) are of the view that (i) the transactions contemplated under the Property Lease Framework Agreement and the Photovoltaic Power Station EPC Agreement and the provision of custodial service pursuant to the Coal Underwriting Transfer and Provision of Custodial Service Agreement have been entered into during our ordinary and usual course of business on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and (ii) the proposed annual caps above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

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## CONNECTED TRANSACTIONS

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### CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that (i) the transactions contemplated under the Property Lease Framework Agreement and the Photovoltaic Power Station EPC Agreement and the provision of custodial service pursuant to the Coal Underwriting Transfer and Provision of Custodial Service Agreement have been entered into in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole and (ii) the proposed annual caps above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### BOARD OF DIRECTORS

Our Board consists of eight Directors, including two executive Directors and six independent non-executive Directors. Our Board is responsible and has general powers for the management and operation of our business. The functions and duties of the Board include but are not limited to: convening shareholders' meetings, reporting the Board's work at the shareholders' meetings, implementing the resolutions passed at the shareholders' meetings, preparing our business strategies and investment plans, preparing annual budget and final accounts, formulating proposals for profit distribution, recovery of losses and increase or reduction of registered capital, as well as exercising other powers conferred by the Articles of Association.

The following table sets forth certain information of our Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of appointment</u>	<u>Date of joining our Group</u>	<u>Principal roles and responsibilities</u>
Mr. Lu Dangzhu (魯當柱)	55	Chairman of the Board and executive Director	May 30, 2016	June 2003	Being in charge of the overall affairs of the Board, participating in formulating and implementing the business and operation strategies of our Company and making significant business and operational decisions of our Company through the Board
		General manager	August 2016		Being in charge of the overall management, production and operational affairs of our Company
Mr. Liu Lisheng (劉利生)	56	Executive Director	February 24, 2017	May 2016	Participating in formulating and implementing the business and operation strategies of our Company through the Board
		Chief financial officer	May 2016		Assisting in managing the daily operation of our Company, presiding over financial matters management of our Company



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of appointment	Date of joining our Group	Principal roles and responsibilities
Mr. Wang Wen (王溫)	63	Independent non-executive Director	May 30, 2016	May 2016	Participating in the decision-making on major issues concerning our Company through the Board
Mr. Yang Hong (楊泓)	63	Independent non-executive Director	May 30, 2016	May 2016	Participating in the decision-making on major issues concerning our Company through the Board
Mr. Ding Zhiyun (丁志雲)	62	Independent non-executive Director	May 30, 2016	May 2016	Participating in the decision-making on major issues concerning our Company through the Board
Mr. Su Nan (甦南)	67	Independent non-executive Director	May 30, 2016	May 2016	Participating in the decision-making on major issues concerning our Company through the Board
Yue Jianhua (岳建華)	63	Independent non-executive Director	May 22, 2017	May 2017	Participating in the decision making on major issues concerning our Company through the Board
Ms. Lau Miu Man (樓妙敏)	45	Independent non-executive Director	July 9, 2016	July 2016	Participating in the decision-making on major issues concerning our Company through the Board

### Executive Directors

**Mr. Lu Dangzhu** (魯當柱) is an executive Director, the chairman of the Board and the general manager of our Company. Mr. Lu has more than 20 years of management experience in the energy construction industry. Mr. Lu's primary work experience prior to joining our Company includes: serving as the deputy head and the head of No. 1 land construction site of the Feng County Headquarters of Inner Mongolia No. 2 Power Construction Engineering Co., Ltd. (內蒙古第二電力建設工程有限責任公司) (“**IM No. 2 Power Company**”) successively from March 1991 to January 1995; the deputy chief engineer and the deputy project manager of the Feng County Headquarters of IM No. 2 Power Company from January 1995 to May 1996; the deputy manager of IM No. 2 Power Company

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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from May 1996 to December 1999; the manager of Inner Mongolia Kangyuan Engineering Construction Supervision Co., Ltd. (內蒙古康遠工程建設監理有限責任公司) from December 1999 to June 2003; the manager of IM No. 1 Power Company from June 2003 to December 2006; the chief economist of IM Power Group from December 2006 to January 2014, during which period he concurrently served as the deputy general manager of IM Power Group from September 2008 to January 2014. Mr. Lu was appointed as the chairman of the board of directors of IM Energy Group by the Government of Inner Mongolia Autonomous Region in January 2014, which became effective upon the establishment of IM Energy Group in March 2014.

Mr. Lu obtained a bachelor's degree in engineering with a major in agricultural hydrautechnics from Inner Mongolia Agriculture and Animal Husbandry College (內蒙古農牧學院) (currently known as Inner Mongolia Agricultural University (內蒙古農業大學)) in July 1985, and an executive master of business administration from Huazhong University of Science and Technology (華中科技大學) in December 2007. Mr. Lu obtained the qualification of senior engineer from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in March 1998.

**Mr. Liu Lisheng (劉利生)** is an executive Director and the chief financial officer of our Company. Mr. Liu's primary work experience prior to joining our Company includes: holding various roles in the Audit Office of Inner Mongolia Autonomous Region (內蒙古自治區審計廳), including a staff member of enterprise audit division, the deputy principal staff member of the central enterprise audit division, the principal staff member of the commerce and trade enterprise audit division, the deputy head of the industry and transportation enterprise audit division, the deputy head of the administration and institution audit division, the researcher of the administration and institution audit division, the head of hearing division, the head of agriculture and resources reservation audit division, and the head of economy and trade audit division successively from July 1984 to May 2014; and the chief accountant of IM Energy Group from May 2014 to August 2016.

Mr. Liu obtained a bachelor's degree in economics with a major in industrial economy from the industrial economy department of Inner Mongolia College of Finance and Economics (內蒙古財經學院) (currently known as Inner Mongolia University of Finance and Economics (內蒙古財經大學)) in July 1984. Mr. Liu obtained the qualification of deputy senior auditor from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in September 2002. Mr. Liu was awarded the title of advanced individual of the whole autonomous region for administration in accordance with law by the Government of Inner Mongolia Autonomous Region in March 2005.

### Independent Non-executive Directors

**Mr. Wang Wen (王濶)** is an independent non-executive Director of our Company. Mr. Wang's primary work experience prior to joining our Company includes: serving as the section chief of Hohhot Environmental Protection Agency (呼和浩特市環保局) from December 1980 to September 1986; holding various roles in Inner Mongolia Autonomous Region Economic and Trade Commission (內蒙古自治區經濟貿易委員會) (currently known as Inner Mongolia Autonomous Region Economic and Information Technology Commission (內蒙古自治區經濟和資訊化委員會), including the principal staff member of the environmental protection division and the energy division, the deputy head of the

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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energy division, the head of the education and training division and the head of the training division successively from September 1986 to August 2003; the head of work division of the supervisory committee and the chairman of the supervisory committee of Inner Mongolia SASAC from August 2003 to December 2013; and an external director of IM Energy Group since June 2014, who is independent of IM Energy Group. Mr. Wang is currently the chairman of the Remuneration Committee of our Company, primarily responsible for formulating the appraisal standards and conducting appraisal for the Directors and senior management members of our Company, and devising and reviewing the remuneration policy and specific remuneration packages for the same.

Mr. Wang obtained an academic diploma in climate from Nanjing Institute of Meteorology (南京氣象學院) (currently known as Nanjing University of Information Science & Technology (南京信息工程大學)) in January 1978.

**Mr. Yang Hong (楊泓)** is an independent non-executive Director of our Company. Mr. Yang's primary work experience prior to joining our Company includes: serving as a technician, the vice president and the president of Linhe Power Supply Bureau (臨河供電局) successively from May 1979 to August 1991; the deputy general manager, the head of the electricity consumption division and the vice president of Electricity Power Bureau of Bayannur (巴彥淖爾電業局) successively from August 1991 to March 1994; the vice president of Wuhai Electricity Power Bureau (烏海電業局) from March 1994 to June 2000; the president of Electricity Power Bureau of Bayannur (巴彥淖爾電業局) from June 2000 to May 2004; the president of Baotou Power Supply Bureau (包頭供電局) from May 2004 to December 2006; the chief engineer of IM Power Group from December 2006 to December 2013 during which period he concurrently served as the deputy general manager of IM Power Group from September 2008 to December 2013; and an external director of IM Energy Group since June 2014, who is independent of IM Energy Group. Mr. Yang is currently a committee member of the Remuneration Committee of our Company, primarily responsible for formulating the appraisal standards and conducting appraisal for the Directors and senior management members of our Company, and devising and reviewing the remuneration policy and specific remuneration packages for the same. He is also a committee member of the Nomination Committee of our Company, primarily responsible for formulating selection standards and identifying and examining candidates for Directors and senior management members of our Company, and providing advices and recommendations for election of the same.

Mr. Yang obtained a secondary education diploma from Inner Mongolia Electric Engineering School (內蒙古電校) in November 1977, an academic diploma of post-secondary education diploma (full-time) and a bachelor's degree in power system and automation from North China Electric Power Joint Staff University (華北電業聯合職工大學) in July 1998 and June 1999, respectively, a master's degree in business administration (engineering) from economics and management school of the graduate college of Beifang Jiaotong University (北方交通大學) in July 2002 and a master's degree in project management from North China Electric Power University (華北電力大學) in June 2006. Mr. Yang obtained the qualification of senior engineer from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) and the State Power Corporation (國家電力公司), respectively in October 1999, and the qualification of professor-level senior engineer from Inner Mongolia Autonomous Region Human Resources and Social Security Bureau

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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(內蒙古自治區人力資源和社會保障廳) in December 2011. Mr. Yang was awarded the title of excellent young electrical engineer of the 1980s by China Electricity Council (中國電力企業聯合會) in May 1990.

**Mr. Ding Zhiyun (丁志雲)** is an independent non-executive Director of our Company. Mr. Ding's primary work experience prior to joining our Company includes: holding various roles in Baotou Steel Company (包頭鋼鐵公司), including a staff member, the deputy head and the head of the dispatch division of the general dispatch office, the deputy head and the head of the general dispatch office successively from August 1974 to June 1998; the assistant to the general manager of Baotou Iron & Steel (Group) Co., Ltd. (包頭鋼鐵(集團)公司) from June 1998 to April 2002, during which period he concurrently served as the head of the general dispatch office from June 1998 to September 1998, and the head of the production division from September 1998 to April 2002; the deputy general manager of Baotou Iron & Steel (Group) Co., Ltd. (包頭鋼鐵(集團)公司) from April 2002 to December 2013; the director and general manager of Baogang Mining Co., Ltd. (包鋼礦業公司) from August 2008 to May 2010; the deputy inspector of Baotou Iron & Steel (Group) Co., Ltd (包頭鋼鐵(集團)公司) from December 2013 to May 2015; and an external director of IM Energy Group since June 2014, who is independent of IM Energy Group. Mr. Ding is currently a committee member of the Audit Committee of our Company, primarily responsible for the communications between internal and external auditors of our Company, supervising and inspecting their work, as well as the risk management of our Company.

Mr. Ding obtained an academic diploma of post-secondary education in steel-making from Baotou Institute of Steel and Iron Technology (包頭鋼鐵學校) (currently known as Inner Mongolia University of Science & Technology (內蒙古科技大學)) in August 1974, a bachelor's degree (three-year) in industrial management from the department of mineral engineering of Baotou Iron and Steel Institute (包頭鋼鐵學院) in July 1989, a bachelor's degree in economic management from the Open College of the Central Party School of C.P.C. (中央黨校函授學院) in December 1998, a master's degree in engineering management from the department of business administration of China University of Petroleum (中國石油大學) in October 2000 and a master's degree in business administration from Lincoln University in October 2000. Mr. Ding obtained the qualification of senior engineer from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in July 2001 and was awarded the prize of metallurgic scientific technology for the year of 2001 by China Steel & Iron Association (中國鋼鐵工業協會) and Chinese Society for Metals (中國金屬學會) in July 2002.

**Mr. Su Nan (甦南)** is an independent non-executive Director of our Company. Mr. Su's primary work experience prior to joining our Company includes: serving as the secretary, the deputy head of the general office and the head of the technical cadre department of the Human Resources Bureau of Hohhot (呼和浩特市人事局) successively from March 1977 to June 1984; the deputy secretary-general of Municipal Committee of Hohhot (呼和浩特市市委) from April 1984 to August 1986; the secretary-general of the Government of Hohhot (呼和浩特市人民政府) from August 1986 to December 1991; the deputy general manager of Inner Mongolia Local Railway Corporation (內蒙古地方鐵路總公司) (currently known as Inner Mongolia Jitong Railway (Group) Co., Ltd. (內蒙古集通鐵路(集團)有限責任公司)) from December 1991 to May 1995; the executive deputy chairman of the board and the first deputy chairman of the board of Inner Mongolia Jitong Railway Co., Ltd.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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(內蒙古集通鐵路總公司) (currently known as Inner Mongolia Jitong Railway (Group) Co., Ltd. (內蒙古集通鐵路(集團)有限責任公司)) from May 1995 to December 2008; and an external director of IM Energy Group since June 2014, who is independent of IM Energy Group. Mr. Su is currently a committee member of the Nomination Committee of our Company, primarily responsible for formulating selection standards and identifying and examining candidates for Directors and senior management members of our Company, and providing advices and recommendations for election of the same. He is also a committee member of the Audit Committee of our Company, primarily responsible for the communications between internal and external auditors of our Company, supervising and inspecting their work, as well as the risk management of our Company.

Mr. Su studied at machinery weaving from Tianjin Textile Engineering College (天津紡織工學院) (currently known as Tianjin Polytechnic University (天津工業大學)) from July 1973 to January 1977.

**Mr. Yue Jianhua (岳建華)** is an independent non-executive Director of the Company and his appointment shall be effective subject to the approval by the Shareholders of the Company. Before joining the Company, he worked as a technician, engineer and deputy director of the thermal chamber of the Inner Mongolia Power Testing Research Institute (內蒙古電力試驗研究所) during the period from December 1976 to 1990; and worked as a director, deputy chief engineer and chief engineer of the Inner Mongolia Power Testing Research Institute during the period from 1991 to September 1996. He was the vice president of production and chief engineer of the Inner Mongolia Power Research Institute (內蒙古電力科學研究院) from September 1996 to May 2004. He was the deputy chief engineer of IM Power Group from May 2004 to August 2014.

Mr. Yue graduated from North China Electric Power College in December 1976 and obtained his bachelor's degree in thermal measurement and automation control. He received his master's degree in thermal energy from North China Electric Power University in July 1996. Mr. Yue was recognized as a senior engineer and a professor-level senior engineer by the Office of Personnel Affairs of Inner Mongolia Autonomous Region in January 1993 and 1999, respectively, and was entitled to the national special allowance from March 1993.

**Ms. Lau Miu Man (樓妙敏)** is an independent non-executive Director of our Company. Ms. Lau is a certified public accountant (practising), and has more than 20 years of professional experience in finance, accounting and auditing. She provided services of auditing, business advisory, due diligence review, mergers and acquisition transactions and internal controls review for listed companies, state-owned enterprises and foreign investment enterprises. Ms. Lau worked with Ho and Ho & Company, Certified Public Accountants (何錫麟會計師事務所) from January 1994 to July 2005. She was a director of Shinewing (HK) CPA Limited (信永中和會計師事務所有限公司) from August 2005 to December 2007. She served as the chief financial officer of China Renji Medical Group Ltd. (中國仁濟醫療集團有限公司) (stock code: 00648.HK) from December 2007 to March 2011. She also acts as an independent non-executive director of Beijing Jingneng Clean Energy Co., Limited (北京京能清潔能源電力股份有限公司) (stock code: 00579.HK) since November 2010.

Ms. Lau graduated from Monash University in Australia in 1993 and obtained a bachelor's degree in economics with a major in accounting. She has been a fellow member of Hong Kong Institute of Certified Public Accountants and Certified Practising Accountants Australia since 1997.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### SUPERVISORY COMMITTEE

Our Supervisory Committee consists of four Supervisors, including two shareholder representative Supervisors and two employee representative Supervisors. The functions and duties of the Supervisory Committee include but are not limited to: reviewing and verifying the financial reports, business reports and profit distribution proposals prepared by the Board; monitoring the financial activities of our Company; supervising the performance of the Directors and the senior management when carrying out their duties; overseeing the conduct the Directors and senior management with respect to actions that are prejudicial to the interests of our Company; and exercising other powers conferred by the Articles of Association.

The table below sets forth certain information of our Supervisors.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of appointment</u>	<u>Date of joining our Group</u>	<u>Principal roles and responsibilities</u>
Ms. Qiao Yan (喬燕)	53	Chairwoman of the Supervisory Committee and shareholder representative Supervisor	May 2016	May 2016	Directing the activities of the Supervisory Committee and arranging for the Supervisors to supervise the operating and financial activities of our Company
Mr. Guo Runcheng (郭潤成)	57	Shareholder representative Supervisor	May 2016	May 2016	Supervising the operating and financial activities of our Company
Mr. Li Donghua (李東華)	51	Employee representative Supervisor	May 2016	May 2016	Supervising the operating and financial activities of our Company
Mr. Wu Junlin (武俊林)	49	Employee representative Supervisor	May 2016	July 1993	Supervising the operating and financial activities of our Company

**Ms. Qiao Yan (喬燕)** is a shareholder representative Supervisor and the chairwoman of the Supervisory Committee of our Company. Ms. Qiao's primary work experience prior to joining our Company includes: serving as a deputy principal staff member of the second textile division, a deputy principal staff member of the economy and trade division and the principal staff member of the economy and trade division of the Textile Industry Bureau of Inner Mongolia Autonomous Region (內蒙古自治區輕紡工業廳) successively from November 1986 to May 2000; the principal staff member

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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and the deputy head of the enterprise reform division of Inner Mongolia Autonomous Region Economic and Trade Commission (內蒙古自治區經濟貿易委員會) (currently known as Inner Mongolia Autonomous Region Economic and Information Technology Commission (內蒙古自治區經濟和信息化委員會)) successively from May 2000 to August 2003; the deputy head and the head of the property management division and the head of the enterprises distribution of Inner Mongolia SASAC successively from August 2003 to November 2015; the deputy inspector of Inner Mongolia SASAC since October 2015; and the chairwoman of the board of supervisors of IM Energy Group since November 2015.

Ms. Qiao obtained a bachelor's degree in engineering with a major in plastic moulding processes from the chemical engineering department of Tianjin Light Industry College (天津輕工業學院) in July 1985 and a bachelor's degree in management with a major in business administration (second bachelor's degree) from the management engineering department of Inner Mongolia University of Technology (內蒙古工業大學) in July 1999. Ms. Qiao obtained the qualification of senior economist from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in July 1999 and the qualification of senior professional manager from China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家協會) in March 2006.

**Mr. Guo Runcheng (郭潤成)** is a shareholder representative Supervisor of our Company. Mr. Guo's primary work experience prior to joining our Company includes: serving as a staff member, the deputy principal staff member and the principal staff member of the finance and economy division, the trade division, the production division and the general division of Inner Mongolia Autonomous Region Economic and Trade Commission (內蒙古自治區經濟貿易委員會) successively from August 1984 to May 1998; the deputy head and an inspector of the general division of Inner Mongolia Autonomous Region Economic and Trade Commission (內蒙古自治區經濟貿易委員會) from May 1998 to August 2003; an inspector of the policy, regulation, planning and development division of Inner Mongolia SASAC from August 2003 to April 2007; a supervisor of Inner Mongolia SASAC from April 2007 to November 2015; and a supervisor of the IM Energy Group since November 2015.

Mr. Guo obtained a bachelor's degree in economics from Inner Mongolia College of Finance and Economics (內蒙古財經學院) (currently known as Inner Mongolia University of Finance and Economics (內蒙古財經大學)) in August 1984.

**Mr. Li Donghua (李東華)** is an employee representative Supervisor of our Company. Mr. Li's primary work experience prior to joining our Company includes: serving as the manager of the engineering department of Inner Mongolia Indoors Decoration Sets Corporation (內蒙古室內裝飾成套用品公司) from May 1991 to May 1997; the principal staff member and the deputy office head of the Retired Professionals Bureau of the C.P.C. Commission of Inner Mongolia Autonomous Region (內蒙古自治區黨委老幹部局) from May 1997 to February 2003; the head of the cadre's sanatorium of directly subordinate organization of Inner Mongolia (內蒙古直屬機關幹部休養所) from February 2003 to September 2009; the head of the social treatment division and head of the life treatment division of the Retired Professionals Bureau of the C.P.C. Commission of Inner Mongolia Autonomous Region (內蒙古自治區黨委老幹部局) from September 2009 to November 2014; and the head of the human resources department of IM Energy Group since November 2014.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Mr. Li obtained a bachelor's degree in engineering with a major in textile machinery from the department of mechanical engineering of Tianjin Textile Engineering College (天津紡織工學院) (currently known as Tianjin Polytechnic University (天津工業大學)) in July 1989, and a bachelor's degree in management with a major in management engineering (second bachelor's degree) from the management engineering department of Inner Mongolia University of Technology (內蒙古工業大學) in July 1998.

**Mr. Wu Junlin (武俊林)** is an employee representative Supervisor of our Company. Mr. Wu's primary work experience prior to joining our Company includes: serving as a staff member, the deputy head of the boiler construction site, the head of quality and technology department and the deputy chief engineer of IM No. 1 Power Company successively from July 1993 to July 2004; the assistant to general manager and the manager of Huadian Baotou Project (華電包頭項目) of IM No. 1 Power Company successively from July 2004 to June 2008; the chief engineer of IM No. 1 Power Company from June 2008 to July 2010; the deputy general manager of IM No. 1 Power Company from July 2010 to July 2014; the deputy head and the head of the market operation department of IM Energy Group from July 2014 to January 2016; the head of the operation and management department of IM Energy Group since January 2016; the assistant to the general manager of IM Energy Group since June 2016; and the manager of IM Power Company since June 2016.

Mr. Wu obtained a bachelor's degree in engineering with a major in power machinery and application from the department of power engineering of Inner Mongolia Engineering College (內蒙古工學院) (currently known as Inner Mongolia Polytechnic University (內蒙古工業大學)) in July 1993. Mr. Wu obtained the qualification of senior engineer from Senior Professional Technology Qualification Committee of State Power Corporation (國家電力公司高級專業技術資格評審委員會) in December 2004 and the qualification of first-class constructor from the Ministry of Human Resources and Ministry of Construction of the PRC (中華人民共和國人事部 and 建設部) in January 2009.

To the best knowledge, information and belief of our Directors, having made all reasonable enquiries, there are no additional matters with respect to the appointment of the Directors and Supervisors which need to be brought to the attention of the Shareholders, and there is no additional information relating to the appointment of the Directors and Supervisors which is required to be disclosed in accordance with Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

The table below sets forth certain information of the senior management of our Company:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of appointment</u>	<u>Date of joining our Group</u>	<u>Principal roles and responsibilities</u>
Mr. Lu Dangzhu (魯當柱)	55	Chairman of the Board and executive Director	May 2016	June 2003	Being in charge of the overall affairs of the Board, participating in formulating and implementing the business and operation strategies of our Company and making significant business and operational decisions concerning our Company through the Board
		General manager	August 2016		Being in charge of the overall management, production and operational affairs of our Company
Mr. Han Guoqing (韓國慶)	57	Deputy general manager	May 2016	December 2006	Assisting in managing the business operation of our Company, presiding over the general office and corporation management of our Company
Mr. Hong Shumeng (洪樹蒙)	55	Deputy general manager	May 2016	August 1981	Assisting in managing the business operation of our Company, presiding over the business operation management of our Company
Mr. Wang Yong (王勇)	55	Deputy general manager	May 2016	May 2016	Assisting in managing the business operation of our Company, presiding over the development planning and safety supervision of our Company

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Name	Age	Position	Date of appointment	Date of joining our Group	Principal roles and responsibilities
Mr. Liu Lisheng (劉利生)	56	Executive Director	March 2017	May 2016	Participating in formulating and implementing the business and operation strategies of our Company through the Board
		Chief financial officer	May 2016		Assisting in managing the daily operation of our Company, presiding over financial matters management of our Company
Mr. Yang Feng (楊楓)	42	Board secretary	August 2016	August 2015	Assisting in managing the daily operation of our Company, presiding over daily management of the Shareholders' meeting and the Board

**Mr. Lu Dangzhu** (魯當柱) is an executive Director, the chairman of the Board and the general manager of our Company. See “– Board of Directors – Executive Director” above for the biographical details of Mr. Lu.

**Mr. Han Guoqing** (韓國慶) is a deputy general manager of our Company. Mr. Han's primary work experience prior to joining our Company includes: serving as a cadre, the deputy head and the head of the planning division and the chief economist of Electricity Bureau of Xinlingol League (錫林郭勒盟電業局) successively from April 1987 to July 1992; a deputy factory manager of Xinlinggol No. 2 Power Plant (錫林浩特二電廠) (currently known as Xinlingol Mengxi Thermal Power Co., Ltd. (錫林郭勒蒙錫熱電有限責任公司) from July 1992 to February 1993; a deputy factory manager of Zhenglan Power Plant of Inner Mongolia (內蒙古正藍發電廠) from February 1993 to October 1993; the deputy head and the head of the general office of Inner Mongolia Electricity Bureau (內蒙古電管局) successively from October 1993 to July 1998; the head of the general office and the deputy chief economist of IM Power Group successively from July 1998 to May 2014; the general manager of IM Transition & Transformation Company from December 2006 to May 2014; and the deputy general manager of IM Energy Group from May 2014 to August 2016.

Mr. Han obtained a post-secondary education diploma in industry and enterprise management from Qingcheng College (內蒙古青城大學) in April 1987, a bachelor's degree in management with a major in administrative management (self-taught) from Inner Mongolia University (內蒙古大學) in July 2004, and an executive master of business administration degree from Tianjin University (天津大學) in June 2008. Mr. Han obtained the qualification of senior economist and the qualification of senior

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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engineer from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in September 1995 and December 2007, respectively. Mr. Han was awarded the title of Hohhot model worker (outstanding worker) by the Government of Hohhot in April 2010.

**Mr. Hong Shumeng** (洪樹蒙) is a deputy general manager of our Company. Mr. Hong's primary work experience prior to joining our Company includes: serving as a staff member, the group leader, the deputy head and the head of the machinery affairs office of IM Survey & Design Institute successively from August 1981 to February 1994; the vice president and the president of IM Survey & Design Institute successively from February 1994 to May 2014; the deputy chief engineer of IM Power Group from December 2006 to May 2014; the deputy general manager of IM Energy Group from May 2014 to August 2016; and the chief engineer of IM Energy Group from September 2014 to August 2016.

Mr. Hong obtained a diploma in power plant thermal dynamic installation engineering from Harbin Power School (哈爾濱電力學校) in August 1981, a bachelor's degree in engineering with a major in power dynamics from the department of thermal power engineering (correspondence) of the power engineering school of North China Electric Power College (華北電力學院) (currently known as North China Electric Power University (華北電力大學)) in July 1989 and an executive master of business administration degree from Tianjin University (天津大學) in March 2007. Mr. Hong obtained the qualification of construction supervising engineer and cost engineer from the Ministry of Human Resources and the Ministry of Construction of the PRC (中華人民共和國人事部 and 建設部) in May 2000 and October 2002, respectively, the license of registered consultant engineer (investment) from the National Development and Reform Commission of the PRC (中華人民共和國發展計劃委員會) in March 2003, the qualification of first-class constructor from the Ministry of Human Resources and Ministry of Construction of the PRC (中華人民共和國人事部 and 建設部) in February 2005, the qualification of professor-level senior engineer from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in June 2006 and the qualification of International Certified Professional Manager (國際註冊職業經理人) from China Expert Science and Technology Economy Information Center of Ministry of Human Resources (人事部中國專家科技經濟資訊中心), China Examination Guidance Center for International Qualification Certificate (國際職業資格證書中國考試指導中心) and China International Certified Professional Manager Association (中國國際註冊職業經理人協會) in August 2006. Mr. Hong was awarded the title of model worker (outstanding worker) by the Government of Inner Mongolia Autonomous Region in April 2005, the title of talent for the year of 2012 by the Human Resources Coordination Team of Inner Mongolia Autonomous Region (內蒙古自治區人才工作協調小組) in May 2013, the title of outstanding entrepreneur of Inner Mongolia Autonomous Region by Inner Mongolia Autonomous Region Enterprise Association (內蒙古自治區企業聯合會) and Inner Mongolia Autonomous Region Entrepreneur Association (內蒙古自治區企業家協會) in August 2013, and the prize of Inner Mongolia Autonomous Region Scientific and Technological Progress for the year of 2007 and the year of 2014 in October 2009 and December 2014, respectively.

**Mr. Wang Yong** (王勇) is a deputy general manager of our Company. Mr. Wang's primary work experience prior to joining our Company includes: serving as the section chief of the dispatching station of Wuhai Electricity Bureau (烏海電業局), the head of Hainan power supply station, the chief

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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engineer and the head of the repairing and testing station of Wuhai Electricity Bureau (烏海電業局) successively from December 1984 to February 1995; the deputy head of Baotou Power Supply Bureau (包頭供電局) from February 1995 to December 2003; the head of infrastructure construction department and a deputy chief engineer of IM Power Group from December 2003 to May 2014; and the deputy general manager of IM Energy Group from May 2014 to August 2016.

Mr. Wang obtained a bachelor's degree in engineering with a major in industrial automation from the department of mechanics of Inner Mongolia Engineering College (內蒙古工學院) (currently known as Inner Mongolia University of Technology (內蒙古工業大學)) in July 1983. Mr. Wang obtained the qualification of senior engineer from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in December 1993.

**Mr. Liu Lisheng (劉利生)** is an executive Director and the chief financial officer of our Company. See “– Board of Directors – Executive Director” above for the biographical details of Mr. Liu.

**Mr. Yang Feng (楊楓)** is the Board secretary and the joint company secretary of our Company. He currently also serves as the head of the finance securities department of our Company. Mr. Yang's primary work experience prior to joining our Company includes: serving as the assistant to the president and general manager of the capital and finance department of Zhungeer Coal and Industry Co., Ltd. (准格爾旗煤炭工業公司) (currently known as Inner Mongolia Yidong Resource Group Co., Ltd. (內蒙古伊東資源集團股份有限公司)) from December 1996 to August 2015; the deputy head of finance department of IM Products Company from August 2015 to January 2016; and the division head of the finance department of IM Energy Group from January 2016 to July 2016.

Mr. Yang obtained an academic diploma of post-secondary education in finance and accounting from the Engineering College for Staff of Inner Mongolia No. 1 Machinery Factory (內蒙古第一機械製造廠職工工學院) in July 1995. Mr. Yang obtained the qualifications of intermediate accountant and senior accountant from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in May 2003 and December 2007, respectively.

Save as disclosed above, none of the Directors, Supervisors and senior management hold any position as director or supervisor in any other listed companies in the last three years immediately preceding the date of this prospectus.

### KINSHIP

There is no family or blood relationship among any of the Directors, Supervisors and senior management of our Company.

### JOINT COMPANY SECRETARIES

**Mr. Yang Feng (楊楓)** is the Board secretary and the joint company secretary of our Company. See “– Senior Management” above for the biographical details of Mr. Yang.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Mr. Wong Yat Tung (黃日東), aged 44, is the joint company secretary of our Company. Mr. Wong is a manager of SW Corporate Services Group Limited (信永方圓企業服務集團有限公司). He has more than nine years of extensive experience in providing company secretarial services to private and listed companies. He currently serves as the company secretary of three companies and the joint company secretary of six companies (all listed on the Hong Kong Stock Exchange). He holds a bachelor's degree in quantitative analysis for business from City University of Hong Kong and a master's degree in corporate governance from the Hong Kong Polytechnic University. Mr. Wong is an associate of The Hong Kong Institute of Chartered Secretaries and an associate of The Institute of Chartered Secretaries and Administrators in United Kingdom.

### BOARD COMMITTEES

Our Company has established three Board committees in accordance with the relevant PRC laws and regulations and the corporate governance practice under the Listing Rules, including the Nomination Committee, the Remuneration Committee and the Audit Committee.

#### Nomination Committee

The Nomination Committee of our Company consists of three Directors, including Mr. Lu Dangzhu, Mr. Yang Hong and Mr. Su Nan. Mr. Lu Dangzhu is the chairman of the Nomination Committee. The primary responsibilities of the Nomination Committee include:

- (a) to formulate the standards, procedures and methods for election of Directors of our Company and submit the same to the Board for consideration;
- (b) to review the structure, number of members and composition and the relevant qualifications of the Board regularly, to make suggestions on the related issues, and to formulate a Board diversity policy;
- (c) to assist the regulatory authorities to review the candidates for Directors and make recommendations thereon;
- (d) to assess the independence of independent non-executive Directors;
- (e) to propose the human resources retention scheme and provide recommendations thereon;
- (f) to make recommendations to the Board on the appointment and re-appointment of Directors and succession plan for Directors; and
- (g) to exercise other authorities granted by the Board.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### Remuneration Committee

The Remuneration Committee of our Company consists of three Directors, including Mr. Lu Dangzhu, Mr. Wang Wen and Mr. Yang Hong. Mr. Wang Wen is the chairman of the Remuneration Committee. The primary responsibilities of the Remuneration Committee include:

- (a) to make recommendations to the Board regarding our Company's remuneration policy and structure for all Directors, Supervisors and senior management of our Company and on the establishment of formal and transparent procedure for developing the remuneration policy;
- (b) to recommend the specific remuneration packages of certain executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and to make recommendations to the Board on the remuneration of non-executive Directors and Supervisors;
- (c) to formulate management measures on the performance evaluation of senior management of our Company, make evaluation plans and determine evaluation objectives;
- (d) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such compensation arrangements are in accordance with the relevant contractual terms or are otherwise reasonable and appropriate;
- (e) to supervise the performance evaluation and remuneration assessment of the persons in charge of internal departments, branch entities and subsidiaries of our Company (except for those in charge of internal audit department);
- (f) to review the performance by the Directors and senior management of their responsibilities and to conduct an annual evaluation on their performance;
- (g) to make recommendations to the Board on policies of and plans on the salary, benefits, rewards and punishments of our Company, and monitor the implementation thereof; and
- (h) to exercise other authority that may be granted by the Board.

### Audit Committee

The Audit Committee of our Company consists of three Directors, including Ms. Lau Miu Man, Mr. Ding Zhiyun and Mr. Su Nan. Ms. Lau Miu Man is the chairwoman of the Audit Committee. The primary responsibilities of the Audit Committee are to review and supervise our financial reporting process, including:

- (a) to make proposals to the Board regarding appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and handle any questions of its resignation or dismissal;

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standards. The Committee should discuss with the auditor the nature, scope and method of the audit and reporting obligations before the audit commences;
- (c) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. Considerations should be given to, among others, the adequacy of resources, staff qualifications and experience, training programs and budgets pertaining to the Company's accounting and financial reporting function; to supervise the effective implementation of internal control and self-assessment of internal control, coordinate internal control and audit as well as procure the rectification of any internal control defects and other related matters;
- (d) to evaluate, since the last annual review, the changes in nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
- (e) to review and monitor the scope, efficiency and results of the internal audit and risk management function and ensure the independence of the internal audit function and coordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;
- (f) to formulate and execute policies relating to engagement of external audit firms for non-audit services;
- (g) to monitor the truthfulness, completeness and accuracy of our Group's financial statements, and reports, and review important opinions regarding financial reporting contained in such statements and reports;
- (h) to evaluate the validity of the internal control and risk management framework, discuss the scope and quality of the internal control system with the management, ensure that the management has performed its responsibilities in guaranteeing an effective internal control system;
- (i) to act as the liaison between the internal audit department and the external audit firm, so as to ensure coordination of their work;
- (j) to examine our Company's financial and accounting policies and practice;
- (k) to consider our Company's risk management strategies and the solutions for major risk management; and
- (l) to exercise other authorities granted by the Board.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### Party's Committee

Established in 2016, the Party's Committee of our Company consists of 7 members, including certain of our Directors, our Supervisors, senior management and other employees of our Company. The Party's Committee shall seriously implement the responsibility of strengthening party discipline, commence the establishment of a clean party, strengthen the establishment of leading team, talent team and party organization, innovate and advance the close combination of the establishment of the Party's Committee with the reform and development of our Company, lead the thinking and politics and mass organization, support our Shareholders' meeting, our Board, our Supervisory Committee and our management to exercise their rights in accordance with the laws, and support the work of our staff representative meeting. The Party's Committee shall be responsible for approving annual work and activity plans and budgets of the trade union, the Communist Youth League and other mass groups and organization, and other matters related to the party.

### REMUNERATION OF DIRECTORS AND SUPERVISORS

For each of the year ended December 31, 2014, 2015 and 2016, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension schemes contribution and other benefits in kind (if applicable) paid by our Company to our Directors and Supervisors were nil, nil and approximately RMB1,722,000, respectively.

For each of the year ended December 31, 2014, 2015 and 2016, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension schemes contribution and other benefits in kind (if applicable) paid by our Company to our key management were nil, nil and approximately RMB3,051,000, respectively.

During the Track Record Period, all the Directors, Supervisors and senior management of our Company received their emoluments from IM Energy Group, part of which was in respect of their services to the entities now comprising our Group. All of the Directors, Supervisors and senior management of our Company were appointed the positions at our Company around or after the establishment of our Company by conversion into joint stock company from our predecessor at the end of May 2016. Therefore, our Company did not pay any emoluments to the Directors, Supervisors and senior management of our Company before May 2016.

For each of the year ended December 31, 2014, 2015 and 2016, the aggregate amount of fees, salaries, allowances, discretionary bonus, benefit schemes contributions and other benefits in kind (if applicable) received by the five highest-paid individuals (neither Directors nor Supervisors) were RMB3,859,000, RMB4,511,000 and RMB4,723,000 respectively.

During the Track Record Period, there was no remuneration paid or payable by our Company to our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining our Company. During the Track Record Period, and there was no compensation paid or payable by our Company to our Directors, former Directors, Supervisors, former Supervisors or the five highest-paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.



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## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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During the Track Record Period, none of our Directors or Supervisors has waived or agreed to waive any remuneration or benefits in kind for the past three years. Save as disclosed above, there was no other payments paid or payable by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

Under the remuneration policy of our Company, the Remuneration Committee will consider various factors such as salaries paid by comparable companies, tenure, commitment, responsibilities and performance of our Directors, Supervisors and the senior management (as the case may be), in assessing the amount of remuneration payable to our Directors, Supervisors and such employees. It is estimated that under the arrangements currently in force, the aggregate amounts of remuneration payable by our Company to our Directors and Supervisors for the year ending December 31, 2017 is approximately RMB2.0 million (excluding any discretionary bonus).

### **DIRECTORS' AND SUPERVISORS' INTEREST**

Save as disclosed in this prospectus, none of our Directors and Supervisors (i) held any other positions in our Company or any other members of our Group as of the Latest Practicable Date; (ii) had any other relationship with any Directors, Supervisors, senior management or Controlling Shareholder of our Company as of the Latest Practicable Date; and (iii) held any directorship in any other listed companies in the three years immediately prior to the date of this prospectus.

### **DEVIATION FROM CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE**

Mr. Lu Dangzhu is the chairman of the Board and the general manager of our Company. In view of Mr. Lu's experience, personal profile and his roles in our Group as mentioned above, the Board considers it beneficial to the business prospect and operational efficiency of our Group that Mr. Lu, in addition to acting as the chairman of the Board, continues to act as the general manager of our Company after the Listing. While this will constitute a deviation from Code Provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) there is sufficient check and balance in the Board as the decision to be made by our Board requires approval by at least a majority of our Directors and our Board has six independent non-executive Directors out of the eight Directors, which is in compliance with the Listing Rules; (ii) Mr. Lu and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interest of our Company and will make decisions for our Group accordingly; (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company; and (iv) the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of the chairman of the Board and the general manager is necessary.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISER

We have appointed GF Capital (Hong Kong) Limited as our compliance adviser pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we must consult with and, if necessary, seek advice from our compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;
- (iii) where our Company intends to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus, or where the business activities, developments or results of operations of our Group deviate from any forecast, estimate or other data in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, our compliance adviser will, in a timely manner, inform us of any amendments or supplements to the Listing Rules that are announced by the Stock Exchange. Our compliance adviser will also inform us of any amendment or supplement to applicable laws and guidelines. The term of the appointment of our compliance adviser shall commence on the Listing Date and end on the date when we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

## SHARE CAPITAL

### SHARE CAPITAL

As of the Latest Practicable Date, the registered share capital of our Company was RMB2,100,000,000, consisting of 2,100,000,000 Domestic Shares with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following the completion of the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate percentage of total share capital
2,030,000,000	Domestic Shares <sup>(1)</sup> .....	72.50%
35,000,000	H Shares to be converted from Domestic Shares and held by NSSF .....	1.25%
35,000,000	H Shares to be offered for sale by the Selling Shareholders under the Global Offeting <sup>(2)</sup> .....	1.25%
<u>700,000,000</u>	H Shares to be issued under the Global Offering .....	<u>25.00%</u>
<b><u>2,800,000,000</u></b>		<b><u>100%</u></b>

*Notes:*

- (1) As of the Latest Practicable Date, these Domestic Shares were held by IM Energy Group and IM Sulige Company.
- (2) In accordance with relevant PRC regulations regarding the reduction of state-owned shares, our state-owned shareholders are required to transfer to NSSF such number of Domestic Shares as in aggregate would be equivalent to 10% of the number of the new Shares to be issued by the Company under the Global Offering, or pay the equivalent cash at the Offer Price under the Global Offering to NSSF, or a combination of both. NSSF issued a letter on November 24, 2016 to instruct us to arrange for the sale of the Sale Shares and remit the proceeds therefrom to the account designated by NSSF. See "Reduction of State-owned Shares" below for more details.

## SHARE CAPITAL

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the completion of the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate percentage of total share capital
2,019,500,000	Domestic Shares <sup>(1)</sup> .....	69.52%
40,250,000	H Shares to be converted from Domestic Shares and held by NSSF .....	1.39%
40,250,000	H Shares to be offered for sale by the Selling Shareholders under the Global Offering <sup>(2)</sup> .....	1.39%
<u>805,000,000</u>	H Shares to be issued under the Global Offering .....	<u>27.70%</u>
<b><u>2,905,000,000</u></b>		<b><u>100%</u></b>

Notes:

- (1) As of the Latest Practicable Date, these Domestic Shares were held by IM Energy Group and IM Sulige Company.
- (2) In accordance with relevant PRC regulations regarding the reduction of state-owned shares, our state-owned shareholders are required to transfer to NSSF such number of Domestic Shares as in aggregate would be equivalent to 10% of the number of the new Shares to be issued by the Company under the Global Offering, or pay the equivalent cash at the Offer Price under the Global Offering to NSSF, or a combination of both. NSSF issued a letter on November 24, 2016 to instruct us to arrange for the sale of the Sale Shares and remit the proceeds therefrom to the account designated by NSSF. See “Reduction of State-owned Shares” below for more details.

## CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

### Conversion of Unlisted Shares

We have two classes of ordinary shares, H Shares and Domestic Shares. Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange. Upon completion of the Global Offering, all unlisted Shares are Domestic Shares held by IM Energy Group and IM Sulige Company and therefore, the scope of our unlisted Shares is the same as the scope of our Domestic Shares. The term “unlisted Shares” is used to describe certain Shares that are not listed on a stock exchange and is not unique to PRC laws.

According to the stipulations by the State Council’s securities regulatory authority and the Articles of Association, our unlisted Shares may be converted into H Shares. The conversion of H shares only applies to our unlisted Shares. Such converted H Shares may be listed or traded on an

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## SHARE CAPITAL

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overseas stock exchange, provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes have been duly completed and the approval from the relevant PRC regulatory authorities, including CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required if any of our unlisted Shares are to be converted into and traded as H Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our unlisted Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial Listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

As confirmed by our PRC legal advisers, JunHe LLP, the Articles of Association are consistent with the relevant PRC laws and regulations on the conversion of domestic shares.

### **Mechanism and Procedures for Conversion**

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant unlisted Shares will be withdrawn from our Domestic Shares register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (i) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates, and (ii) the admission of the H Shares to trade on the Stock Exchange complying with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our promoters currently proposes to convert any of the unlisted Shares held by it into H Shares, except for the unlisted Shares to be converted and transferred to the NSSF in connection with the Global Offering.

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## SHARE CAPITAL

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### RANKING

Our Domestic Shares and H Shares are both ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be subscribed for and traded in RMB. Apart from certain qualified domestic institutional investors in the PRC or through Shanghai-Hong Kong Stock Connect, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares (unlisted), on the other hand, can only be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors and qualified foreign strategic investors. We shall pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in RMB. See “Appendix V – Summary of Articles of Association” for details of the circumstances under which general meetings and class meetings of our Company are required.

Except as described in this prospectus and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix V to this prospectus, our Domestic Shares and our H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time. Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the Listing Date. We have not approved any share issue plan other than the Global Offering.

### TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

The Company Law provides that in relation to the Hong Kong Public Offering of a company, the shares issued by a company prior to the Hong Kong Public Offering shall not be transferred for a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and shall not be transferred for a period of one year from the Listing Date. However, the H Shares to be transferred to NSSF by state-owned Shareholders in accordance with relevant PRC regulations regarding the reduction of state-owned shares, are not subject to such statutory restrictions on transfer following their transfer to NSSF.

### REDUCTION OF STATE-OWNED SHARES

In accordance with relevant PRC regulations regarding the reduction of state-owned shares, the Selling Shareholders are required to transfer to NSSF such number of Domestic Shares as in aggregate would be equivalent to 10% of the number of the new Shares to be issued by the Company under the Global Offering (being 70,000,000 H Shares before the exercise of the Over-allotment Option and 80,500,000 H Shares after the exercise in full of the Over-allotment Option), or pay the equivalent cash at the Offer Price under the Global Offering to NSSF, or a combination of both. Pursuant to a

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## SHARE CAPITAL

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letter issued by NSSF (She Bao Ji Jin Fa [2016] No. 155) on November 24, 2016, NSSF instructed us to (i) arrange for the sale of the Sale Shares as part of the Global Offering, and (ii) remit the proceeds from the sale of the Sale Shares to an account designated by NSSF. The Sale Shares represent 5% of the number of the new Shares to be issued by the Company under the Global Offering (being 35,000,000 H Shares before the exercise of the Over-allotment Option and 40,250,000 H Shares after the exercise in full of the Over-allotment Option).

The reduction of state-owned shares by the Selling Shareholders was approved by SASAC on August 2, 2016. The conversion of those shares into H Shares and the offering for sale of the Sale Shares were approved by CSRC on October 25, 2016. We have been advised by our PRC legal advisers, JunHe LLP, that the transfer and the conversion, and the offering for sale of the Sale Shares, have been approved by the relevant PRC authorities and are legal under the PRC laws and regulation.

### **REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE**

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by CSRC, an overseas listed company seeking initial public offering of overseas listed foreign shares is required to register its shares that are not listed on an overseas stock exchange with the China Securities Depository and Clearing Corporation Limited within 15 Business Days upon overseas listing and provide a written report to CSRC regarding the centralized registration and deposit of its non-overseas listed shares as well as the current offering and listing of shares.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in the Shares or underlying Shares which are required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company:

Shareholder	Class of Shares to be held after the Global Offering	Nature of interest	Number of Shares to be held after the Global Offering	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering <sup>(1)</sup>	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering <sup>(2)</sup>
IM Energy Group <sup>(3)</sup>	Domestic Shares	Beneficial interest/ interest of controlled corporation	2,030,000,000	100%	72.5%
China South Industries Assets Management Co., Ltd.	H Shares	Beneficial owner	144,800,000 <sup>(4)</sup>	19.7%	5.2%

(1) The calculation is based on the percentage of shareholding in Domestic Shares (excluding the H Shares to be converted from Domestic Shares and to be sold by the Selling Shareholders or held by NSSF) and H Shares (as applicable) of our Company after the Global Offering.

(2) The calculation is based on the total number of 2,800,000,000 Shares in issue immediately after the Global Offering (assuming the Over-allotment Option is not exercised).

(3) Immediately after the Global Offering (assuming the Over-allotment Option is not exercised), IM Energy Group directly holds 2,019,850,000 Domestic Shares, representing 99.5% of the domestic share capital of our Company and IM Sulige Company, a wholly-owned subsidiary of IM Energy Group, directly holds 10,150,000 Domestic Shares, representing 0.5% of the domestic share capital of our Company. IM Energy Group is deemed to be interested in the Domestic Shares held by IM Sulige Company under the SFO.

(4) Assuming an Offer Price of HK\$1.60 (being the low end of the Offer Price range set out in this prospectus)

For details of our Directors', Supervisors' and chief executive's interests in the Shares immediately following the completion of the Global Offering, see "Appendix VI – Statutory and General Information – 4. Disclosure of Interests."

Save as disclosed herein, the Directors are not aware of any person who will immediately following the Global Offering have an interest or short position in Shares or underlying shares of our Company, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.



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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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### OVERVIEW

On March 24, 2016, IM Keyi Company, our predecessor, was established as a limited liability company in the PRC. On May 31, 2016, IM Keyi Company was converted into a joint stock company with limited liability and was renamed as Inner Mongolia Energy Engineering Co., Ltd. (內蒙古能源建設投資股份有限公司). As of the Latest Practicable Date, IM Energy Group, one of the promoters of our Company, directly held 99.5% of our total issued share capital and indirectly held 0.5% of our total issued share capital through IM Sulige Company, another promoter of our Company. Immediately following the completion of the Global Offering, IM Energy Group will hold approximately 72.5% of our total issued share capital directly and indirectly through IM Sulige Company (assuming no Over-allotment Option is exercised), and will remain as our Controlling Shareholder.

### DELINEATION OF BUSINESS

We are a large comprehensive power industry solutions provider in China, focusing on power grid and new energy projects. We provide our customers with a comprehensive range of solutions, including services relating to survey, design and consultancy, construction contracting, overhauling, maintenance and operation. Furthermore, we engage in the investment, development, construction and operation of energy projects, and trading.

IM Energy Group is a state-owned company directly and wholly owned by Inner Mongolia SASAC. During the Reorganization, IM Energy Group injected all of its principal businesses and assets into our Company, which have become the foundation of development of our Company. For more details about the Reorganization, see “History and Corporate Structure – Reorganization.” After completion of the Reorganization, except for (A) certain photovoltaic power generation and gas-fired power generation businesses (the “**Retained Business**”) that were not injected into our Group, and (B) certain coal underwriting arrangement of IM Energy Group transferred from the Group pursuant to the Coal Underwriting Transfer and Provision of Custodial Service Agreement, IM Energy Group will no longer independently operate business similar to our businesses or hold the relevant qualification necessary for operating such business.

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

### A. Retained Business

Details of the Retained Business are summarized below:

Retained companies	Shareholding percentages	Principal business	Location	Total capacity (MW)	Financial information for the year ended/as of December 31,		
					2014	2015	2016
Inner Mongolia Ha Lun New Energy Development Co., Ltd. (“Halun”) (內蒙古哈倫新能源發展有限公司)	55% held by IM Energy Group	Photovoltaic power generation	Inner Mongolia	50	Not applicable since Halun was not established then	Total assets: 303 Revenue: nil Net profit: nil	Total assets: 386 Revenue: nil Net profit: nil
Inner Mongolia Heng Da New Energy Co., Ltd. (“Hengda”) (內蒙古能建恆達新能源有限公司)	51% held by IM Energy Group	Photovoltaic power generation	Inner Mongolia	100	Total assets: nil Revenue: nil Net profit: nil	Total assets: 88 Revenue: nil Net profit: nil	Total assets: 230 Revenue: nil Net profit: nil
IM Sulige Company	100% held by IM Energy Group	Gas-fired power generation	Inner Mongolia	390	Not applicable <sup>(Note)</sup>	Total assets: 485 Revenue: nil Net profit: (17)	Total assets: 497 Revenue: 48 Net profit: 8

*Note: IM Sulige Company was transferred from IM Power Group to IM Energy Group on May 31, 2015 pursuant to the approval of the Inner Mongolia SASAC by way of an asset injection in substance, leaving all liabilities of IM Sulige Company as of May 31, 2015 born by IM Power Group.*

Reasons for exclusion of the Retained Business from our Group are summarized below:

Retained companies	Reasons for exclusion
Halun	<p>Pursuant to the PRC Company Law, the requirements of the Inner Mongolia SASAC based on the Guidelines for State-Owned Equity Free Transfer 《企業國有產權無償劃轉工作指引》 and the articles of association of Halun, the transfer of shareholding in Halun to anyone who is not a shareholder of Halun and the completion of change in registration procedures are subject to consent from the majority of the minority shareholders of Halun.</p> <p>The Company attempted, but was unsuccessful in obtaining such consent from minority shareholders of Halun. The minority shareholder of Halun was reluctant to cooperate with the share transfer of the 55% shareholding of Halun from IM Energy Group to our Group as the procedure for the change of investment qualification for the relevant photovoltaic power generation project from the minority shareholder to Halun itself was not completed prior to the Reorganization, which would expose Halun to uncertainties.</p> <p>Furthermore, as of the Latest Practicable Date, Halun has not obtained the necessary license for the formal operation of photovoltaic power generation. As such, Halun has uncertain development prospect, thus it was not injected into our Group.</p>

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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Retained companies	Reasons for exclusion
Hengda	<p>Pursuant to the PRC Company Law, the requirements of the Inner Mongolia SASAC based on the Guidelines and the articles of association of Hengda, the transfer of shareholding in Hengda to anyone who is not a shareholder of Hengda and the completion of change in registration procedures are subject to consent from the majority of the minority shareholders of Hengda.</p> <p>The Company attempted, but was unsuccessful in obtaining such consent from minority shareholders of Hengda. The minority shareholder of Hengda refused to cooperate with the share transfer of the 51% shareholding of Hengda from IM Energy Group to our Group as the parties had not reached an agreement on certain commercial arrangements, including the consideration for the transfer of the remaining 49% shareholding of Hengda held by the minority shareholder to IM Energy Group.</p> <p>Furthermore, as of the Latest Practicable Date, Hangda has not obtained the necessary license for the formal operation of photovoltaic power generation. As such, Hengda has uncertain development prospect, and thus it was not injected into our Group.</p>
IM Sulige Company	<p>On the basis that our Directors consider that it is not commercially justifiable to operate or invest in any gas-fired power stations in terms of cost and growth potential as the natural gas reserve in Inner Mongolia is limited when compared to that of coal, our Group neither operates currently, nor intends to operate in the foreseeable future, any gas-fired power generation business according to the overall development plans and strategies of our Group.</p>

Our Directors believe that the potential competition between our Group and IM Energy Group is minimal for the following reasons:

- there is no competition between the Retained Business and the current business of our Group for the following reasons:
  - (i) the Retained Business only includes photovoltaic power generation and gas-fired power generation, whereas our Group's businesses consist of four segments, including survey, design and consultancy, construction contracting, trading, power project operation and others, among which, power project operation business is not our core business: for the years ended December 31, 2014, 2015 and 2016, the gross profit arising from our power project operation business only accounted for 10.6%, 8.5% and 4.3% of the total gross profit of our Group, respectively, and the revenue arising from the our power project operation business only accounted for 3.7%, 2.3% and 1.4% of the total revenue of our Group, respectively;
  - (ii) the current power generation business of our Group only includes wind power generation, which is a different power source from photovoltaic power or gas-fired power covered by the Retained Business, and the power generation quota for different power sources, i.e. wind power, photovoltaic power and gas-fired power, is separately determined by relevant governmental authorities and thus would not compete with or be affected by each other;

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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- As of December 31, 2016, the Group's existing and potential power project operation projects are located in Ulanqab, Ordos, Hohhot and Bayannaoer, Inner Mongolia only. There might be potential competition between the Retained Business and the potential photovoltaic power generation business of our Group due to similar business nature and overlapping geographical market. However, due to the following reasons, such potential competition, if it were to materialize, will be extremely limited and has been sufficiently addressed by the terms of the Non-competition Undertaking (as defined below):
  - (i) the power generation business in the PRC is subject to strict governmental supervision and administration, including but not limited to (a) the PRC government regulates the on-grid tariffs of electricity generated by power projects. In general, the on-grid tariffs are determined by the standards set by the PRC government, instead of negotiations between the grid companies and the power projects; (b) none of these power projects has the authority to determine the volume of the power generation to be dispatched to the grid company, as the total amount of electricity sold is generally determined based on targets set forth by provincial-level government authorities; and (c) pursuant to relevant PRC laws and regulations, the full amount of the electricity generated from renewable energy power projects, including wind power projects and photovoltaic power projects, within the guaranteed purchase quota set by the government shall be purchased by the government-controlled grid companies, and the government authorities shall coordinate and ensure that the remaining electricity generated exceeding the guaranteed purchase quota shall be purchased by power sales enterprises or other electricity customers on a full-amount basis;
  - (ii) the estimated total installed capacity of the potential photovoltaic power generation projects of our Group is 4,330MW, whilst after completion of construction of the photovoltaic power plants of the Retained Business, their total installed capacity is only 150MW, the scale of which is much smaller than that of our Group's potential power generation business; and
  - (iii) to avoid potential competition from IM Energy Group, our Group has entered into a Non-competition Undertaking with IM Energy Group, pursuant to which, (a) IM Energy Group has granted an option to our Group to acquire the Retained Business at any time, and we may consider to purchase the Retained Business after the Listing when it comes to an appropriate time subject to compliance with applicable laws, rules and regulations; and (b) save for the Retained Business, IM Energy Group shall not engage in any business which competes or is likely to compete directly or indirectly with the businesses, including but not limited to the photovoltaic power generation business, of our Group.

Although IM Energy Group has the intention to inject the Retained Business into our Group, such injection is subject to various factors, such as the negotiations with the minority shareholders, the development prospect of the Retained Business, and the appropriateness of the timing for the injection and etc. Therefore, IM Energy Group had not formulated any specific schedule for the injection as of the Latest Practicable Date.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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### ***B. Coal underwriting arrangement of IM Energy Group transferred from our Group pursuant to the Coal Underwriting Transfer and Provision of Custodial Service Agreement***

In October 2016 and March 2017, IM Products Company entered into the Amended Coal Underwriting Agreements with IM Mengxing in respect of the underwriting of the sale of coal from three coal mines. In May 2017, we decided that IM Products Company should transfer the coal underwriting arrangements under the Amended Coal Underwriting Agreements to IM Energy Group and IM Products Company should provide custodial services to IM Energy Group in respect of the Amended Coal Underwriting Agreements. Please refer to the section headed “Business – Trading Business – Entering into and subsequent transfer of coal underwriting arrangement” for further information on the coal underwriting arrangement, and the section headed “Connected Transactions – Non-exempt Continuing Connected Transactions – Coal Underwriting Transfer and Provision of Custodial Service Agreement” for further details on the custodial service provided by IM Products Company to IM Energy Group.

Our Directors are of the view that the competition between the coal trading business of our Group and that of IM Energy Group transferred is extremely limited for the following reasons:

#### ***Business Purpose***

- (i) *Non-core business of our Company:* Coal trading business is not a core business of our Group and only accounts for an insignificant portion of the business of our Company: for the years ended December 31, 2014, 2015 and 2016, the gross profit arising from trading business of our Company only accounted for 0%, 2.0% and 2.2% of the total gross profit of our Group, respectively, and the revenue arising from the coal trading business only accounted for 0%, 19.0% and 18.7% of the revenue arising from our Group’s trading business, respectively.
- (ii) *One-off arrangements:* Both the coal underwriting by IM Energy Group pursuant to the Amended Coal Underwriting Agreements and provision of the custodial service to IM Energy Group are one-off transactions and are not the core business of IM Energy Group and our Group, respectively.
- (iii) *No intention to carry out trading business by IM Energy Group:* IM Energy Group does not, and has undertaken not to, carry out any other trading business other than pursuant to the Amended Coal Underwriting Agreements.

#### ***Geographical delineation***

Our Directors consider that our coal trading business can be delineated with IM Energy Group’s coal trading business in terms of geographical delineation.

IM Energy Group has undertaken that after the transfer of the Amended Coal Underwriting Agreements to IM Energy Group becomes effective, it will only sell coal to customers whose delivery

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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locations under such coal trades are within the radius of 300 kilometers of road distance from Mine X coal mine, Yanjiaqu coal mine and Balongtugou coal mine which can be reached by delivery trucks (the “**300 km Road Distance Undertaking**”). The key cities located within such radius mainly fall within mid-west of Inner Mongolia and north of Shanxi province, including for example Ordos, Baotou and parts of Hohhot, Wuhai, Wulanchabu and Linhe in Inner Mongolia and parts of Xinzhou and Shuozhou in Shanxi province. Furthermore, IM Energy Group has also undertaken that it will not carry out any other coal trading business other than pursuant to the Amended Coal Underwriting Agreements.

As of the Latest Practicable Date, our Group currently does not target customers whose delivery locations are within the radius of 300 kilometers of road distance from the Mine X coal mine, Yanjiaqu coal mine and Balongtugou coal mine, and our Group’s existing coal trades and future coal trades expected to be entered into in 2017 only involve or are expected to only involve the coal which is delivered or is expected to be delivered to a port for further shipment, rather than delivered to delivery locations by trucks within the proximity of the relevant coal mines.

As such, the coal trading business to be conducted by IM Energy Group pursuant to the Amended Coal Underwriting Agreements is unlikely to compete with the existing coal trading business of our Group or with the future coal trading business of our Group in 2017.

Whilst the area of potential competition between IM Energy Group and the Group can be delineated by geography as explained above, if the Group were to further expand its coal trading business geographically during the duration of the Amended Coal Underwriting Agreements, potential competition may arise between IM Energy Group and the Group. We have adopted various corporate governance measures to mitigate potential competition between our Group and IM Energy Group. See “– Corporate governance measures to monitor and mitigate potential competition” for further details.

### *Corporate governance measures to monitor and mitigate potential competition*

To monitor and mitigate any potential competition between our Group and IM Energy Group, our Company has adopted the following measures:

(i) *Monitoring and review of IM Energy Group’s proposed coal trades*

To mitigate any potential competition between our Group and IM Energy Group, IM Products Company shall provide custodial services to IM Energy Group in respect of IM Energy Group’s coal trading business under the Amended Coal Underwriting Agreements, through which our Group is placed in a better position to evaluate the customers identified by IM Energy Group and the coal trades carried out by IM Energy Group with such customers. IM Products Company shall monitor and determine if such dealings would result in any competition with our coal trading business and take appropriate steps to avoid any such competition. In order to monitor and review IM Energy Group’s proposed coal trades, we will adopt the following measures:

(a) *Establishment of Independent Management Committee:* We will establish an independent management committee (the “**Independent Management Committee**”) to review all coal

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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trading agreements proposed to be entered into by IM Energy Group pursuant to the Amended Coal Underwriting Agreements. The members of our Independent Management Committee consists of the incumbent General Manager, Deputy General Managers and Chief Financial Officer of our Company, provided that any such persons shall not serve as a member of our Independent Management Committee for so long as he/she concurrently holds any senior management position with IM Energy Group. Our Company undertakes that, in the event that the General Manager, Deputy General Managers and/or Chief Financial Officer hold senior management position with IM Energy Group resulting in the number of members being able to serve in the Independent Management Committee to fall below the quorum of two members, our Board shall take all actions necessary to ensure that there shall be sufficient number of quorum for the Independent Management Committee, including but not limited to appointing additional independent Deputy General Managers who do not hold any senior management position with IM Energy Group. As of the Latest Practicable Date, our Independent Management Committee only consists of the three Deputy General Managers and the Chief Financial Officer of our Company, as the current General Manager of our Company is also concurrently serving as the chairman of IM Energy Group. Our Directors are of the view that our Independent Management Committee is capable of making decisions independently for the following reasons:

- all members of our Independent Management Committee do not hold any senior management position in IM Energy Group and any incumbent General Manager, Deputy General Managers and Chief Financial Officer of our Company shall not serve as a member of our Independent Management Committee for so long as he/she concurrently holds any senior management position with IM Energy Group;
  - each member of the Independent Management Committee is aware of the overriding purpose of the Independent Management Committee to monitor and mitigate any potential competition between our Group and IM Energy Group and he/she acts for the benefit and in the best interest of our Company and our Shareholders; and
  - the Deputy General Managers, who report to the General Manager in the daily operations of our Company, are not required to report to the General Manager in their capacity as members of the Independent Management Committee. Our Independent Management Committee is accountable to our independent non-executive Directors instead of the General Manager of our Company since all their decisions shall be reviewed by independent non-executive Directors.
- (b) *Evaluation and approval of all proposed coal trades by IM Energy Group:* During the provision of custodial services, IM Products Company will submit all coal trading agreements proposed to be entered into by IM Energy Group which comply with the 300 km Road Distance Undertaking to our Independent Management Committee for its approval:
- In determining whether any proposed coal trade will compete with our coal trading business, our Independent Management Committee will consider whether our Group

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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is able and willing to supply the coal to such customer on the terms of such proposed coal trade, taking into account various factors including (a) whether our Group at the relevant time is able to supply the required type and amount of coal; (b) whether the delivery location is within an acceptable distance from our Group's coal supply sources; and (c) whether the other terms of the proposed trade are acceptable to our Group. We will give priority to our coal trading business because from a commercial perspective, our Group's coal trading business will generate recurring revenue for us while arranging for the sale of the coal pursuant to the provision of custodial services by IM Products Company under the Coal Underwriting Transfer and Provision of Custodial Service Agreement will only generate custodian revenue for the Group for the duration of the Amended Coal Underwriting Agreements.

- If our Independent Management Committee decides that our Group is able and willing to carry out the coal trade proposed by IM Energy Group, we will not allow the proposed coal trade by IM Energy Group to proceed. If our Independent Management Committee decides that the proposed coal trade shall proceed, it shall submit its decision to our independent non-executive Directors for their review and our independent non-executive Directors shall reply with their views within three working days after receiving the report on the decision of our Independent Management Committee. To avoid any conflict of interest, all our independent non-executive Directors who concurrently hold positions (including the position of external director) in IM Energy Group shall abstain from deciding whether such coal trade will proceed. If any of our independent non-executive Directors who are not required to abstain from voting disagrees with the decision of our Independent Management Committee, the proposed coal trade shall not proceed. On the basis that (i) our independent non-executive Directors are only involved in the review of those proposed coal trades by IM Energy Group that are approved by our Independent Management Committee to proceed; (ii) our Independent Management Committee shall submit its report, which shall include its independent analysis and decisions, for review by our independent non-executive Directors; and (iii) the frequency of the coal trades conducted by IM Products Company immediately before transferring to IM Energy Group was no more than three times per month on average and thus our Directors do not expect the frequency of the review by our independent non-executive Directors to be frequent, our Directors consider that it is feasible for our independent non-executive Directors to conduct the review of the decision of our Independent Management Committee.
- If (i) our Independent Management Committee or (ii) our independent non-executive Directors after reviewing the decision of our Independent Management Committee decides to stop the proposed coal trade by IM Energy Group and decides that we should carry out the coal trade, we will exercise our right under the Non-competition Undertaking under which we have a priority to take up a new business opportunity which will directly or indirectly compete with or may compete with our businesses.

We will also disclose in our annual report the amount of the coal sold by IM Energy Group every year pursuant to the Amended Coal Underwriting Agreements.



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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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(ii) *Annual review of IM Energy Group's compliance with Non-competition Undertaking*

As part of the annual review by our independent non-executive Directors who do not concurrently hold positions (including the position of external director) in IM Energy Group of the compliance with the Non-competition Undertaking by IM Energy Group, all coal trades executed by IM Energy Group under the Amended Coal Underwriting Agreements would be subject to annual review by our independent non-executive Directors.

On the basis as set out above, our Directors are of the view that our coal trading business of our Group can be delineated with that of IM Energy Group and the competition between the coal trading business of our Group and that of IM Energy Group transferred is extremely limited.

### NON-COMPETITION UNDERTAKING

In order to limit the potential competition between IM Energy Group and our Group, IM Keyi Company and IM Energy Group entered into a non-competition agreement on April 25, 2016 (the “**Non-competition Agreement**”), and IM Energy Group and our Company further entered into a non-competition deed with our Group on June 22, 2017 (the “**Non-competition Deed**”, together with the Non-competition Agreement, the “**Non-competition Undertaking**”), pursuant to the Non-competition Deed, subject to certain exceptions and save as disclosed in this section, IM Energy Group shall not, and shall procure its associates (except for any members of our Group) will not, engage in any business which directly or indirectly competes with the businesses of our Company (the “**Restrained Businesses**”) within the period that (i) the H Shares of our Group are listed on the Stock Exchange, and (ii) IM Energy Group and its associates are entitled to exercise no less than 30% voting power of our Company or are deemed to be the Controlling Shareholder of our Group. The Non-competition Agreement was superseded by the Non-competition Deed, and if there is any conflict between any term of the Non-competition Agreement and the Non-competition Deed, the Non-competition Deed shall prevail.

The Non-competition Undertaking does not apply to (i) IM Energy Group holding shares in any member of our Group and (ii) IM Energy Group holding securities in a company that is engaged in the Restrained Business and whose securities are listed on any stock exchange, provided that IM Energy Group or its associates do not individually and/or in aggregate hold or control more than 10% of the voting rights in the issued share capital of such company.

### Option for New Business Opportunities

IM Energy Group has undertaken in the Non-competition Undertaking that if IM Energy Group and its associates (except for any members of our Group) become aware of, notice, are recommended or provided with, a new business opportunity which will directly or indirectly compete or may compete with the Restrained Businesses, including but not limited to the opportunities which are the same with or similar to the Restrained Businesses (the “**New Business Opportunities**”), IM Energy Group shall and shall procure its associates (except for any members of our Group) to refer or

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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recommend the New Business Opportunities to our Group subject to relevant laws, requirements or prior legally binding contractual arrangements with third parties:

- (i) IM Energy Group shall provide our Group with a written notification which includes all reasonable and necessary information known by IM Energy Group and/or its associates (including the nature of the New Business Opportunities and necessary information relating to the cost of relevant investment or acquisition) for our Company to consider whether the New Business Opportunities constitute competition or potential competition to the Restrained Businesses; and whether engaging in such New Business Opportunities would be in the best interests of our Company (the “**Offer Notice**”); and
- (ii) our Company shall respond to IM Energy Group and/or its associates (except for any members of our Company) within 30 days upon receipt of the Offer Notice. If our Company fails to reply to IM Energy Group and/or its associates (except for any members of our Company) within the above period, it shall be deemed to have abandoned the New Business Opportunities. If our Company determines to take up the New Business Opportunities, IM Energy Group and/or its associates (except for any members of our Company) would be obligated to offer such New Business Opportunities to our Company.

### **Pre-emptive Rights**

IM Energy Group has undertaken that if IM Energy Group and/or its associates (except for any members of our Company) intend(s) to transfer, sell, lease or license for royalties to a third party any businesses engaged by IM Energy Group and/or its associates (except for any members of our Company) which competes or potentially competes with the Restrained Businesses or any other businesses which would cause direct or indirect competition with the Restrained Businesses, it shall offer our Company the pre-emptive right in terms of such opportunity with the equal terms subject to relevant laws, requirements or prior legally binding contractual arrangements with third parties:

- (i) IM Energy Group and/or its associates (except for any members of our Company) shall provide our Company with written notice no later than the time of any such disposals (the “**Disposal Notice**”). For the avoidance of doubt, Controlling Shareholder and/or its associates (except for any members of our Company) is entitled to provide information and/or Disposal Notice to any third parties at the same time or after providing the Disposal Notice to our Company;
- (ii) our Company shall reply to IM Energy Group and/or its associates in writing within, whichever the later of, the 30th day after receipt of the Disposal Notice and expiration of the period offered to third parties for them to reply by Controlling Shareholder and/or its associates before exercising its pre-emptive rights;
- (iii) if our Company intends to take up such pre-emptive rights, the terms shall be determined with reference to fair market price; and

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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- (iv) IM Energy Group and/or its associates (except for any members of our Company) shall not dispose of such businesses and interests to any third parties unless (a) our Company declines to purchase such businesses and interests in writing; (b) the notice of exercising such pre-emptive rights has not been received by IM Energy Group and/or its associates from our Company within, whichever the later of, the 30th day after receipt of the Disposal Notice and expiration of the period offered to third parties for them to reply by IM Energy Group and/or its associates; or (c) our Company fails to offer the same or more favorable terms of acquisitions than those offered by any third parties to IM Energy Group and/or its associates (except for any members of our Company).

For the avoidance of doubt, the terms of disposal offered by IM Energy Group and/or its associates (except for any members of our Company) to any third parties shall not be more favorable than those offered to our Company.

### **Option for Purchase**

On the condition that no relevant laws and regulations are breached and prior legally binding agreements with third parties are complied with, our Company is entitled to acquire any businesses operated by IM Energy Group and/or its associates (except for any members of our Company) which compete or potentially compete with the Restrained Businesses (including the Retained Business) or any businesses or any interests of IM Energy Group and/or its associates (except for any members of our Company) which are gained through the New Business Opportunities (the “**Option for Purchase**”). Our Company is entitled to exercise the Option for Purchase at any time, and IM Energy Group and/or its associates (except for any members of our Company) shall offer the Option for Purchase to our Company based on the condition that the commercial terms of the proposed acquisition shall be formed solely by the committee consisting of our independent non-executive Directors after consulting the views of independent experts. Furthermore, such commercial terms shall be based on negotiations between the parties in line with normal commercial practice of our Company which is fair, reasonable and in compliance with the interests of our Company as a whole, as in accordance with the negotiations with IM Energy Group and its associates.

However, if a third party has the pre-emptive rights in accordance with applicable laws and regulations and/or a prior legally binding document (including, but not limited to, articles of association and/or shareholders’ agreements), the Options for Purchase of our Company shall be subject to such third-party rights. In such a case, IM Energy Group and/or its associates (except for any members of our Company) will use their best efforts to persuade the third party to waive its pre-emptive rights.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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### IM Energy Group's Further Undertaking

IM Energy Group has further undertaken that, subject to relevant laws, requirements or contractual arrangements with third parties:

- (i) upon the request of our Company, it shall, and shall procure its associates (except for any members of our Company) to, provide any necessary information for the implementation of the Non-competition Undertaking;
- (ii) it would allow the authorized representatives or auditors of our Company to have reasonable access to the financial and corporate information necessary to its transactions with third parties, which would assist with the judgments of our Company in respect of whether IM Energy Group and/or its associates have complied with this Non-competition Undertaking; and
- (iii) it would ensure that within 10 days of receipt of the written request from our Company, necessary confirmation shall be made in writing as to Controlling Shareholder's and its associates' performance under the Non-competition Undertaking and IM Energy Group and its associates shall allow such confirmation to be included into the annual reports of our Company.

### Corporate Measures for the Implementation of the Non-competition Undertaking

Our Company will also adopt the following procedures to ensure that the undertakings under the Non-competition Undertaking are observed.

- (i) *Review by independent non-executive Directors.* Our independent non-executive Directors will be responsible for reviewing the options for New Business Opportunities, pre-emptive rights and Option for Purchase granted by our Controlling Shareholder, and deciding whether or not to take up business opportunities as referred to in the Offer Notice, Disposal Notice and/or the Option for Purchase. In deciding whether to take such business opportunities, our independent non-executive Directors will consider various factors including the due diligence to be conducted towards the target businesses, the purchase prices, the benefits that it will bring to our Company as well as whether we have adequate management and resources to manage and operate the business operations of such businesses.
- (ii) *Increased transparency.* IM Energy Group has undertaken to provide all information necessary for the enforcement of the options for New Business Opportunities, pre-emptive rights and Option for Purchase. We will provide our independent non-executive Directors with the Offer Notice and Disposal Notice (as the case may be) on the new business opportunity or pre-emptive rights referred to us by IM Energy Group within seven days of receipt, and our independent non-executive Directors would be allowed to propose the exercise of the Option for Purchase at any time.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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- (iii) *Public disclosure of decisions.* Our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the exercise or non-exercise of options for New Business Opportunities, pre-emptive rights and Option for Purchase either through our annual report, or by way of announcements to the public. Our independent non-executive Directors will report in our annual report (a) their findings on the compliance by IM Energy Group of the Non-competition Undertaking and (b) any decision made pursuant to the options and pre-emptive rights granted to the Company, and the basis of such decision.

Our Directors are of the view that our independent non-executive Directors have sufficient experience in assessing whether or not to take up new business opportunities or exercise our pre-emptive rights. In any event, our independent non-executive Directors may appoint a financial adviser or professional expert to provide advices, at the cost of the Company, in connection with the exercise or non-exercise of the option or pre-emptive rights under the Non-competition Undertaking.

### **Termination of the Non-competition Undertaking**

The Non-competition Undertaking will become effective upon Listing and remain in full force. It will be terminated upon the earlier of:

- (i) IM Energy Group and its associates (except for any members of our Company), individually or, directly and/or indirectly in aggregation, holding less than 30% of the voting rights or control of exercising voting rights in any shareholders' meeting; or
- (ii) our H Shares no longer being listed on the Stock Exchange (except for the circumstances under which our H Shares are temporarily suspended to be listed in accordance with the Listing Rules).

Based on the legally binding obligations of IM Energy Group as set out in the Non-competition Undertaking and the related grant of the option for new business opportunities, pre-emptive rights and option for purchase, and the information sharing and other mechanisms in place as described above to monitor compliance by IM Energy Group, our Directors are of the view that our Company has taken all appropriate and practicable measures to ensure compliance by IM Energy Group with its obligations under the Non-competition Undertaking.

### **INDEPENDENCE FROM IM ENERGY GROUP**

Having considered the following factors, we believe that we can conduct our business independently from IM Energy Group and its associates after the completion of the Global Offering.

#### **Management Independence**

Our Board consists of eight Directors including two executive Directors and six independent non-executive Directors. Among the eight Directors, the executive Director, Mr. Lu Dangzhu is the

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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chairman of the board of directors of IM Energy Group. Although four of our independent non-executive Directors are also external directors of IM Energy Group, they are independent of both IM Energy Group and our Company and their duties at each of IM Energy Group and our Company shall only include attending board meetings and making resolutions as an independent director without participating in any daily operation or management. In addition, none of our senior management members (exclusive of the general manager) holds a directorship or senior management position in IM Energy Group.

Set out below is a summary of the positions held by our Directors and senior management in IM Energy Group:

Name	Position with our Group	Position with IM Energy Group
Mr. Lu Dangzhu	Chairman of the Board, executive Director and general manager	Chairman of the board of directors
Mr. Liu Lisheng	Executive Director and chief financial officer	None
Mr. Wang Wen	Independent non-executive Director	External director
Mr. Yang Hong	Independent non-executive Director	External director
Mr. Ding Zhiyun	Independent non-executive Director	External director
Mr. Su Nan	Independent non-executive Director	External director
Mr. Yue Jianhua	Independent non-executive Director	None
Ms. Lau Miu Man	Independent non-executive Director	None
Mr. Han Guoqing	Deputy general manager	None
Mr. Hong Shumeng	Deputy general manager	None
Mr. Wang Yong	Deputy general manager	None
Mr. Yang Feng	Board secretary	None

Saved as disclosed above, none of our Directors or senior management members holds any position in IM Energy Group. Our Company and IM Energy Group are managed by different management teams. Therefore, there are sufficient non-overlapping management members who are independent of IM Energy Group and have relevant experience to ensure the proper functioning of the daily operation and management of our Company.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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Our Directors believe that our Company is capable of managing its business independently of IM Energy Group after the Listing for the following reasons:

- our management personnel have clear reporting lines, and ultimately the management team reports to our executive Directors who is responsible for reporting to the Board. The Board supervises and monitors the performance of our management team generally through the regular reports made by our executive Directors to the Board, regular meetings of the Board and ad hoc meetings of the Board to consider, deliberate and approve material matters which exceed the delegated authorities of management team, as well as the regular updates of operational and financial data and information that are provided to our Directors;
- none of our Directors or senior management members has any shareholding interest in IM Energy Group;
- each of our Directors is aware of his or her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and our Shareholders; and
- according to the Articles of Association, in case of any conflict of interest or potential conflict of interest issues relating to the transaction entered into by our Company with any corporation or entity in which our Directors or their associates hold concurrent positions, the interested Directors shall abstain from voting on the resolutions to approve such matters, and shall not be counted into the quorum or participate in the discussion (such abstention is not required if the Directors holding concurrent positions are external directors of the relevant corporation or entity and that the relevant transactions do not involve any interest of such Director, his/her closely allied family members or any corporation or entity directly or indirectly controlled by him/her pursuant to the Articles of Association), therefore the overlapping roles of the Directors will not affect the independence of their roles or the independence of the Board. The Company further undertakes that any overlapping Directors shall, given the perception of conflict of interest and for the purpose of good corporate governance, abstain from voting on the relevant resolutions involving any transaction between our Controlling Shareholder, i.e. IM Energy Group, and our Group.

### **Operational Independence**

Currently, we make operational decisions independently of IM Energy Group. We have our own organizational structure with independent departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control measures to facilitate the effective operation of our business. Our operating functions, such as cash and accounting management, invoices and bills, operate independently of IM Energy Group and its associates. We have independent access to customers and are not dependent on IM Energy Group and its associates with respect to suppliers for our business operations. We have our own employees to operate our business and can independently

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

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manage our human resources. We have obtained relevant licenses, approvals and permits from relevant regulatory authorities which are material to our operations in the PRC.

As regards the agreements entered into between our Company and IM Energy Group and its associates (see “Connected Transactions” for further details about these agreements), our Directors consider that, even if such agreements are terminated, the Company will be able to identify other suitable partners through fair consultation at terms and conditions in line with the market terms to meet our business and the operational needs without causing any undue delay.

Based on the above, our Directors believe that we are able to operate our business independently.

### Financial Independence

We have sufficient capital and banking facilities to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. We have access to Independent Third Party financing and are capable of obtaining such financing without the need to rely on any guarantees or security provided by IM Energy Group.

We have an independent finance department with its own staff, as well as a sound and independent audit system, a standardized financial and accounting system and a complete financial management system. We can make financial decisions independently and IM Energy Group does not intervene with our use of funds. We maintain basic accounts with banks independently and IM Energy Group does not share any bank account with us. We have made independent tax registrations and paid tax independently pursuant to applicable PRC tax laws and regulations. There has not been any tax paid by us together with IM Energy Group and other enterprises under its control on a combined basis.

As of December 31, 2016, there were a number of guarantees and loans provided by IM Energy Group and/or its associates and certain amounts of non-trade nature between our Group and IM Energy Group and/or its associates. Details of these financial arrangements are summarized below:

	<b>As of December 31, 2016</b>
	<i>(RMB million)</i>
Amounts of guarantee provided by IM Energy Group and/or its associates . . . . .	700.0
Amounts of loans provided by IM Energy Group and/or its associates . . . . .	100.0
Amounts due to IM Energy Group and/or its associates of non-trade nature . . . . .	51.7
Amounts due from IM Energy Group and/or its associates of non-trade nature . . . . .	162.6

All of the aforementioned guarantees and loans will be released and settled prior to the Listing. Saved as disclosed above, as of the Latest Practicable Date, there was no outstanding loan granted by IM Energy Group to our Group and no guarantee provided for our benefit by IM Energy Group. We have settled all amounts due to IM Energy Group of non-trade nature prior to the Listing.

In light of the above, our Directors believe that our Company will be financially independent from IM Energy Group upon the Listing.



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## FINANCIAL INFORMATION

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*The following discussion and our analysis should be read in conjunction with our consolidated financial information included in “Appendix I – Accountants’ Report,” together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs.*

*The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in “Risk Factors” and “Forward-Looking Statements” and elsewhere in this prospectus.*

### OVERVIEW

We are a large comprehensive power industry solutions provider in China, focusing on power grid and new energy projects. We provide a comprehensive range of solutions, including services relating to survey, design and consultancy, construction contracting, overhauling, maintenance and operation. Furthermore, we engage in the investment, development, construction and operation of energy projects, and trading.

We have the following four business segments:

- Survey, design and consultancy;
- Construction contracting;
- Trading; and
- Power project operation and other businesses.

Our revenue increased from RMB3,845.9 million in 2014 to RMB9,782.1 million in 2016, while our profit for the year attributable to us increased from RMB203.4 million in 2014 to RMB617.2 million in 2016.

### BASIS OF PRESENTATION

Our financial statements have been prepared in accordance with IFRSs and include applicable disclosure requirements of the Hong Kong Listing Rules and the Companies Ordinance. We prepared our financial statements on the historical cost basis, except for certain financial instruments that are measured at their fair value, as explained in the description of the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Our financial statements are presented in Renminbi, which is our functional currency.

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## FINANCIAL INFORMATION

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The financial information incorporates our financial statements and financial statements of entities that we control (our subsidiaries). Control is achieved where we have the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by our other members. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are presented separately from our equity therein.

### **FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

The following are the key factors that have affected and, except for the Industry Reorganization, are expected to continue to affect our business, financial position, results of operations and prospects:

#### **Electricity demand and investment in power infrastructure in the PRC, particularly in Inner Mongolia**

Our core businesses involve design and engineering and construction of power projects in China, particularly in Inner Mongolia. As a consequence, our results of operations have benefitted substantially from the growth in Inner Mongolia's and China's electricity demand and investments in the construction of power infrastructure, including investments in power plants and power grids. Such growth is affected by certain factors, including the PRC government's and the Inner Mongolia government's power policies, priorities and budgets, competition among, and expansion plans of, the power generation companies, regulation of the private sector's participation in the infrastructure sector and the general economic conditions in Inner Mongolia and the PRC. We expect that continued electricity demand and investment in power infrastructure construction in Inner Mongolia and China will generate significant business opportunities for us in the next few years. However, if electricity demand and spending on power projects in China decreases or we fail to access new markets in or outside China, our results of operations could be adversely affected.

#### **Pricing of our services, goods and products**

The pricing of our services, goods and products affects our revenue, gross profit and gross profit margins. We typically secure our contracts through bidding or a bi-lateral negotiation process. We formulate and adjust the prices of our services, goods and products with reference to domestic and overseas competitors' prices, taking into account various factors, including operation costs, labor costs, costs of raw materials, equipment and parts and components, market supply and demand, prevailing market conditions, benchmark price indexes and technical innovations and improvements. As a result of the terms of our contracts, we may not always be able to claim for additional costs arising from fluctuations of prices of parts and components, equipment and raw materials or changes in laws. If this occurs, our profitability in respect of the relevant project may be reduced. Moreover, we may not be able to maintain the prices of our services at the same level in the future. If our pricing does not effectively cover the possible increases in the costs of parts and components, equipment, raw materials, labor and other costs, or any additional requirements as to the technical specifications of projects, our profit may decrease, which may have an adverse effect on our business, financial position and results of operations.

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## FINANCIAL INFORMATION

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### **Cost of sales**

Our cost of sales were RMB3,080.5 million, RMB5,512.8 million and RMB8,291.7 million in 2014, 2015 and 2016, respectively. Subcontracting costs, costs of raw materials, equipment and parts and components and staff and labor costs constitute significant components of our cost of sales.

### ***Subcontracting costs***

Our subcontracting costs accounted for 59.6%, 39.3% and 27.5% of our cost of sales in 2014, 2015 and 2016, respectively. Subcontracting costs principally include project and labor subcontracting costs. We carefully select subcontractors through a bidding process, taking into account the quality, experience and expertise of the subcontractors and their fees. As a result of our long-term relationships with our subcontractors, we believe we are generally able to realize higher gross profit margins on projects on which we use such subcontractors due to the stable fees they charge. We intend to continue using subcontractors to meet the additional capacity required for the growth of our business.

Our subcontracting costs as a percentage of our total cost of sales decreased to 39.3% and 27.5%, respectively, in 2015 and 2016, as the costs of raw materials, equipment and parts and components purchased contributed to a larger proportion of our total cost of sales. This was primarily due to (i) the commencement of our trading business in June 2015, which resulted in the purchase of commodities for such business, and (ii) the increase in our EPC projects, which resulted in an increased procurement of large equipment. Excluding the contribution of our trading business to our subcontracting costs and total cost of sales, our subcontracting costs would have accounted for 52.4% and 37.1%, respectively, of our total cost of sales in 2015 and 2016.

### ***Costs of raw materials, primary equipment and auxiliary equipment purchased***

Our costs of raw materials, primary equipment and auxiliary equipment purchased accounted for 21.1%, 48.2% and 57.3% of our cost of sales in 2014, 2015 and 2016, respectively. Raw materials principally consist of steel, cement, sand and timber for our construction contracting business and power transmission tower construction and sale business, as well as commodities for our trading business, such as petroleum products, coal, metal materials and chemical raw materials, among other things. Primary equipment principally consists of wind turbines, tower tubes, photovoltaic modules and primary transformers that are used in the construction of power plants, power grids and other infrastructure. Auxiliary equipment principally consist of power inverters, box-type transformers, cables, switch boxes, circuit breakers and electrical isolators.

The availability and prices of these raw materials fluctuate, sometimes significantly, depending on local and global market conditions. The costs of raw materials, primary equipment and auxiliary equipment purchased as a percentage of our total cost of sales increased to 48.2% and 57.3%, respectively, in 2015 and 2016, primarily due to (i) the commencement of our trading business in June 2015, which resulted in the purchase of commodities for such business, and (ii) the increase in our

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## FINANCIAL INFORMATION

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EPC projects, which resulted in an increased procurement of large equipment. Excluding the contribution of our trading business to our costs of raw materials, equipment and parts and components purchased and total cost of sales, our costs of raw materials, equipment and parts and components purchased would have accounted for 30.9% and 42.4%, respectively, of our total cost of sales in 2015 and 2016.

### *Staff and labor costs*

Our staff and labor costs accounted for 12.9%, 7.3% and 6.0% of our cost of sales in 2014, 2015 and 2016, respectively. In recent years, our staff and labor costs have increased due to an increase in staff headcount, salaries of staff and changes in policies, laws and regulations in relation to employee benefits in China. The actual staff and labor costs we incur in performing a contract may vary from the assumptions underlying the agreed contract price for a variety of reasons beyond our control. These include an increase in the scope of the project and unforeseen construction conditions. Unanticipated increases in our staff and labor costs may negatively affect our profit margin and result in reduced profitability.

Our staff and labor costs as a percentage of our total cost of sales decreased to 7.3% and 6.0%, respectively, in 2015 and 2016, as the costs of raw materials, equipment and parts and components purchased contributed to a larger proportion of our total cost of sales. This was primarily due to (i) the commencement of our trading business in June 2015, which resulted in the purchase of commodities for such business, and (ii) the increase in our EPC projects, which resulted in an increased procurement of large equipment and machinery. Excluding the contribution of our trading business to our staff and labor costs and total cost of sales, our staff and labor costs would have accounted for 9.7% and 8.1%, respectively, of our total cost of sales in 2015 and 2016.

### **Segment mix of our business portfolio**

During the Track Record Period, we generated our revenue from our survey, design and consultancy business, construction contracting business and power project operation and other businesses, as well as from our trading business, which we commenced on a trial basis in June 2015. The profitability of our business portfolio will vary according to factors including the nature of the businesses in our portfolio, the level of expertise, specialization and technological sophistication of such businesses, and/or the market supply and demand for our commodities and services. Changes in the segment mix of our business portfolio may affect our profitability, results of operations and financial position.

In general, our survey, design and consultancy business, construction contracting business and power project operation and other businesses generally have relatively higher gross profit margins compared to our other businesses. We believe that we possess strong pricing capabilities in respect of these business segments, leveraging our established market positions, industry knowledge and extensive capabilities. The relatively higher level of technical expertise, specialization and sophistication required to conduct these businesses lead to a higher gross profit margin.

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## FINANCIAL INFORMATION

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We had only commenced our trading business on a trial basis in June 2015. Furthermore, our trading business is a volume-driven business which requires less technical capability and expertise compared with our other businesses. As such, our trading business generally has a relatively lower gross profit margin as compared to our other businesses.

Due to the different gross profit margins associated with our different business segments, if we adjust the segment mix of our business portfolio in the future where we engage in new businesses or increase our proportion of existing businesses with relatively lower gross profit margins, our profitability, results of operations and financial position may be adversely affected.

### Taxation

We are generally subject to the statutory income tax rate of 25.0% applicable to Chinese enterprises, except for (i) IM Survey & Design Institute, which was entitled to (a) a preferential tax rate of 15.0% in 2014 under the PRC government's Western China Development tax incentive plan and (b) a preferential tax rate of 15.0% from November 29, 2016 to November 29, 2018 under the PRC government's High and New Technology Enterprise tax incentive plan; (ii) our subsidiary Hengrun New Energy Co., Ltd., which was entitled to (a) a preferential tax rate of 15.0% during the Track Record Period under the PRC government's Western China Development tax incentive plan, and (b) a tax exemption in 2014 and a preferential tax rate of 7.5% in 2015, 2016 and 2017 for its income from phases I and II of its wind power project under the PRC government's "three-year exemption and three-year half rate" tax incentive plan and (iii) our subsidiary IM International Construction Company, which was entitled to a preferential tax rate of 15.0% in 2016 under the PRC government's Western China Development tax incentive plan. Our business, financial position and results of operations may be materially and adversely affected if our subsidiaries are no longer entitled to the aforementioned tax incentives or such tax incentives are amended. See "Risk Factors – Risks Relating to Our Business and Industry – Changes in tax incentives may materially and adversely affect our business, financial position and results of operations." for further details.

Our effective tax rates were 23.0%, 20.7% and 18.8% in 2014, 2015 and 2016.

Starting from May 1, 2016, the PRC government replaced business tax with value-added tax ("VAT") for all business sectors as part of its reform of its value-added tax regime (the "VAT Reform"). Under the VAT regime, we may be subject to a higher tax rate in respect of our construction contracts signed after the VAT Reform. Construction contracts signed before the VAT Reform would remain subject to the previous tax rate applicable under the business tax regime, with only minor changes in the method of calculation of VAT in respect of such contracts under the VAT regime. Under the VAT regime, we are also entitled to claim for tax deductions in respect of certain costs, such as subcontracting costs and various kinds of service fees, however such tax deductions can only be claimed when the relevant costs or expenses are incurred and VAT invoices which meet the qualifying requirements are obtained from our suppliers. As a result, such tax deductions would depend on the amount of costs or expenses eligible for tax deduction and our ability to obtain the qualified VAT invoices. We have strengthened the management of the execution of contracts and monitoring of the collection of qualified VAT invoices from our suppliers to ensure we qualify for the

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## FINANCIAL INFORMATION

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relevant tax deductions. Currently, the VAT Reform has not had a material impact on the Group's financial position as the majority of the Group's construction contracts have been signed prior to the VAT Tax Reform and remained subject to the previous tax rate applicable under the business tax regime, with only minor changes in the method of calculation of VAT in respect of such contracts under the VAT regime.

### Seasonality

We experience seasonality in our business, particularly in our construction contracting business. We typically record higher revenues in the second half of a year relative to revenue from the first half. This is largely due to the longer winter season with relatively cold weather in northern China where we are located, and long public holidays in the first half of the year, both of which have materially affected the progress of our construction work from December to March.

We expect that the effect of seasonality on our business will be reduced with improvements in the level of technology and equipment that would be able to eliminate or mitigate the impact of the cold weather. However, the use of such technology or equipment may also lead to an increase in our costs.

### Industry Reorganization

In 2012, the PRC State Council issued policies to initiate a wide reform of the supporting sectors of China's power industry (the "Industry Reorganization"), including a requirement to separate supporting sectors of the power industry, such as power design and construction business units, from power generation companies and power grid companies to form independent market players. In 2014, in line with the Industry Reorganization, the Inner Mongolia government initiated the reorganization of IM Energy Group, which involved the extensive business reorganization of our key subsidiaries in accordance with the State Council's policies. The key impact of the Industry Reorganization on us includes the delay in the commencement of some of our survey, design and consultancy projects, constructing contracting projects and power transmission tower construction projects in 2014, resulting in decreased revenue in 2014. Our administrative expenses also increased in 2014 and our administrative processes and functions were also affected, resulting in a delay in the collection of our payments from customers in 2014 and an increase in trade and bills receivables and trade and bills receivables turnover days. As the business reorganization of our subsidiaries pursuant to the Industry Reorganization has been completed, we currently do not anticipate the Industry Reorganization to have any further material impact on us.

### CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. We believe our critical accounting policies relate to the following:

- revenue recognition;

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## FINANCIAL INFORMATION

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- construction contracts;
- property, plant and equipment;
- deferred tax; and
- current and deferred tax for the year.

See note 4 to the Accountants' Report set out in Appendix I to this prospectus for a summary of significant accounting policies used in the preparation of our consolidated financial statements.

The determination of these accounting policies is fundamental to our financial condition and results of operations, and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involved the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations and cash flows. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimates may differ significantly from management's current judgments. We believe our critical accounting estimates and judgments relate to the following:

- useful lives and residual value of property, plant and equipment;
- recognition of deferred tax assets; and
- construction contracts.

See note 5 to the Accountants' Report set out in Appendix I to this prospectus for a summary of significant accounting estimates and judgments used in the preparation of our consolidated financial statements.

## FINANCIAL INFORMATION

### SELECTED FINANCIAL DATA

The following table sets forth certain items in our consolidated statements of profit and other comprehensive income for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
	<i>(RMB in millions)</i>		
<b>Revenue</b> .....	3,845.9	6,533.3	9,782.1
Cost of sales .....	<u>(3,080.5)</u>	<u>(5,512.8)</u>	<u>(8,291.7)</u>
<b>Gross profit</b> .....	<u>765.4</u>	<u>1,020.5</u>	<u>1,490.4</u>
Other income .....	9.0	29.1	72.2
Other expenses .....	(9.6)	(3.2)	(8.8)
Other gains and losses .....	(22.3)	(64.8)	(13.5)
Selling and distribution expenses .....	(1.4)	(6.2)	(15.3)
Administrative expenses .....	(456.5)	(568.6)	(612.6)
Finance income .....	40.7	33.8	18.1
Finance costs .....	<u>(61.2)</u>	<u>(59.3)</u>	<u>(170.1)</u>
Profit before tax .....	264.1	381.3	760.4
Income tax expense .....	<u>(60.7)</u>	<u>(78.9)</u>	<u>(143.2)</u>
<b>Profit for the year</b> .....	<u><b>203.4</b></u>	<u><b>302.4</b></u>	<u><b>617.2</b></u>
Profit for the year attributable to:			
Owners of the Company .....	203.4	302.4	617.1
Non-controlling interests .....	–	–	0.1

### DESCRIPTION OF SELECTED COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT AND OTHER COMPREHENSIVE INCOME

#### Revenue

We derive our revenue primarily from four business segments: (i) survey, design and consultancy; (ii) construction contracting; (iii) trading; and (iv) power project operation and other businesses. The following table sets forth our segment revenue (after intersegment eliminations) for the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
<b>Segment</b>						
Survey, design and consultancy .....	500.3	13.0	522.0	8.0	567.8	5.8
Construction contracting .....	2,974.2	77.3	4,029.3	61.7	6,072.8	62.1
– Construction work .....	2,958.9	76.9	3,388.6	51.9	4,104.2	42.0
– Sale of equipment .....	15.2	0.4	640.7	9.8	1,968.6	20.1
Trading .....	–	–	1,481.2	22.7	2,228.1	22.8
Power project operation and other businesses .....	<u>371.4</u>	<u>9.7</u>	<u>500.8</u>	<u>7.6</u>	<u>913.4</u>	<u>9.3</u>
<b>Total</b> .....	<u><b>3,845.9</b></u>	<u><b>100.0</b></u>	<u><b>6,533.3</b></u>	<u><b>100.0</b></u>	<u><b>9,782.1</b></u>	<u><b>100.0</b></u>



## FINANCIAL INFORMATION

*Survey, design and consultancy.* This business generates revenue primarily from providing survey and design services for power grids and power generating projects. We also generate revenue from providing a wide range of consultancy services in respect of power industry policies, as well as valuation, assessment and supervision services for power projects. The revenue from this segment accounted for 13.0%, 8.0% and 5.8% of our total revenue in 2014, 2015 and 2016, respectively.

*Construction contracting.* This business generates revenue primarily from the construction of power grids and power generation projects, industrial and civil buildings and other infrastructure. In respect of our EPC projects, we also derive revenue from the sale of equipment procured by us for such projects. The revenue from this segment accounted for approximately 77.3%, 61.7% and 62.1% of our total revenue in 2014, 2015 and 2016, respectively.

*Trading.* This business generates revenue primarily from the purchase and sale of various commodities, such as petroleum products, coal, chemical raw materials and others. The revenue from this segment accounted for 22.7% and 22.8% of our total revenue in 2015 and 2016, respectively.

*Power project operation and other businesses.* This business generates revenue primarily from the investment in and operation of power projects, the provision of overhaul and operation maintenance services to power projects and the manufacturing of power equipment and property development. The revenue from this segment accounted for 9.7%, 7.6% and 9.3% of our total revenue in 2014, 2015 and 2016, respectively.

As of December 31, 2016, we provided survey, design and consultancy services in six overseas countries, namely Pakistan, Indonesia, Cambodia, Mongolia, Tajikistan and Kyrgyzstan. However, as our overseas business during the Track Record Period was in its initial stages, during the Track Record Period only a small amount of our income was generated from our overseas business, and the substantial majority of our income was generated from business in China.

The following table sets forth a breakdown of our segment revenue and as a percentage of total revenue generated in terms of geographical locations during the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
Inner Mongolia .....	3,578.2	93.0	4,818.6	73.7	6,755.0	69.1
Other parts of the PRC .....	256.9	6.7	1,710.6	26.2	3,027.1	30.9
Overseas .....	10.8	0.3	4.1	0.1	-	-
<b>Total .....</b>	<b><u>3,845.9</u></b>	<b><u>100.0%</u></b>	<b><u>6,533.3</u></b>	<b><u>100.0%</u></b>	<b><u>9,782.1</u></b>	<b><u>100.0%</u></b>

### Cost of Sales

Our cost of sales primarily includes subcontracting costs, costs of raw materials, equipment and parts and components purchased, staff and labor costs and depreciation and amortization.

## FINANCIAL INFORMATION

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
Subcontracting costs	1,858.5	59.6	2,292.8	39.3	2,325.4	27.5
Raw materials, equipment and parts and components purchased	659.2	21.1	2,813.1	48.2	4,854.6	57.3
Staff and labor costs	402.1	12.9	424.4	7.3	508.3	6.0
Depreciation and amortization	82.4	2.6	95.2	1.6	96.2	1.1
Other costs	90.9	2.9	159.0	2.7	192.6	2.3
Inventories, properties under development for sales and completed properties for sales	26.1	0.9	50.1	0.9	493.6	5.8
<b>Total</b>	<b><u>3,119.2</u></b>	<b><u>100.0</u></b>	<b><u>5,834.6</u></b>	<b><u>100.0</u></b>	<b><u>8,470.7</u></b>	<b><u>100.0</u></b>

The following table sets forth a breakdown of our segment cost of sales (after intersegment eliminations) for the periods indicated:

Segment	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
Survey, design and consultancy	229.8	7.5	253.8	4.6	305.1	3.7
Construction contracting	2,533.9	82.3	3,372.7	61.2	4,962.1	59.8
Trading	–	–	1,460.8	26.5	2,195.0	26.5
Power project operation and other businesses	316.8	10.2	425.5	7.7	829.5	10.0
<b>Total</b>	<b><u>3,080.5</u></b>	<b><u>100.0</u></b>	<b><u>5,512.8</u></b>	<b><u>100.0</u></b>	<b><u>8,291.7</u></b>	<b><u>100.0</u></b>

### Gross Profit and Gross Profit Margin

In 2014, 2015 and 2016, our gross profit amounted to RMB765.4 million, RMB1,020.5 million, and RMB1,490.4 million, respectively. During the same period, our gross profit margin, which was calculated by dividing the gross profit by our income, was 19.9%, 15.6%, and 15.2%, respectively.

## FINANCIAL INFORMATION

The following table sets forth a breakdown of gross profit by business segment for the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
<b>Segment</b>						
Survey, design and consultancy .....	270.5	35.3	268.2	26.3	262.7	17.6
Construction contracting .....	440.3	57.5	656.6	64.3	1,110.7	74.5
Trading .....	–	–	20.4	2.0	33.1	2.2
Power project operation and other businesses .....	54.6	7.2	75.3	7.4	83.9	5.7
<b>Total</b> .....	<b><u>765.4</u></b>	<b><u>100.0</u></b>	<b><u>1,020.5</u></b>	<b><u>100.0</u></b>	<b><u>1,490.4</u></b>	<b><u>100.0</u></b>

The following table sets forth a breakdown of gross profit margin by business segment for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
<b>Segment</b>			
Survey, design and consultancy .....	54.1%	51.4%	46.3%
Construction contracting .....	14.8%	16.3%	18.3%
Trading .....	–	1.4%	1.5%
Power project operation and other businesses .....	14.7%	15.0%	9.2%

### Other Income

Our other income mainly includes rental income from our investment properties and sales of scrap materials, primarily scrap construction materials from our construction contracting business. In 2016, our other income also included agency income received when we acted as agents in certain of our trading transactions (see “Business – Trading Business – Business Process” for further details). The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
Dividend income from available-for- sale financial assets .....	–	–	16.5	56.7	3.0	4.2
Agency income .....	–	–	–	–	51.4	71.2
Rental income .....	7.2	80.0	10.2	35.1	9.6	13.3
Sales of scrap materials .....	1.4	15.6	1.9	6.5	5.4	7.5
Others .....	0.4	4.4	0.4	1.7	2.8	3.8
<b>Total</b> .....	<b><u>9.0</u></b>	<b><u>100.0</u></b>	<b><u>29.1</u></b>	<b><u>100.0</u></b>	<b><u>72.2</u></b>	<b><u>100.0</u></b>

Our available-for-sale financial assets consists of a 10% equity interest in Inner Mongolia Mengneng Tender Co., Ltd. owned by us. Inner Mongolia Mengneng Tender Co., Ltd. was incorporated in 2000 and its operations had been stable and profitable. In 2015 and 2016, it declared a dividend based on its accumulated profits, of which we received RMB16.5 million and RMB3.0 million, respectively, pursuant to our 10% equity interest.

## FINANCIAL INFORMATION

### Other Expenses

Our other expenses mainly include sales materials expenses, bank administrative fees, donations, fines and compensation. The following table sets forth a breakdown of our other expenses for the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
Sales materials expenses .....	0.1	1.0	–	–	0.5	5.7
Bank administrative fees .....	0.9	9.4	1.2	37.5	3.5	39.8
Donations .....	–	–	1.1	34.4	1.0	11.4
Fines .....	5.3	55.2	0.9	28.1	1.3	14.8
Compensation .....	3.3	34.4	–	–	2.5	28.3
<b>Total</b> .....	<b><u>9.6</u></b>	<b><u>100.0</u></b>	<b><u>3.2</u></b>	<b><u>100.0</u></b>	<b><u>8.8</u></b>	<b><u>100.0</u></b>

### Other Gains and Losses

Our other gains and losses consist principally of gain or loss on disposal of property, plant and equipment and impairment losses of trade receivables and other receivables.

The following table sets forth a breakdown of the major components of our other gains and losses for the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
(Loss)/gain on disposal of property, plant and equipment .....	(1.5)	6.7	2.2	(3.4)	5.2	(38.5)
Impairment loss recognized in respect of:						
– Trade receivables .....	(17.4)	78.0	(61.4)	94.8	(16.8)	124.4
– Other receivables .....	(2.9)	13.0	(4.2)	6.5	(0.1)	0.7
Others .....	(0.5)	2.3	(1.4)	2.1	(1.8)	13.4
<b>Total</b> .....	<b><u>(22.3)</u></b>	<b><u>100.0</u></b>	<b><u>(64.8)</u></b>	<b><u>100.0</u></b>	<b><u>(13.5)</u></b>	<b><u>100.0</u></b>

## FINANCIAL INFORMATION

### Selling and Distribution Expenses

Our selling and distribution expenses principally consist of employee benefits for our sales personnel and sales service expenses (which primarily comprise tender service charges and travel and transportation expenses). Our selling and distribution expenses also included logistics expenses related to sales in connection with the transportation of our commodities after the commencement of our trading business in June 2015. The table below sets forth a breakdown of the major components of our selling and distribution expenses for the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
Logistics expenses related to sales .....	–	–	1.0	16.1	4.5	29.4
Employee benefits .....	0.4	28.6	3.3	53.2	6.3	41.2
Sales service expenses .....	0.9	64.3	1.2	19.4	2.4	15.7
Other expenses .....	0.1	7.1	0.7	11.3	2.1	13.7
<b>Total</b> .....	<b><u>1.4</u></b>	<b><u>100.0</u></b>	<b><u>6.2</u></b>	<b><u>100.0</u></b>	<b><u>15.3</u></b>	<b><u>100.0</u></b>

### Administrative Expenses

Our administrative expenses consist mainly of employee benefits for our administrative personnel, office expenses, and depreciation and amortization of our assets relating to administration and other expenses. Other expenses consist mainly of taxes, rents and maintenance costs. The table below sets forth a breakdown of the major components of our administrative expenses for the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
Employee benefits .....	343.6	75.3	414.3	72.9	489.4	79.9
Office expenses .....	49.8	10.9	63.5	11.2	75.5	12.3
Depreciation and amortization .....	31.6	6.9	38.8	6.8	27.3	4.5
Other expenses .....	31.5	6.9	52.0	9.1	20.4	3.3
<b>Total</b> .....	<b><u>456.5</u></b>	<b><u>100.0</u></b>	<b><u>568.6</u></b>	<b><u>100.0</u></b>	<b><u>612.6</u></b>	<b><u>100.0</u></b>

### Finance Income and Finance Costs

Finance income refers to interest income from cash and cash equivalents and restricted cash. In 2014, 2015 and 2016, our finance income was RMB40.7 million, RMB33.8 million and RMB18.1 million, respectively.

## FINANCIAL INFORMATION

Our finance costs mainly comprise interest costs on bank and other borrowings, other financing and undertakings of defined benefit plans. The following table sets forth the components of our finance costs for the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentages)</i>					
Bank and other borrowings .....	39.1	64.1	41.4	69.8	154.0	90.5
Other financing .....	3.0	4.7	–	–	–	–
Undertakings of defined benefit plans .....	19.1	31.2	17.9	30.2	16.1	9.5
<b>Total</b> .....	<b><u>61.2</u></b>	<b><u>100.0</u></b>	<b><u>59.3</u></b>	<b><u>100.0</u></b>	<b><u>170.1</u></b>	<b><u>100.0</u></b>

### Income Tax Expenses

Our income tax expenses consist principally of current enterprise income tax and deferred tax. In 2014, 2015 and 2016, our income tax was RMB60.7 million, RMB78.9 million and RMB143.2 million, respectively, and our effective tax rate was 23.0%, 20.7% and 18.8%, respectively.

During the Track Record Period, our effective tax rate was lower than the statutory tax rate of 25.0%, primarily because (i) IM Survey & Design Institute was entitled to (a) a preferential tax rate of 15.0% in 2014 under the PRC government’s Western China Development tax incentive plan and (b) a preferential tax rate of 15.0% from November 29, 2016 to November 29, 2018 under the PRC government’s High and New Technology Enterprise tax incentive plan; (ii) Hengrun New Energy Co., Ltd was entitled to (a) a preferential tax rate of 15.0% during the Track Record Period under the PRC government’s Western China Development tax incentive plan, and (b) a tax exemption in 2014 and a preferential tax rate of 7.5% in 2015, 2016 and 2017 for its income from phases I and II of its wind power project under the PRC government’s “three-year exemption and three-year half rate” tax incentive plan and (iii) our subsidiary IM International Construction Company, which was entitled to a preferential tax rate of 15.0% in 2016 under the PRC government’s Western China Development tax incentive plan.

Under the EIT Law and related regulations, except for the aforementioned preferential tax treatments available to our subsidiaries, we are generally subject to the statutory tax rate of 25.0%.

In 2014, 2015 and 2016, we paid RMB14.8 million, RMB23.8 million and RMB158.1 million, respectively, in income tax. We pay our income tax quarterly in advance based on our estimation of the amount of income tax payable. Our income tax expenses are determined based on the amount of our taxable income and certain tax adjustments made in accordance with prevailing tax laws and regulations. In addition, due to the adoption of IAS 11: *Construction Contracting* (“IAS 11”), which requires us to recognize revenue in the accounting periods in which the relevant work is performed, by reference to the stage of completion of the contract activities, we had to adjust the amount of our taxable income based on the stage of completion of project. As a result of the foregoing reasons, the

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## FINANCIAL INFORMATION

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amount of our income tax paid was different from our income tax expenses in each of the corresponding periods during the Track Record Period. The adjustment of our taxable income due to the adoption of IAS 11 during the Track Record Period resulted in an additional amount of income tax payable. The relevant tax authorities may require us to pay such additional income tax in future, and we will arrange for the payment of such additional income tax to the relevant tax authorities at the relevant time.

During the Track Record Period, we did not have any material dispute or unresolved issues with the relevant tax authorities. Based on our income tax liabilities for 2014, 2015 and 2016 as agreed with the relevant tax authorities, none of our income tax payable as of December 31, 2014, 2015 and 2016 resulted from tax liabilities that had remained outstanding for more than one year.

### RESULTS OF OPERATIONS

#### 2016 Compared to 2015

##### *Revenue*

Our revenue increased by 49.7% from RMB6,533.3 million in 2015 to RMB9,782.1 million in 2016, due to the increase in segment revenue from our survey, design and consultancy business, construction contracting business, trading business and power project operation and other businesses.

##### *Survey, design and consultancy business*

Segment revenue of our survey, design and consultancy business increased by 8.8% from RMB522.0 million in 2015 to RMB567.8 million in 2016, primarily due to the growth of our survey, design and consultancy business. In particular, the revenue from our photovoltaic survey, design and consultancy projects increased by RMB47.2 million in 2016.

##### *Construction contracting business*

Segment revenue of our construction contracting business increased by 50.7% from RMB4,029.3 million in 2015 to RMB6,072.8 million in 2016, primarily due to the continued growth of our construction contracting business, including the commencement of construction contracting business by IM International Construction Company in December 2015. In particular, the revenue from our photovoltaic construction contracting projects increased by RMB1,934.7 million in 2016.

##### *Trading business*

We commenced our trading business in June 2015. For the period between the commencement of our trading business and December 31, 2015, segment revenue of our trading business was RMB1,481.2 million. In 2016, segment revenue of our trading business was RMB2,228.1 million, primarily consisting of revenue arising from the trading of petroleum, which accounted for 54.9% of our segment revenue of our trading business.

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## FINANCIAL INFORMATION

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### *Power project operation and other businesses*

Segment revenue of our power project operation and other businesses increased by 82.4% from RMB500.8 million in 2015 to RMB913.4 million in 2016, primarily due to the recognition of RMB523.1 million in revenue from our completed housing development project in 2016.

### *Cost of Sales*

Our cost of sales increased by 50.4% from RMB5,512.8 million in 2015 to RMB8,291.7 million in 2016, due to the increase in cost of sales for our survey, design and consultancy business, construction contracting business, trading business and power project operation and other businesses.

### *Survey, design and consultancy business*

Segment cost of sales of our survey, design and consultancy business increased by 20.2% from RMB253.8 million in 2015 to RMB305.1 million in 2016, primarily due to the increase in staff and labor costs arising from the transfer of certain staff and their salary costs to the survey, design and consultancy business unit in 2016.

### *Construction contracting business*

Segment cost of sales of our construction contracting business increased by 47.1% from RMB3,372.7 million in 2015 to RMB4,962.1 million in 2016, which was generally in line with the increase in this segment's revenue.

### *Trading business*

We commenced our trading business in June 2015. For the period between the commencement of our trading business and December 31, 2015, segment cost of sales of our trading business was RMB1,460.8 million. In 2016, segment cost of sales of our trading business was RMB2,195.0 million, primarily consisting of cost of sales arising from the trading of petroleum, which accounted for 54.6% of our segment cost of sales for our trading business.

### *Power project operation and other businesses*

Segment cost of sales of our power project operation and other businesses increased by 94.9% from RMB425.5 million in 2015 to RMB829.5 million in 2016, primarily due to the recognition of RMB495.9 million in cost of sales from our completed housing development project in 2016.

### *Gross Profit and Gross Profit Margin*

Our gross profit increased by 46.0% from RMB1,020.5 million in 2015 to RMB1,490.4 million in 2016.



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## FINANCIAL INFORMATION

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Our gross profit margin was 15.6% in 2015 and 15.2% in 2016, which remained generally stable.

### *Survey, design and consultancy business*

Segment gross profit of our survey, design and consultancy business was RMB268.2 million in 2015 and RMB262.7 million in 2016, which remained generally stable.

Segment gross profit margin of our survey, design and consultancy business decreased from 51.4% in 2015 to 46.3% in 2016, primarily due to the larger increase in staff and labor costs arising from the transfer of certain staff and their salary costs to the survey, design and consultancy business unit in 2016, while revenue for this segment only increased moderately.

### *Construction contracting business*

Segment gross profit of our construction contracting business increased by 69.2% from RMB656.6 million in 2015 to RMB1,110.7 million in 2016.

Segment gross profit margin of our construction contracting business increased from 16.3% in 2015 to 18.3% in 2016, primarily due to the decreased revenue contribution from fossil-fuel construction and contracting projects, which generate relatively lower gross profit margins and the increased revenue contribution from new energy construction contracting projects, which generate relatively higher gross profit margins.

### *Trading business*

We commenced our trading business in June 2015. For the period between the commencement of our trading business in June 2015 and December 31, 2015, the segment gross profit of our trading business was RMB20.4 million. In 2016, the segment gross profit of our trading business was RMB33.1 million.

For the period between the commencement of our trading business in June 2015 and December 31, 2015, segment gross profit margin of our trading business was 1.4%. In 2016, segment gross profit margin of our trading business was 1.5%. We had only commenced our trading business on a trial basis in June 2015. Furthermore, our trading business is a volume driven business which requires less technical capability and expertise compared with our other businesses. As such, the gross profit margin of our trading business is relatively lower as compared with our other businesses.

### *Power project operation and other businesses*

Segment gross profit of our power project operation and other businesses increased by 11.4% from RMB75.3 million in 2015 to RMB83.9 million in 2016.

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## FINANCIAL INFORMATION

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Segment gross profit margin of our power project operation and other businesses decreased from 15.0% in 2015 to 9.2% in 2016, primarily due to the increased revenue contribution from our property development business.

Our property development activities have historically been limited and largely comprise the building of affordable housing for our employees. As such, the gross profit margin of our property development business is relatively lower as compared with our other businesses.

### ***Other Income***

Our other income increased significantly from RMB29.1 million in 2015 to RMB72.2 million in 2016, primarily due to agency income arising from our role as agents in respect of certain trading transactions. The increase in our other income was partially offset by a decrease in dividend income from available-for-sale financial assets as a result of a decrease in dividends declared by Inner Mongolia Mengneng Tender Co., Ltd.

### ***Other Expenses***

Our other expenses increased significantly from RMB3.2 million in 2015 to RMB8.8 million in 2016, primarily due to an increase in compensation paid in respect of safety and traffic incidents and an increase in bank administrative fees.

### ***Other Gains and Losses***

Our other losses decreased by 79.2% from RMB64.8 million in 2015 to RMB13.5 million in 2016, primarily due to (i) a decrease in the recognition of bad debts in respect of trade receivables and other receivables based on our prevailing estimate of the level of bad debts in accordance with our accounting policies; and (ii) an increase in the gain on disposal of property, plant and equipment and prepaid lease payments.

### ***Selling and Distribution Expenses***

Our selling and distribution expenses increased significantly from RMB6.2 million in 2015 to RMB15.3 million in 2016, primarily due to the continued growth of our construction contracting business and the commencement of our trading business in June 2015, which resulted in an increase in logistics expenses related to sales, employee benefits, sales service expenses and other expenses.

Our selling and distribution expenses as a percentage of our total revenue was 0.1% and 0.2% in 2015 and 2016, respectively.

### ***Administrative Expenses***

Our administrative expenses increased by 7.7% from RMB568.6 million in 2015 to RMB612.6 million in 2016, primarily due to the continued growth of our survey, design and consultancy business

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## FINANCIAL INFORMATION

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and our construction contracting business, including the commencement of construction contracting business of IM International Construction Company in December 2015, and the commencement of our trading business in June 2015, which resulted in an increase in employee benefits, office expenses and other expenses.

### *Finance Income and Finance Costs*

Our finance income decreased by 46.4% from RMB33.8 million in 2015 to RMB18.1 million in 2016, primarily due to the decreases in bank deposits and the reduction of the prevailing interest rates in China.

Our finance costs increased significantly from RMB59.3 million in 2015 to RMB170.1 million in 2016, primarily due to an increase in our bank and other borrowings to satisfy the additional capital requirements resulting from the continued growth of our business, in particular the increase in capital-intensive EPC projects undertaken.

### *Income Tax Expenses*

Our income tax expenses increased by 81.5% from RMB78.9 million in 2015 to RMB143.2 million in 2016, primarily due to an increase in taxable income.

Our effective tax rate decreased from 20.7% in 2015 to 18.8% in 2016, primarily because our subsidiary IM Survey & Design Institute was entitled to a preferential tax rate of 15.0% from November 29, 2016 to November 29, 2018 under the PRC government's High and New Technology Enterprise tax incentive plan and our subsidiary IM International Construction Company was entitled to a preferential tax rate of 15.0% in 2016 under the PRC government's Western China Development tax incentive plan.

### *Profit for the year*

Our profit for the year attributable to us increased significantly from RMB302.4 million in 2015 to RMB617.2 million in 2016.

## **2015 Compared to 2014**

### *Revenue*

Our revenue increased by 69.9% from RMB3,845.9 million in 2014 to RMB6,533.3 million in 2015, due to the increase in revenue from our survey, design and consultancy business, construction contracting business and power project operation and other businesses, as well as the recognition of revenue arising from the commencement of our trading business in June 2015.

### *Survey, design and consultancy business*

Segment revenue of our survey, design and consultancy business increased slightly from RMB500.3 million in 2014 to RMB522.0 million in 2015, primarily due to the growth of our survey, design and consultancy business. In particular, the revenue from our fossil-fuel and wind power generation survey, design and consultancy projects increased by RMB76.9 million in 2015.

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## FINANCIAL INFORMATION

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### *Construction contracting business*

Segment revenue of our construction contracting business increased by 35.5% from RMB2,974.2 million in 2014 to RMB4,029.3 million in 2015, primarily due to the growth of our construction contracting business. In particular, the revenue from our wind power construction contracting projects increased by RMB505.1 million in 2015.

### *Trading business*

We commenced our trading business in June 2015. Therefore, we did not generate any segment revenue of our trading business in 2014. In 2015, segment revenue of our trading business was RMB1,481.2 million, primarily consisting of revenue arising from the trading of non-ferrous metals, which accounted for 72.1% of our segment revenue of our trading business.

### *Power project operation and other businesses*

Segment revenue of our power project operation and other businesses increased by 34.8% from RMB371.4 million in 2014 to RMB500.8 million in 2015, primarily due to the increase of RMB30.8 million in revenue from our property development activities, the aggregate increase of RMB66.5 million in revenue from our construction and sale of power transmission towers and our sales of electricity from our wind power project and the increase of RMB22.1 million in revenue from our overhaul and operation maintenance business.

### ***Cost of Sales***

Our cost of sales increased by 79.0% from RMB3,080.5 million in 2014 to RMB5,512.8 million in 2015, due to the increase in cost of sales of our survey, design and consultancy business, construction contracting business and our power project operation and other businesses, as well as the recognition of cost of sales arising from the commencement of our trading business in June 2015.

### *Survey, design and consultancy business*

Segment cost of sales of our survey, design and consultancy business increased by 10.4% from RMB229.8 million in 2014 to RMB253.8 million in 2015, primarily due to the increase in staff and labor costs arising from the increases in staff salaries and headcount.

### *Construction contracting business*

Segment cost of sales for our construction contracting business increased by 33.1% from RMB2,533.9 million in 2014 to RMB3,372.7 million in 2015, which was generally in line with the increase in this segment's revenue.

### *Trading business*

We commenced our trading business in June 2015. Therefore, we did not incur any cost of sales of our trading business in 2014. In 2015, cost of sales for our trading business was RMB1,460.8

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## FINANCIAL INFORMATION

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million, primarily consisting of cost of sales arising from the trading of metal materials, which accounted for 26.5% of our segment cost of sales for our trading business.

### *Power project operation and other businesses*

Segment cost of sales of our power project operation and other businesses increased by 34.3% from RMB316.8 million in 2014 to RMB425.5 million in 2015, which was generally in line with the increase in this segment's revenue.

### ***Gross Profit and Gross Profit Margin***

Our gross profit increased by 33.3% from RMB765.4 million in 2014 to RMB1,020.5 million in 2015.

Our gross profit margin decreased from 19.9% in 2014 to 15.6% in 2015, primarily due to the increased revenue contribution from our trading business, which had a relatively lower gross profit margin as compared with our other businesses.

### *Survey, design and consultancy business*

Segment gross profit of our survey, design and consultancy business was RMB270.5 million in 2014 and RMB268.2 million in 2015, which remained generally stable.

Segment gross profit margin in the same period was 54.1% in 2014 and 51.4% in 2015, which remained generally stable.

### *Construction contracting business*

Segment gross profit of our construction contracting business increased by 49.1% from RMB440.3 million in 2014 to RMB656.6 million in 2015.

Segment gross profit margin of our construction contracting business increased from 14.8% in 2014 to 16.3% in 2015, primarily due to the increased revenue derived from our power transmission construction contracting projects. The gross profit margin of our power transmission construction contracting business is relatively higher than the gross profit margin of our other businesses as we possess strong pricing capabilities in respect of such business, leveraging our established market position.

### *Trading business*

As our trading business was commenced in June 2015, we did not generate any segment gross profit of trading business in 2014. In 2015, segment gross profit of our trading business was RMB20.4 million.

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## FINANCIAL INFORMATION

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In 2015, segment gross profit margin of our trading business was 1.4%. The gross profit margin of our trading business is much lower than the gross profit margin of our other businesses as we had only commenced our trading business on a trial basis in June 2015, and our trading business is a volume-driven business which requires less technical capability and expertise compared with our other businesses.

### *Power project operation and other businesses*

Segment gross profit of our power project operation and other businesses increased by 37.9% from RMB54.6 million in 2014 to RMB75.3 million in 2015.

Segment gross profit margin of our power project operation and other businesses in 2014 and 2015 was 14.7% and 15.0% which remained generally stable.

### *Other Income*

Our other income increased significantly from RMB9.0 million in 2014 to RMB29.1 million in 2015, primarily due to dividends from available-for-sale financial assets of RMB16.5 million received by our subsidiary Inner Mongolia Power Survey & Design Institute Co., Ltd. in 2015 and the increase in rental income from the lease of our investment properties.

### *Other Expenses*

Our other expenses decreased by 66.5% from RMB9.5 million in 2014 to RMB3.2 million in 2015, primarily due to a decrease in fines paid to regulatory bodies in respect of regulatory breaches and fines paid to contractual counterparties under the terms of the contracts.

### *Other Gains and Losses*

Our other losses increased significantly from RMB22.3 million in 2014 to RMB64.8 million in 2015, primarily due to the increase in losses arising from the recognition of provision for bad debts in trade receivables and other receivables based on our prevailing estimate of the level of bad debts in accordance with our accounting policies, partially offset by the increase in gain on disposal of property, plant and equipment.

### *Selling and Distribution Expenses*

Our selling and distribution expenses increased significantly from RMB1.4 million in 2014 to RMB6.2 million in 2015, primarily due to the growth of our construction contracting business and the commencement of our trading business in June 2015, resulting in the increase of logistics expenses related to sales and employee benefits.

Our selling and distribution expenses as a percentage of our total revenue was 0.04% for 2014 and 0.1% for 2015.

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## FINANCIAL INFORMATION

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### *Administrative Expenses*

Our administrative expenses increased by 24.6% from RMB456.5 million in 2014 to RMB568.6 million in 2015, primarily due to the growth of our survey, design and consultancy business, construction contracting business and power project operation and other businesses and the commencement of our trading business in June 2015. In addition, the Industry Reorganization resulted in the increase in employee benefits, office expenses and other expenses (mainly consisting of leasing expenses).

Our administrative expenses as a percentage, of our total revenue was 11.9% and 8.7% in 2014 and 2015, respectively, primarily due to the commencement of our trading business in June 2015, which contributed to lower administrative expenses per unit of revenue compared to our other businesses. Without the commencement of our trading business in June 2015, our administrative expenses as a percentage of our total revenue would have been 11.9% and 11.1% in 2014 and 2015, respectively.

### *Finance Income and Finance Costs*

Our finance income decreased by 17.0% from RMB40.7 million in 2014 to RMB33.8 million in 2015. The decrease was mainly due to the decrease in bank deposits and the reduction of prevailing interest rates in China.

Our finance costs decreased by 3.1% from RMB61.2 million in 2014 to RMB59.3 million in 2015, primarily due to the absence of any interest costs on finance leases in 2015 as a result of the expiry in 2014 of the finance lease which we entered into in 2011, and the decrease in our contribution to defined benefit plans, partially offset by the increase in bank and other borrowings due to our additional capital requirements as a result of the growth of our businesses, in particular the commencement of our trading business in June 2015.

### *Income Tax Expenses*

Our income tax increased by 30.0% from RMB60.7 million in 2014 to RMB78.9 million in 2015, primarily due to the increase in taxable income. Our effective tax rate decreased from 23.0% in 2014 to 20.7% in 2015, primarily due to the decrease in income tax expenses. This was due to the increase in deferred tax assets resulting from the increase in the applicable tax rate.

### *Profit for the Year*

As a result of the foregoing, our profit for the year attributable to us increased by 48.7% from RMB203.4 million in 2014 to RMB302.4 million in 2015.

## LIQUIDITY AND CAPITAL RESOURCES

We have historically met our liquidity requirements through cash flows from operations, bank borrowings and capital contributions from our shareholders. Our primary liquidity requirements are to

## FINANCIAL INFORMATION

finance working capital, fund capital expenditures and growth and expansion of our facilities and business. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we will consider other sources of liquidity, including the issuance of corporate bonds and medium-term notes. We may use a portion of the proceeds from the Global Offering to finance a portion of our capital requirements.

### Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
	<i>(RMB in millions)</i>		
Net cash from/(used in) operating activities .....	843.8	(994.1)	(1,691.6)
Net cash (used in)/from investing activities .....	(58.2)	396.2	(1,914.6)
Net cash from financing activities .....	367.8	677.9	2,983.7
<b>Net increase/ (decrease) in cash and cash equivalents .....</b>	<b>1,153.4</b>	<b>80.1</b>	<b>(622.5)</b>
Cash and cash equivalents at the beginning of the year .....	924.6	2,078.0	2,158.0
<b>Cash and cash equivalents at the end of the year .....</b>	<b><u>2,078.0</u></b>	<b><u>2,158.0</u></b>	<b><u>1,535.5</u></b>

### *Net Cash From/Used in Operating Activities*

Cash flow from operating activities reflects (i) profit before tax adjusted for non-cash and non-operating items, such as depreciation and amortization and impairment allowances; (ii) the effects of movements in working capital, such as changes in trade receivables, prepayments, deposits and other receivables and inventories; and (iii) other cash items such as income tax paid.

In 2016, our net cash used in operating activities was RMB1,691.6 million, which was primarily due to (i) the increase of RMB3,134.0 million in trade and bills receivables as an increased proportion of our projects undertaken were EPC projects, which result in a higher amount of trade receivables due to the procurement of equipment used for the project, and we also commenced our trading business in June 2015; and (ii) the decrease of RMB317.4 million in other payables and accruals as a result of the recognition of revenue for our completed housing development project. Our net cash used in operating activities was partially offset by (i) the increase of RMB431.5 million in trade and bills payables as we purchased a larger amount of raw materials, equipment, parts and components from our suppliers for our growing construction contracting business and also our trading business which we commenced in June 2015; and (ii) the decrease of RMB398.1 million in properties for sale as we recognized the revenue from our completed housing development project in 2016.

In 2015, our net cash used in operating activities was RMB994.1 million, which was primarily due to (i) the increase of RMB1,270.4 million in trade and bills receivables as an increased proportion of our projects undertaken were EPC projects, which result in a higher amount of trade receivables due to the procurement of equipment used for the project, and we also commenced our trading business in June 2015; and (ii) the increase of RMB396.8 million in prepayments, deposits and other



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## FINANCIAL INFORMATION

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receivables as we made prepayments to suppliers of our trading business and construction contracting business and paid tender bonds and performance bonds to our customers. Our net cash used in operating activities was partially offset by the increase of RMB396.7 million in trade and bills payables as we purchased a larger amount of raw materials, equipment, parts and components from our suppliers for our growing construction contracting business and also our trading business which we commenced in June 2015.

In 2014, our net cash generated from operating activities was RMB843.8 million, which was primarily due to (i) the decrease of RMB423.4 million in prepayments, deposits and other receivables as we decreased our payment of tender bonds and performance bonds to our customers and decreased our payment of advances to suppliers as a result of the decrease in our construction contracting business caused by the Industry Reorganization and (ii) the decrease of RMB292.6 million in amounts due from customers for construction contracts as the commencement of some of our construction contracting projects were delayed as a result of the Industry Reorganization. Our net cash generated from operating activities was partially offset by (i) the decrease of RMB268.8 million in trade and bills payables as we settled a part of our trade and bills payables relating to the purchase of raw materials, equipment and parts and components with the suppliers of our construction contracting business and (ii) the increase of RMB214.7 million in trade and bills receivables as an increased proportion of our projects undertaken were EPC projects, which result in a higher amount of trade receivables due to the procurement of equipment used for the project.

### *Net Cash Used in/From Investing Activities*

In 2016, our net cash used in investing activities was RMB1,914.6 million, consisting primarily of (i) addition to loans receivable of RMB922.2 million as a result of the advance payments made by IM Products Company under the Coal Underwriting Agreements, (ii) deposit paid and purchase of property, plant and equipment of RMB619.6 million as a result of the purchase of offices and (iii) placement of pledged bank deposits and time deposits of RMB586.9 million, primarily comprising time deposits and pledged deposits for bills payable and letter of guarantee. Our net cash used in investing activities was partially offset by the withdrawal of restricted cash and time deposits of RMB368.3 million upon the maturity of the time deposit or upon the release of the pledge over the pledged deposits.

In 2015, our net cash from investing activities was RMB396.2 million, consisting primarily of the withdrawal of pledged bank deposits and time deposits of RMB775.1 million upon the maturity of the time deposit or upon the release of the pledge over the pledged deposits. Our net cash generated from investing activities was partially offset by the placement of pledged bank deposits and time deposits of RMB482.8 million, primarily comprising time deposits and pledged deposits for bills payable and letter of guarantee.

In 2014, our net cash used in investing activities was RMB58.2 million, consisting primarily of placement of pledged bank deposits and time deposits of RMB625.9 million, primarily comprising time deposits and pledged deposits for bills payable and letter of guarantee. Our net cash used in investing activities was partially offset by the withdrawal of pledged bank deposits and time deposits

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## FINANCIAL INFORMATION

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of RMB616.0 million upon the maturity of the time deposit or upon the release of the pledge over the pledged deposits.

### *Net Cash From Financing Activities*

In 2016, our net cash from financing activities was RMB2,983.7 million, primarily consisting of new bank and other borrowings of RMB5,011.0 million. Our net cash generated from financing activities was partially offset by the repayment of bank and other borrowings of RMB1,896.5 million.

In 2015, our net cash from financing activities was RMB678.0 million, primarily consisting of (i) new bank and other borrowings of RMB635.0 million and (ii) the capital contribution from owners of RMB511.6 million injected by our shareholder according to the approval for the incorporation of our Company from the government of the Inner Mongolia Autonomous Region. Our net cash generated from financing activities was partially offset by (i) the repayment of bank and other borrowings of RMB236.5 million and (ii) the repayment of RMB194.1 million of borrowings to IM Power Group.

In 2014, our net cash from financing activities was RMB367.8 million, primarily consisting of (i) new bank and other borrowings of RMB400.0 million and (ii) the capital contribution from owners of RMB382.2 million injected by our shareholder according to the approval for the incorporation of our Company from the government of the Inner Mongolia Autonomous Region. Our net cash generated from financing activities was partially offset by the repayment of RMB327.8 million in borrowings to IM Power Group.

### **Capital Expenditures**

In the past, we incurred capital expenditures primarily for acquisitions of property, plant and equipment, as well as intangible assets (such as software). The following table sets forth the components of our capital expenditures for the periods indicated:

	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(RMB in millions)</i>		
Property, plant and equipment .....	74.4	92.8	144.5
Prepaid land lease payment .....	–	–	37.9
Intangible assets .....	5.9	8.7	7.6
<b>Total</b> .....	<b>80.3</b>	<b>101.5</b>	<b>190.0</b>

We estimate that our capital expenditures in 2017 will be approximately RMB130.3 million, which will be mainly used for the purchase of property, plant and equipment. These capital expenditures will be financed by our cash and cash equivalents on hand, our available banking facilities and cash flows from our operations as well as a portion of the net proceeds from the Global Offering.

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## FINANCIAL INFORMATION

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Although these are our current plans with respect to our capital expenditures, such plans may change as a result of a change of circumstances and the actual amount of expenditures set out above may vary from the estimated amount of expenditures for a variety of reasons, including changes in market conditions, competition and other factors. As we continue to expand, we may incur additional capital expenditures. Our ability to obtain additional funding for our future capital expenditures is subject to a variety of uncertainties, including our future results of operations, financial position and cash flows and economic, political and other conditions in the PRC and globally.

### **Other Financial Assets**

On October 6, 2016, IM Products Company entered into the Coal Underwriting Agreements with IM Mengxing in respect of the underwriting of the sale of coal from three coal mines. The advance payments made by IM Products Company to IM Mengxing pursuant to the Coal Underwriting Agreements were classified as “other financial assets” as of December 31, 2016. On March 19, 2017, IM Products Company entered into the “Supplemental Coal Underwriting Agreement with IM Mengxing to further refine the coal underwriting arrangement under the Coal Underwriting Agreements. In light of the execution of the Supplemental Coal Underwriting Agreement, we will transfer the advance payments under the Amended Coal Underwriting Agreements to “advance to suppliers” from “other financial assets” in 2017. This will decrease our non-current assets and increase our current assets. The “advance to suppliers” represents the advance payments paid to IM Mengxing for the purpose of purchasing coal from IM Mengxing under the Amended Coal Underwriting Agreements.

### **Working Capital**

During the Track Record Period, we have met our working capital needs mainly from our cash and cash equivalents on hand, cash generated from operations and bank borrowings. We manage our cash flow and working capital by closely monitoring and managing, among other things, (i) the level of our trade payables and receivables and (ii) our ability to obtain external financing. We also diligently review future cash flow requirements and assess our ability to meet debt repayment schedules, and if necessary, adjust the investment, financing and dividend payout plans so as to ensure we maintain sufficient working capital.

Taking into account the estimated net proceeds from the Global Offering, our cash and cash equivalents on hand, our available banking facilities and cash flows from our operations, our Directors are of the opinion that we have sufficient working capital to meet our financial requirements for at least the next 12 months from the date of this prospectus.

### **Net Current Assets**

As of December 31, 2014, 2015 and 2016, we had net current assets of RMB1,475.4 million, RMB2,299.0 million and RMB3,590.3 million, respectively. As of April 30, 2017, the latest date for determining our net current assets, we had RMB4,658.9 million of net current assets.

## FINANCIAL INFORMATION

The table below sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>(RMB in millions)</i>			<i>(Unaudited)</i>
<b>Current Assets</b>				
Inventories	138.9	336.4	124.9	180.3
Prepaid lease payments	0.5	0.5	1.1	1.1
Completed properties for sale	384.6	411.9	13.8	13.6
Amounts due from customers for construction contracts	137.4	321.0	265.6	353.1
Trade and bills receivables	2,522.8	3,749.9	6,867.1	6,954.5
Prepayments, deposits and other receivables	741.9	1,051.6	1,414.1	2,251.8
Pledged bank deposits	79.0	221.2	249.8	343.3
Time deposits	444.5	10.0	200.0	–
Cash and cash equivalents	2,078.0	2,158.0	1,535.5	2,389.2
	<u>6,527.6</u>	<u>8,260.5</u>	<u>10,671.9</u>	<u>12,486.9</u>
<b>Current Liabilities</b>				
Trade and bills payables	2,224.9	2,621.7	3,053.8	2,627.6
Amounts due to customers for construction contracts	196.1	395.5	402.8	415.6
Other payables and accruals	2,305.1	2,095.1	1,806.3	1,747.6
Income tax payable	62.8	143.6	119.8	130.4
Bank and other borrowings	236.5	678.5	1,672.5	2,880.5
Defined benefit obligations	26.8	27.1	26.4	26.4
	<u>5,052.2</u>	<u>5,961.5</u>	<u>7,081.6</u>	<u>7,828.0</u>
<b>Net Current Assets</b>	<u><b>1,475.4</b></u>	<u><b>2,299.0</b></u>	<u><b>3,590.3</b></u>	<u><b>4,658.9</b></u>

Our net current assets increased by 29.8% from RMB3,590.3 million as of December 31, 2016 to RMB4,658.9 million as of April 30, 2017, primarily due to (i) the increase of RMB853.7 million in cash and cash equivalents and (ii) the increase of RMB837.7 million in prepayments, deposits and other receivables due to the transfer of the remaining balance of the advance payments under the Amended Coal Underwriting Agreements from “other financial assets” to “advance to suppliers” after the execution of the Supplemental Coal Underwriting Agreement on March 19, 2017. The increase in our net current assets was partially offset by the increase of RMB1,208.0 million in bank and other borrowings under our current liabilities as a result of the increased capital requirements arising from the continued growth of our business, in particular the increase in capital intensive EPC projects undertaken.

Our net current assets increased by 56.2% from RMB2,299.0 million as of December 31, 2015 to RMB3,590.3 million as of December 31, 2016, primarily due to (i) the increase of RMB3,117.2 million in trade and bills receivables as a result of the increase in EPC projects undertaken, which result in a higher amount of trade receivables due to the procurement of equipment used for the project and (ii) the increase of RMB362.5 million in prepayments, deposits and other receivables due to the growth of our business and the commencement of our trading business in June 2015. The increase in our net current assets was partially offset by (i) the increase of RMB994.0 million in bank and other

## FINANCIAL INFORMATION

borrowings under our current liabilities as a result of the increased capital requirements arising from the continued growth of our business, in particular the increase in capital-intensive EPC projects undertaken and (ii) the decrease of RMB622.5 million in cash and cash equivalents.

Our net current assets increased by 55.8% from RMB1,475.4 million as of December 31, 2014 to RMB2,299.0 million as of December 31, 2015, primarily due to (i) the increase of RMB1,227.1 million in trade and bills receivables as a result of the increase in EPC projects undertaken, which result in a higher amount of trade receivables due to the procurement of equipment used for the project, and the commencement of our trading business in June 2015 and (ii) the increase of RMB309.7 million in prepayments, deposits and other receivables due to the growth of our business and the commencement of our trading business in June 2015. The increase in our net current assets was partially offset by (i) the increase of RMB442.0 million in bank and other borrowings under our current liabilities as a result of the increased capital requirements arising from the commencement of our trading business in June 2015, and (ii) the increase of RMB396.8 million in trade and bills payables due to the growth of our business and the commencement of our trading business in June 2015.

### Inventories

Our inventories primarily comprise raw materials, low value consumables and spare parts, work in progress and finished goods. Raw materials are mainly used for our construction contracting projects and our construction of power transmission towers. Finished goods mainly include equipment used for our construction contracting business and power transmission tower construction, commodities from our trading business, including petroleum products, coal, chemical raw materials and others.

The following table sets forth details of our inventories as of the dates indicated:

	<u>As of December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>(RMB in millions)</i>		
Raw materials .....	63.0	104.2	75.1
Low value consumables and spare parts .....	13.0	10.6	8.8
Work in progress .....	3.3	5.6	12.2
Finished goods .....	59.6	216.0	28.7
<b>Total</b> .....	<b><u>138.9</u></b>	<b><u>336.4</u></b>	<b><u>124.8</u></b>

As of December 31, 2014, 2015 and 2016, our inventory balance amounted to RMB138.9 million, RMB336.4 million and RMB124.9 million, respectively, representing 2.1%, 4.1% and 1.2% of our total current assets, respectively.

Our inventory balance increased significantly from RMB138.9 million as of December 31, 2014 to RMB336.4 million as of December 31, 2015, primarily due to the growth in our construction contracting business, including the advance procurement of equipment pursuant to our construction

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## FINANCIAL INFORMATION

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contracting business plans. Also, the commencement of our trading business in June 2015 resulted in an increase in the inventory of our finished goods, as the goods under some of our trading contracts had been delivered to us in 2015 but the sale and transfer of such goods to our customers was only completed in 2016.

Our inventory balance decreased by 62.9% from RMB336.4 million as of December 31, 2015 to RMB124.8 million as of December 31, 2016, primarily due to the decrease in finished goods, which was primarily because we had utilized various equipment for our construction contracting business and power transmission tower construction and we had also sold and delivered coal and petroleum products to our customers under our trading business.

As of April 30, 2017, the latest practicable date for which such information is available, we utilized or sold RMB85.7 million, representing 68.7%, of our inventories as of December 31, 2016.

The following table sets forth our average inventory turnover days for the periods indicated:

	<u>Year ended December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Average inventory turnover days <sup>(1)</sup> .....	19	16	10

(1) Average inventory turnover days for the relevant periods is the average of opening and closing inventory balances divided by the cost of sales for that year and multiplied by 365 days.

Our average inventory turnover days decreased from 19 days in 2014 to 16 days in 2015 to 10 days in 2016, primarily due to the shorter turnover period of inventory for our trading business as compared with our other businesses. Excluding the average inventory balance and the cost of sales attributable to our trading business, our average inventory turnover days would have been 19 days and 14 days in 2015 and 2016, respectively.

### **Completed Properties for Sale**

Completed properties for sale consist of our completed properties remaining unsold or sold but not yet delivered as of the end of each reporting period. As of December 31, 2014, 2015 and 2016, our completed properties for sale amounted to RMB384.6 million, RMB411.9 million and RMB13.8 million, respectively.

As of April 30, 2017, the latest practicable date for which such information is available, we had not sold any of our completed properties for sale as of December 31, 2016.

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## FINANCIAL INFORMATION

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### Construction Contract Work in Progress

The following table sets forth our construction contract work in progress as of the dates indicated:

	As of December 31,		
	2014	2015	2016
	<i>(RMB in millions)</i>		
Gross amounts due from customers for construction contracts . . . . .	137.4	321.0	265.6
Gross amounts due to customers for construction contracts . . . . .	(196.1)	(395.5)	(402.8)
	(58.7)	(74.5)	(137.2)
Contract costs incurred plus recognized profit less recognized losses to date . . . . .	9,524.0	11,129.6	12,358.9
Less: Progress billings received and receivable . . . . .	(9,582.7)	(11,204.1)	(12,496.1)
	(58.7)	(74.5)	(137.2)

The construction and settlement for our construction contract work in progress are conducted according to the requirement stated in the respective engineering and construction contract. Total construction payments due from and to customers reflect the general progress each year of the work incurred on our construction projects and settlement of payments in relation to our construction projects.

When the outcome of our survey, design and consultancy contracts and construction contracts can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting periods, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of our survey, design and consultancy contracts and construction contracts cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the periods in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for construction contracts. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as the amounts due to customers for construction contracts.

## FINANCIAL INFORMATION

Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are shown as trade and bills receivables.

### Trade and bills receivables

Our trade and bills receivables mainly represent the credit sales of our products or services to be paid by our customers. The following table sets forth details of our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2014	2015	2016
	<i>(RMB in millions)</i>		
Trade receivables . . . . .	2,373.9	3,636.9	6,601.8
Retention money receivables . . . . .	334.3	305.1	380.7
Less: allowance of doubtful debts . . . . .	(274.3)	(335.8)	(352.6)
	<u>2,433.9</u>	<u>3,606.2</u>	<u>6,629.9</u>
Bills receivables . . . . .	88.9	143.7	237.2
<b>Total</b> . . . . .	<b><u>2,522.8</u></b>	<b><u>3,749.9</u></b>	<b><u>6,867.1</u></b>

Our trade and bills receivables increased by 83.1% from RMB3,749.9 million as of December 31, 2015 to RMB6,867.1 million as of December 31, 2016, primarily due to the increase in EPC projects undertaken, which result in a higher amount of trade receivables due to the procurement of equipment used for the projects.

Our trade and bills receivables increased by 48.6% from RMB2,522.8 million as of December 31, 2014 to RMB3,749.9 million as of December 31, 2015, primarily due to the increase in EPC projects undertaken, which result in a higher amount of trade receivables due to the procurement of equipment used for the project, and the commencement of our trading business in June 2015.

The following tables set out the aging analyses of our trade receivables, net of allowance for doubtful debts presented based on the invoice date at the end of each reporting period:

	As of December 31,		
	2014	2015	2016
	<i>(RMB in millions)</i>		
0 to 6 months . . . . .	1,030.6	1,479.7	3,684.0
6 months to 1 year . . . . .	543.2	919.6	1,182.9
1 to 2 years . . . . .	448.1	692.3	1,100.1
2 to 3 years . . . . .	116.1	249.2	287.7
3 years to 4 years . . . . .	120.5	66.3	224.9
4 years to 5 years . . . . .	109.1	69.2	55.1
Over 5 years . . . . .	66.3	129.9	95.2
<b>Total</b> . . . . .	<b><u>2,433.9</u></b>	<b><u>3,606.2</u></b>	<b><u>6,629.9</u></b>



## FINANCIAL INFORMATION

	<u>Trading business</u>			<u>Non-trading business<sup>(1)</sup></u>		
	<u>As of December 31,</u>			<u>As of December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>(RMB in millions)</i>			<i>(RMB in millions)</i>		
0 to 6 months .....	–	212.9	482.9	1,030.6	1,266.8	3,201.1
6 months to 1 year .....	–	–	127.7	543.2	919.6	1,055.2
1 to 2 years .....	–	–	7.5	448.1	692.3	1,092.6
2 to 3 years .....	–	–	–	116.1	249.2	287.7
3 years to 4 years .....	–	–	–	120.5	66.3	224.9
4 years to 5 years .....	–	–	–	109.1	69.2	55.1
Over 5 years .....	–	–	–	66.3	129.9	95.2
<b>Total</b> .....	<b>–</b>	<b><u>212.9</u></b>	<b><u>618.1</u></b>	<b><u>2,433.9</u></b>	<b><u>3,393.3</u></b>	<b><u>6,011.8</u></b>

(1) Non-trading business comprises survey, design and consultancy, construction contracting and power project operation and other businesses.

The following tables set out the aging analyses of our bill receivables, net of allowance for doubtful debts presented based on the invoice date at the end of each reporting period:

	<u>As of December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>(RMB in millions)</i>		
0 to 6 months .....	88.9	143.7	237.2

	<u>Trading business</u>			<u>Non-trading business<sup>(1)</sup></u>		
	<u>As of December 31,</u>			<u>As of December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>(RMB in millions)</i>			<i>(RMB in millions)</i>		
0 to 6 months .....	–	11.4	29.3	88.9	132.3	207.9

(1) Non-trading business comprises survey, design and consultancy, construction contracting and power project operation and other businesses.

Our retention monies receivables are generally recoverable within one year after completion of the project, although such period could be lengthened by contractual agreement or collection could be delayed as a result of certain deductions or disputes. During the Track Record Period, we generally recovered our retention monies between one and two years after completion of the project.

During the Track Record Period, the majority of our trade and bills receivables had been outstanding for less than one year. As of December 31, 2014, 2015 and 2016, our trade and bills receivables that had been outstanding for more than one year represented 35.3%, 33.5% and 26.6% of our total trade and bills receivables, respectively. We determine the length of credit periods to offer our customers primarily based on our evaluation of their creditworthiness, our business relationship with them and our development objectives. We generally give a credit period of one to three months

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## FINANCIAL INFORMATION

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to our large customers and customers with good payment records. However, based on our evaluation of the creditworthiness of the customer and depending on our business development objectives, we allow additional flexibility by offering a credit period longer than three months to certain customers who are strategically important or with whom we have established a long-term relationship. The credit terms granted to our construction contract customers generally range from 30 days to 150 days. For certain construction contracts of our solar power projects, the credit period was 150 days after the completion date of construction work. We normally require our trading customers to pay in advance or allows a credit period of less than 30 days to our trading customers. We closely monitor our levels of trade and bills receivables and our payment recovery process. We required our personnel responsible for payment recovery to report on the progress of payment recovery periodically. We also set specific payment recovery targets and further evaluate the performance of the responsible personnel against our targets.

Our trade and bills receivables outstanding beyond one year mainly represented delayed payment from our clients due to long internal approval processes of certain clients and long settlement cycle of certain large projects. We continually enhance the management of our trade receivables in order to reduce impairment risk. Additionally, after fully considering the nature of trade receivables and their recoverability on a case-by-case basis, we have made provisions for the impairment of certain long overdue trade receivables in order to ensure the quality of our assets. As of December 31, 2014, 2015 and 2016, our provisions for the impairment of trade receivables were RMB274.3 million, RMB335.8 million and RMB352.6 million, respectively, representing 10.1%, 8.5% and 5.0% of the aggregate amount of our trade receivables and retention money receivables, respectively. We believe our provisions for the impairment of trade receivables were sufficient, based on an analysis of the historical recovery rates of our trade receivables and the amount of provisions made by other similar companies in the industry.

The following table sets forth our trade and bills receivables turnover days for the years and periods indicated:

	Year ended December 31,		
	2014	2015	2016
Average trade and bills receivables turnover days <sup>(1)</sup> .....	230	175	198

(1) Average trade and bills receivables turnover days for the relevant periods is the average of opening and closing balances divided by the revenue for that period and multiplied by 365 days.

Our average trade and bills receivables turnover days decreased from 230 days in 2014 to 175 days in 2015, primarily because our rate of collection of payments from customers normalized following the temporary delay in the previous year caused by the Industry Reorganization, and also because of the commencement of our trading business in June 2015, which has a higher turnover rate of trade and bill receivables as compared with our other businesses. Our average trade and bill receivables turnover days in respect of our trading businesses was 30 days in 2015. Excluding the trade and bills receivables and the revenue attributable to our trading business, our average trade and bills receivables turnover days would have been 218 days in 2015. The decrease in our average trade

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## FINANCIAL INFORMATION

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and bills receivable turnover days was offset by (i) the increase in the number of EPC projects undertaken, which resulted in a higher amount of trade receivables due to the procurement of equipment used for the project and (ii) the increase in the number of new energy projects undertaken which granted our customers longer payment settlement periods, resulting in a higher amount of trade receivables.

Our average trade and bills receivable turnover days increased from 175 days in 2015 to 198 days in 2016, primarily because of (i) the increase in the number of EPC projects undertaken, which resulted in a higher amount of trade receivables due to the procurement of equipment used for the project and (ii) the increase in the number of new energy projects undertaken which granted our customers longer payment settlement periods, resulting in a higher amount of trade receivables.

The following table sets forth our trade and bills receivable turnover days for each business segment for the years indicated:

<b>Business segment</b>	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Survey, design and consultancy .....	668	572	476
Construction contracting .....	151	170	225
Trading .....	–	28	72
Power project operation and other businesses .....	274	242	152

Our trade and bills receivable turnover days for our survey, design and consultancy business segment is higher than that of our other business segments during the Track Record Period primarily because our survey, design and consultancy business requires minimal assets and expenditures in order to generate high revenue, compared to our other businesses. As a result, we require less capital in order to maintain our survey, design and consultancy business, we normally allow our survey, design and consultancy clients greater flexibility and a longer timeframe within which to settle their payments. Our trade and bills receivable turnover days for our construction contracting segment increased from 151 days in 2014 to 170 days in 2015 to 225 days in 2016, primarily because of (i) the increase in the number of EPC projects undertaken, which resulted in a higher amount of trade receivables due to the procurement of equipment used for the projects, and (ii) the increase in the number of new energy projects undertaken which granted our customers longer payment settlement periods, resulting in a higher amount of trade receivables. Our trading business, which we commenced in June 2015, has a higher turnover rate of trade and bill receivables as compared with our other businesses. Our trade and bills receivable turnover days for our trading segment was 28 days in 2015 in respect of the period after we commenced our trading business in June 2015 and 72 days in 2016, primarily because we were growing our trading business in 2016 and were looking to establish and develop relationships with certain of our key customers by offering longer credit terms to such customers. Therefore, our Directors are of the view that the increase in the turnover rate of the trade and bills receivable for our trading business segment did not reflect a deterioration of collectability of trade receivables for such business segment.

As of April 30, 2017, the latest practicable date for which such information is available, we had settled RMB1,004.0 million, representing 14.6%, of our trade and bills receivable as of December 31, 2016.

## FINANCIAL INFORMATION

### Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables mainly include advance to suppliers and other receivables (mainly tender bonds and performance bonds). The following table sets forth details of our prepayments, deposits and other receivables as of the dates indicated:

	<b>As of December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(RMB in millions)</i>		
Advance to suppliers .....	295.1	659.8	778.3
Other receivables .....	254.9	300.7	443.8
Staff advance .....	59.2	58.7	44.4
Amounts due from fellow subsidiaries .....	76.8	0.6	95.0
Amounts due from parent company .....	–	–	67.5
Prepaid of value added tax .....	104.1	92.1	44.0
Interest on time deposits receivable .....	8.7	0.9	0.4
Safety guaranty .....	0.6	0.5	1.7
Less: allowance of doubtful debts .....	(57.5)	(61.7)	(61.0)
<b>Total</b> .....	<b><u>741.9</u></b>	<b><u>1,051.6</u></b>	<b><u>1,414.1</u></b>

Our prepayments, deposits and other receivables increased by 41.7% from RMB741.9 million as of December 31, 2014 to RMB1,051.6 million as of December 31, 2015, primarily due to the increase in advance to suppliers as a result of the commencement of our trading business in June 2015, which required us to make advances to such suppliers. Excluding the prepayments, deposits and other receivables attributable to our trading business, our prepayments, deposits and other receivables would have decreased by 15.0% to RMB630.5 million as of December 31, 2015.

Our prepayments, deposits and other receivables increased by 34.5% from RMB1,051.6 million as of December 31, 2015 to RMB1,414.1 million as of December 31, 2016, primarily due to the continued growth of our businesses, in particular as a result of the increase in EPC projects undertaken, which require us to make advances to suppliers for the purchase of raw materials, equipment and parts and components, as well as advances to suppliers of our trading business in particular as a result of our commencement of trading in petroleum products and the significant growth in our coal-trading business.

### Trade and Bills Payables

Our trade and bills payables mainly comprise payables to our suppliers of raw materials, equipment, parts and components and commodities. The following table sets forth our trade and bills payable as of the dates indicated:

	<b>As of December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(RMB in millions)</i>		
Trade payables .....	2,224.9	2,366.9	2,462.8
Bills payables .....	–	254.8	591.0
<b>Total</b> .....	<b><u>2,224.9</u></b>	<b><u>2,621.7</u></b>	<b><u>3,053.8</u></b>

## FINANCIAL INFORMATION

Our trade and bills payables increased by 17.8% from RMB2,224.9 million as of December 31, 2014 to RMB2,621.7 million as of December 31, 2015, primarily due to the purchase of raw materials, equipment and parts and components from our suppliers for our construction contracting business as well as the commencement of our trading business in June 2015.

Our trade and bills payables increased by 16.5% from RMB2,621.7 million as of December 31, 2015 to RMB3,053.8 million as of December 31, 2016, primarily due to the purchase of raw materials, equipment and parts and components from our suppliers for our growing construction contracting business as well as our trading business which commenced in June 2015.

As of April 30, 2017, the latest practicable date for which such information is available, we had settled RMB1,005.1 million, representing 32.9%, of our trade and bills payables as of December 31, 2016.

The following table sets forth an aging analysis of our trade and bills payables, based on the invoice date, as of the dates indicated:

	<b>As of December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(RMB in millions)</i>		
Within one year . . . . .	920.8	1,701.3	2,274.7
One to two years . . . . .	651.4	342.1	399.8
Two to three years . . . . .	282.3	281.9	133.6
More than three years . . . . .	370.4	296.4	245.7
<b>Total</b> . . . . .	<b>2,224.9</b>	<b>2,621.7</b>	<b>3,053.8</b>

During the Track Record Period, the majority of our trade and bills payables had been outstanding for less than one year. As of December 31, 2014, 2015 and December 31, 2016, our trade and bills payables that had been outstanding for more than one year represented 58.6%, 35.1% and 25.5% of our total trade and bills payables, respectively. The credit period on our purchases of goods or services ranges from 30 days to 180 days. Normally, our trade and bills payables are settled within six months. Some suppliers may allow a credit period of more than six months based on their long-term relationship with us and our good credit history.

The following table sets forth our trade and bills payables turnover days for the periods indicated:

	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Average trade and bills payables turnover days <sup>(1)</sup> . . . . .	280	160	125

(1) Average trade and bills payables turnover days for the relevant periods is the average value of opening and closing balances divided by the cost of sales for that period and multiplied by 365 days.

Our average trade and bills payables turnover days decreased from 280 days in 2014 to 160 days in 2015 to 125 days in 2016, primarily due to (i) the increase in the number of EPC projects

## FINANCIAL INFORMATION

undertaken under our construction and contracting business, which resulted in a smaller increase in our trade and bills payables as we were required to prepay a significant portion of the cost of the equipment procured but which resulted in a larger increase in our cost of sales when we subsequently sold the construction equipment procured, and (ii) the faster rate of turnover of trade and bills payables of our trading business which we commenced in June 2015. Excluding the trade and bills payables and the cost of sales attributable to our trading business, our average trade and bills payables turnover days would have been 215 days and 169 days in 2015 and 2016, respectively.

Our Directors confirm that we had no material defaults in payment of trade and bills payables during the Track Record Period.

### Other Payables and Accruals

Our other payables and accruals mainly comprise advance from customers and other payables (mainly including payables made by third parties on our behalf, retention money payables and deposit payables). The following table sets forth the components of our other payables and accruals as of the dates indicated:

	<b>As of December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(RMB in millions)</i>		
Advance from customers .....	733.7	680.1	638.9
Proceeds from pre-sale of properties .....	502.9	463.2	16.6
Other payables .....	455.9	358.6	582.0
Amounts due to IM Power Group .....	194.1	–	–
Amounts due to fellow subsidiaries .....	25.3	26.0	15.0
Amounts due to parent company .....	–	–	36.8
Employee benefit payables .....	314.8	258.5	170.7
Accrued benefit for retired employee .....	–	250.0	247.2
Non-income tax related tax payables .....	78.1	58.1	95.9
Interest payables .....	0.3	0.6	3.2
<b>Total</b> .....	<b><u>2,305.1</u></b>	<b><u>2,095.1</u></b>	<b><u>1,806.3</u></b>

Our other payables and accruals decreased by 9.1% from RMB2,305.1 million as of December 31, 2014 to RMB2,095.1 million as of December 31, 2015, primarily due to the decrease of RMB194.1 million in amounts due to IM Power Group as we had repaid such borrowings to IM Power Group. This was partially offset by the increase in accrued benefit for retired employees as Inner Mongolia SASAC had procured IM Power Group to transfer an amount to be used to supplement the payment of welfare benefits by us to the selected group of employees of IM No. 1 Power Company and IM No. 3 Power Company who had retired prior to the transfer of IM No. 1 Power Company and IM No. 3 Power Company from IM Power Group to IM Energy Group, to ensure that such selected group of employees would continue to enjoy the same level of welfare benefits that they previously enjoyed while IM No. 1 Power Company and IM No. 3 Power Company were still subsidiaries of IM Power Group.

Our other payables and accruals decreased by 13.8% from RMB2,095.1 million as of December 31, 2015 to RMB1,806.3 million as of December 31, 2016, primarily due to the decrease of

## FINANCIAL INFORMATION

RMB446.6 million in proceeds from pre-sale of properties, as a result of the recognition of revenue for our completed housing development project. This was partially offset by the increase of RMB223.4 million in other payables, which mainly comprise retention monies and deposits from our subcontractors, primarily due to the overall growth in our construction contracting business.

### INDEBTEDNESS

The following table sets forth details of our bank borrowings and other borrowings as of the dates indicated:

	<u>As of December 31,</u>			<u>As of</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>April 30,</u>
	<i>(RMB in millions)</i>			<u>2017</u>
				<i>(Unaudited)</i>
<b>Long-term</b>				
Bank borrowings				
Unsecured .....	403.0	364.5	2,485.0	2,492.0
<b>Sub-total</b> .....	<u>403.0</u>	<u>364.5</u>	<u>2,485.0</u>	<u>2,492.0</u>
<b>Short-term</b>				
Bank borrowings				
Unsecured .....	200.0	240.0	1,410.0	2,730.0
Other short-term borrowings .....	–	400.0	100.0	–
Current portion of long-term bank borrowings				
Unsecured .....	36.5	38.5	162.5	150.5
<b>Sub-total</b> .....	<u>236.5</u>	<u>678.5</u>	<u>1,672.5</u>	<u>2,880.5</u>
<b>Total</b> .....	<u><b>639.5</b></u>	<u><b>1,043.0</b></u>	<u><b>4,157.5</b></u>	<u><b>5,372.5</b></u>

The following table sets forth the maturity profile of our indebtedness as of the dates indicated:

	<u>As of December 31,</u>			<u>As of</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>April 30,</u>
	<i>(RMB in millions)</i>			<u>2017</u>
				<i>(Unaudited)</i>
On demand or within one year .....	236.5	678.5	1,672.5	2,880.5
More than one year but within two years .....	40.5	42.5	800.5	850.5
More than two years but within five years .....	121.5	121.5	1,532.5	1,477.5
More than five years .....	241.0	200.5	152.0	164.0
Less: Amounts due within one year shown under current liabilities .....	<u>(236.5)</u>	<u>(678.5)</u>	<u>(1,672.5)</u>	<u>(2,880.5)</u>
<b>Total non-current liabilities</b> .....	<u><b>403.0</b></u>	<u><b>364.5</b></u>	<u><b>2,485.0</b></u>	<u><b>2,492.0</b></u>

## FINANCIAL INFORMATION

The following table sets forth the guaranteed portion of our bank borrowings and other borrowings as of the dates indicated:

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>(RMB in millions)</i>			
	<i>(Unaudited)</i>			
Bank and other borrowings .....	639.5	603.0	1,066.5	366.5

The following table sets forth the effective interest rate ranges of our bank borrowings and other borrowings as of the dates indicated:

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>(Unaudited)</i>			
Fixed rate bank borrowings .....	-	4.1%-5.6%	4.1%-5.6%	4.2%-4.8%
Fixed rate other borrowings .....	-	4.4%	4.4%	-
Floating rate bank borrowings .....	5.4%-6.5%	5.1%-6.2%	4.4%-5.4%	4.4%-5.4%

Bank and other borrowings were incurred primarily for the purposes of the working capital of our business and our capital expenditures.

Our indebtedness increased by RMB3,114.5 million from December 31, 2015 to December 31, 2016, mainly due to the continued growth of our business, in particular the increase in capital-intensive EPC projects undertaken, resulting in an increase in our capital requirements.

Our indebtedness increased by RMB403.5 million from December 31, 2014 to December 31, 2015. The proceeds of such borrowings were mainly used to meet our increased working capital requirements, primarily due to the growth of our business, in particular the commencement of our trading business in June 2015.

As of December 31, 2016, we had aggregate outstanding borrowings of RMB100.0 million from IM Energy Group, our Controlling Shareholder. Also, an aggregate of RMB700.0 million of our outstanding bank borrowings have been guaranteed by our Controlling Shareholder. We expect to repay such outstanding borrowings in full and release such guarantees prior to the Listing Date.

As of the Latest Practicable Date, we were not subject to any material restrictive covenant in our borrowings. Our Directors confirm that we did not have any material defaults in payment of bank borrowings and other debt financing obligations or breaches of any restrictive covenants during the Track Record Period.

On August 18, 2016, our Board of Directors and shareholders approved our future plans to issue corporate bonds and medium-term notes in China for replenishing our working capital, each with a



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## FINANCIAL INFORMATION

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maximum principal amount of RMB1.2 billion. In approving such plans, our Directors have considered our working capital needs, in particular the capital requirements of our increasing number of capital-intensive EPC projects, and the lower borrowing costs associated with the issue of corporate bonds and medium-term notes compared to our existing bank loans, which we intend to repay using the proceeds from the Global Offering. In January 2017, we submitted an application for the proposed offering of corporate bonds to the Shanghai Stock Exchange for approval. We intend to submit an application for the proposed offering of medium-term notes to the National Association of Financial Market Institutional Investors in China for approval in the second half of 2017. Once approved, we may issue a portion or all of such corporate bonds or medium-term notes in one or multiple tranches at any time following such approval. The exact timing, principal amount and terms of our proposed debt offerings are still subject to market conditions, regulatory approvals and our working capital needs. As such, we may or may not choose to offer any corporate bonds or medium-term notes in the near term.

Except for the incurrence of additional bank borrowings from time to time in the ordinary course of business and the potential issuance of the corporate bonds and medium term notes as described above, our Directors confirm that we currently have no material external debt financing plan before or shortly after the Global Offering.

### **Statement of Indebtedness**

As of April 30, 2017, which is the latest practicable date for determining our indebtedness, we had RMB8,345.0 million of credit facilities in total, of which RMB2,972.5 million of these credit facilities were unutilized and unrestricted. We had total bank and other borrowings of RMB5,372.5 million which were unsecured and guaranteed. Our indebtedness increased by RMB1,215.0 million from December 31, 2016 to April 30, 2017, mainly due to the continued growth of our business, in particular the increase in capital intensive EPC projects undertaken, resulting in an increase in our capital requirements.

Save as otherwise disclosed in “– Indebtedness”, as of April 30, 2017, the latest practicable date for determining our indebtedness, we had no other debt securities, borrowings, indebtedness, mortgages or guarantees. Since April 30, 2017, there has been no material increase in our indebtedness.

### **CONTINGENT LIABILITIES**

As of April 30, 2017, we were not involved in any material legal, arbitration or administrative proceedings which, if adversely determined, we expect would materially adversely affect our financial position or results of operations, although there can be no assurance that this will be the case in the future.

As of April 30, 2017, we did not have any contingent liabilities. Our Directors confirm that there has been no material change in our contingent liabilities from April 30, 2017 to the date of this prospectus.

## FINANCIAL INFORMATION

### COMMITMENTS

#### Operating Lease Commitments

##### *As lessee*

We rent certain buildings as office premises under operating lease arrangements. The leases of our rented premises are negotiated with fixed lease terms of generally one to three years. We had commitments for future minimum lease payments under non-cancelable operating leases as of the dates indicated:

	As of December 31,		
	2014	2015	2016
	<i>(RMB in millions)</i>		
Within one year .....	2.2	8.9	9.9
One to two years .....	2.2	2.9	9.9
Two to three years .....	1.4	–	4.1
<b>Total</b> .....	<b><u>5.8</u></b>	<b><u>11.8</u></b>	<b><u>23.9</u></b>

##### *As lessor*

We lease certain investment properties and in 2014, 2015 and 2016, rental income earned from our investment properties was approximately RMB6.1 million, RMB9.0 million and RMB9.0 million, respectively. During the Track Record Period, our investment properties were leased to tenants on lease terms ranging from short-term leases of one year to long-term leases of five years or more. Currently, all of our investment properties are leased on lease terms of one year to tenants which have prepaid the entire rental in respect of the lease in advance.

As of the dates indicated, we had contracted with tenants for the following future minimum lease payments:

	As of December 31,		
	2014	2015	2016
	<i>(RMB in millions)</i>		
Within one year .....	5.3	3.9	2.9
In the second to fifth year inclusive .....	1.0	–	–
<b>Total</b> .....	<b><u>6.3</u></b>	<b><u>3.9</u></b>	<b><u>2.9</u></b>

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## FINANCIAL INFORMATION

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### Capital Commitments

In addition to the operating lease commitments, we had the following capital commitments as of the dates indicated:

	<u>As of December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>(RMB in millions)</i>		
Capital expenditures contracted but not provided for:			
Property, plant and equipment .....	34.8	27.4	96.4
Committed capital injection into a joint venture .....	–	–	22.7
<b>Total</b> .....	<b><u>34.8</u></b>	<b><u>27.4</u></b>	<b><u>119.1</u></b>

Our capital commitments increased significantly from RMB27.4 million as of December 31, 2015 to RMB119.1 million as of December 31, 2016, comprising an increase of RMB69.0 million in our capital commitment for property, plant and equipment and a committed capital injection of RMB22.7 million into a joint venture. Our capital commitment for property, plant and equipment relate to (i) the purchase of one office property for a total consideration of RMB562.3 million pursuant to a sale and purchase agreement which we entered into on January 8, 2016, and (ii) the purchase of equipment for a total consideration of RMB18.2 million. As of December 31, 2016, we had paid RMB475.0 million of the total consideration for the purchase of the office property and the equipment, with the remainder of the consideration being accounted for as our capital commitment for property, plant and equipment. Our capital commitment for committed capital injection into a joint venture relate to the acquisition of 49% of the share capital in Zhonghang Shenxin Wind Power Generation Co., Ltd. by IM Survey & Design Institute in December 2016 for a consideration of RMB42.3 million. As of December 31, 2016, IM Survey & Design Institute had paid RMB19.6 million of such consideration, with the remainder of the consideration being accounted for as our capital commitment for committed injection into a joint venture.

### OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2016, being the date of our most recent financial statements, we did not have any off-balance sheet arrangements.

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## FINANCIAL INFORMATION

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### Financial Ratios

The table below sets forth a summary of our key financial ratios as of the dates or for the periods indicated:

	<b>As of or for the year ended December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Current ratio (times) .....	1.3	1.4	1.5
Quick ratio (times) .....	1.3	1.3	1.5
Gearing ratio .....	29.5%	34.5%	120.0%
Net debt to equity ratio .....	(90.5)%	(44.5)%	62.7%
Return on assets .....	2.6%	3.4%	5.3%
Return on equity .....	10.6%	11.7%	19.0%

#### *Current ratio*

Current ratio represents current assets divided by current liabilities at the end of each period. Our current ratio remained relatively stable during the Track Record Period.

#### *Quick ratio*

Quick ratio represents current assets (excluding inventory) divided by current liabilities at the end of each period. Our quick ratio remained relatively stable during the Track Record Period.

#### *Gearing ratio*

Gearing ratio represents total interest-bearing debts divided by total equity at the end of each period.

Our gearing ratio increased from 29.5% as of December 31, 2014 to 34.5% as of December 31, 2015, primarily due to the increase in total interest-bearing debts resulting from the increase in our bank and other borrowings as a result of the increase in capital requirements due to the growth of our business, in particular the commencement of our trading business in June 2015.

Our gearing ratio increased from 34.5% as of December 31, 2015 to 120.0% as of December 31, 2016, primarily due to the increase in total interest-bearing debts resulting from the increase in our bank and other borrowings as a result of the increase in capital requirements due to the continued growth of our business.

#### *Net debt to equity ratio*

Net debt represents total interest-bearing debts net of bank and cash balances, time deposits and pledged deposits. Net debt to equity ratio is calculated by dividing net debt by total equity as of the end of each period.

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## FINANCIAL INFORMATION

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Our net debt to equity ratio increased from a negative ratio of 90.5% as of December 31, 2014 to a negative ratio of 44.5% as of December 31, 2015, primarily due to the decrease in our time deposits.

Our net debt to equity ratio increased from a negative ratio of 44.5% as of December 31, 2015 to 62.7% as of December 31, 2016 resulting from the increase in our net debt primarily due to the increase in our bank and other borrowings.

### ***Return on assets***

Return on assets is our profit for the year attributable to us divided by the average value of beginning and ending balances of our total assets for each period.

Our return on assets increased from 2.6% in 2014 to 3.4% in 2015 to 5.3% in 2016, primarily attributable to the increase in our profit for the year attributable to us.

### ***Return on equity***

Return on equity is our profit for the year attributable to us divided by the average value of beginning and ending balances of our equity for each period.

Our return on equity increased from 10.6% in 2014 to 11.7% in 2015 to 19.0% in 2016, primarily attributable to the increase in our profit for the year attributable to us.

## **MARKET RISK DISCLOSURE**

We are exposed to various types of market risks in the ordinary course of our business, including interest rate risk, currency risk, other price risk, credit risk and liquidity risk. We manage our exposure to these risks and other market risks through regular operating and financial activities. For details, see note 36 to the Accountants' Report set out in Appendix I of this prospectus.

### **Interest rate risk**

We are exposed to fair value interest rate risk which arises from fixed rate bank and other borrowings.

We are exposed to fair value interest rate risk which arises from fixed rate loans to subsidiaries and other borrowings.

In addition, we are exposed to cash flow interest rate risk which arises from floating rate bank and other borrowings, and cash and cash equivalents. Our exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

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## FINANCIAL INFORMATION

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If interest rates had been 10 basis points higher/lower for bank and cash balances and pledged deposits with all other variables held constant, our after-tax profit in 2014, 2015 and 2016 would increase/decrease by approximately RMB2.0 million, RMB1.8 million and RMB1.5 million, respectively.

If interest rates had been 50 basis points higher/lower for floating rate corporate bonds and bank and other borrowings with all other variables held constant, our post-tax profit for the years ended December 31, 2014, 2015 and 2016 would decrease/increase by approximately RMB2.4 million, RMB2.3 million and RMB5.1 million, respectively.

### **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to us. At the end of each reporting period, our maximum exposure is arising from the carrying amount of the respective recognized financial assets as stated in our consolidated statements of financial position.

We have concentration of credit risk as 31.7%, 38.4% and 23.7% of the total receivables was due from our largest five customers in the PRC as of December 31, 2014, 2015 and 2016, respectively. Our remaining customers individually contribute less than 3% of our total receivables.

Our credit risk is primarily attributable to our trade and other receivables. In order to minimize the credit risk, our management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our credit risk is significantly reduced.

The credit risk is considered limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies.

Other than the above mentioned concentration of credit risk, we do not have any other significant concentration of credit risk.

### **Liquidity risk**

In the management of the liquidity risk, we monitor and maintain a level of bank and cash balances as well as undrawn banking facilities deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and bills payables to ensure compliance with loan covenants.

For details of our remaining contractual maturities for our non-derivative financial liabilities, see note 36 to the Accountants' Report set out in Appendix I to this prospectus.

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## FINANCIAL INFORMATION

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### INVESTMENT MANAGEMENT

We have in place stringent investment analysis, approval, execution and monitoring procedures to ensure optimization of our investment portfolio:

- **Investment analysis:** We identify suitable investment projects based on our development strategy and medium to long-term plans. Before an investment proposal is submitted for approval, the relevant investment team conducts in-depth research and analysis on various aspects relating to the investment, including market analysis, capital outlay required, profit forecasts, investment risks, liquidity analysis, investment management issues, taxation issues, impact on our assets and business, availability of financing and legal and compliance issues. Based on their findings, the investment team will prepare and submit a feasibility report and investment execution plan in respect of the proposed investment project.
- **Investment approval:** The feasibility report and investment execution plan in respect of the proposed investment project is reviewed by our management, with more stringent review processes and higher levels of approvals required for larger scale and higher value investment projects. For significant investment projects, our management may also engage external consultants and other professionals where appropriate to provide opinions and reports to our management to facilitate and assist our management's review and analysis of the investment project.
- **Investment execution:** Upon the approval of an investment project, our management will designate the project manager and project team members to execute the investment, including the designation of responsibilities, allocation of work, and the establishment of investment execution and management procedures.
- **Investment monitoring:** We have established financial and performance supervision and management measures to monitor the execution and performance of our investments and regulatory compliance and record-keeping policies ensure compliance with applicable rules and regulations. The investment team is required to submit periodic reports to our management detailing the current progress and results of the investment project. Where the investment team deems it necessary to amend any of the parameters of the investment or terminate the investment, they would be required to submit a proposal to our management for approval.

### DIVIDENDS

We may distribute dividends by way of cash or by other means that we consider appropriate. Any proposed distribution of dividends shall be determined by our Board and will be subject to our shareholders' approval. We currently do not have a fixed dividend payout ratio. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of

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## FINANCIAL INFORMATION

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factors, including our results of operation, cash flow, financial condition, payments by our subsidiaries of cash dividends to us, future prospects and other factors that our Directors may consider important. According to PRC law and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory common reserve fund equivalent to 10% of our after-tax profit, as determined under PRC GAAP; and
- allocations that are approved by the shareholders in a shareholders' meeting to any common reserve fund, if any.

The minimum allocations to the statutory common reserve fund are 10% of our profit after tax, as determined under the Company Law. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory common reserve fund will be required. In accordance with our Articles of Association, after completion of the Global Offering, dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRSs, whichever is lower. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. There is, however, no assurance that we will be able to declare dividends of such an amount or any amount each year or in any year.

During the Track Record Period, we did not declare or pay any dividends. In accordance with the Provisional Regulation Relating to Corporate Reorganization of Enterprises and Related Management of State-owned capital and Financial Treatment (the “**Provisional Regulations**”) issued by the MOF, which became effective on August 27, 2002, and the Reorganization Agreements, IM Energy Group is entitled to a dividend in an amount equal to our retained earnings for the period from January 1, 2016 to May 31, 2016, being the date of establishment of our Company (the “**Pre-establishment Dividend**”). In addition, pursuant to a shareholders' resolution on July 9, 2016, IM Energy Group and our other existing shareholder prior to the Global Offering are entitled to a special dividend in an amount equal to our retained earnings from June 1, 2016 to June 30, 2017 (the “**Special Dividend**”). We expect to pay the remaining amount of the Aggregate Dividend from the cash flow generated from our operating activities, and we will not make such payment until our Directors are satisfied that we have sufficient cash and cash equivalents and that such payment will have no adverse impact on our financial position or results of operations. In particular, we will not use the proceeds from the Global Offering to pay the remaining amount of the Aggregate Dividend. Based on our latest management accounts, we estimate that the Pre-establishment Dividend and the Special Dividend (collectively, the “**Aggregate Dividend**”) will be approximately RMB874.7 million in aggregate. We will prepay RMB690.3 million of the Aggregate Dividend to IM Energy Group prior to the Listing Date. Such prepaid Aggregate Dividend will be used to offset in full the obligation of IM Energy Group to pay RMB690.3 million to IM Products Company under the Coal Underwriting Transfer and Provision of Custodial Service Agreement. The actual amount of the Aggregate Dividend will be determined after a special audit by an independent accounting firm in the PRC to be conducted after



## FINANCIAL INFORMATION

the Global Offering. After the completion of the special audit, we will make an announcement regarding the actual amount of the Aggregate Dividend before we pay the remaining amount of such Aggregate Dividend. We expect to pay the remaining amount of such Aggregate Dividend within six months after the Listing Date. We expect to pay the remaining amount of the Aggregate Dividend from the cash flow generated from our operating activities, and we will not make such payment until our Directors are satisfied that we have sufficient cash and cash equivalents and that such payment will have no adverse impact on our financial position or results of operations. In particular, we will not use the proceeds from the Global Offering to pay the remaining amount of the Aggregate Dividend.

### DISTRIBUTABLE RESERVES

As of December 31, 2016, our Company did not have any distributable reserves.

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets attributable to the equity shareholders of our Company has been prepared in accordance with Rule 4.29 of the Listing Rules, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to the equity shareholders of our Company as of December 31, 2016 as if the Global Offering had taken place on December 31, 2016.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of December 31, 2016 or at any future date.

	<b>Consolidated net tangible assets attributable to Shareholders of the Company as of December 31, 2016<sup>(1)</sup></b>	<b>Estimated net proceeds from the Global Offering<sup>(2)</sup></b>	<b>Unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share</b>	
	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>	<i>(RMB)<sup>(3)</sup></i>	<i>HK\$<sup>(4)</sup></i>
Based on Offer Price of					
HK\$1.60 per Share . . . . .	3,432.0	868.7	4,300.1	1.54	1.76
Based on Offer Price of					
HK\$1.68 per Share . . . . .	3,432.0	915.1	4,347.1	1.55	1.78

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 has been calculated based on the audited consolidated net assets of the Group attributable to the owners of the Company of RMB3,460.3 million after deducting intangible assets of RMB28.3 million, extracted from the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 700,000,000 Shares at the Offer Price of HK\$1.60 and HK\$1.68 per Share, respectively, after deduction of the underwriting fees and other related

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## FINANCIAL INFORMATION

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expenses expected to be incurred by the Group subsequent to December 31, 2016. No account has been taken of the Shares which may be issued pursuant to any exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of RMB0.8715 to HK\$1.00, which was the PBOC rate prevailing on June 16, 2017. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 2,800,000,000 Shares, comprising 2,100,000,000 Shares in issue at December 31, 2016 and 700,000,000 new Shares to be issued under the Global Offering. It does not take into account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is converted from RMB into Hong Kong dollars at the rate of HK\$1.00 to RMB0.8715, which was the PBOC rate prevailing on June 16, 2017. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
- (5) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 do not take into account the special dividends, details of which are disclosed in the section headed “Financial Information – Dividends” in this prospectus. The Company preliminarily estimated that the special dividend would amount to approximately RMB874.7 million. The actual amount of the Aggregate Dividend will be determined after a special audit by an independent accounting firm in the PRC to be conducted after the Global Offering. After the completion of the special audit, The Group will make an announcement regarding the actual amount of the Aggregate Dividend before pay the remaining amount of such Aggregate Dividend. The Group expect to pay the remaining amount of such Aggregate Dividend within six months after the Listing Date. Had the declaration of special dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share would be reduced to RMB1.22 (equivalent to HK\$1.41), based on a price of HK\$1.60 per Share, and RMB1.24 (equivalent to HK\$1.42), based on a price of HK\$1.68 per Share.
- (6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2016.

### DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances which would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules, with respect to advance to an entity, financial assistance and guarantees to affiliated companies of an issuer, pledging of shares by the controlling shareholder, covenants in loan agreements relating to specific performance of the controlling shareholder, and breach of loan agreement by an issuer.

### RELATED-PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors believe that each of the related-party transactions set out in note 41 to the Accountants’ Report set out in

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## FINANCIAL INFORMATION

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Appendix I to this prospectus was conducted in the ordinary course of business on an arm's-length basis between the relevant parties and was entered into on normal commercial terms. Our Directors are also of the view that our related-party transactions during the Track Record Period would not distort our track record results or make our historical results not indicative of our future performance.

As of December 31, 2016, all of our balances with related parties were trade in nature, except for the following:

- (i) RMB100.0 million of our outstanding borrowings from our Controlling Shareholder;
- (ii) RMB700.0 million of our outstanding bank borrowings guaranteed by our Controlling Shareholder;
- (iii) RMB162.6 million of amounts due from our Controlling Shareholder and the subsidiaries of our Controlling Shareholder; and
- (iv) RMB51.7 million of amounts due to our Controlling Shareholder and the subsidiaries of our Controlling Shareholder.

We expect to repay the outstanding sums under the above-mentioned related-party transactions in full prior to the Listing Date. We believe the above-mentioned related-party transactions would not distort our track record results or make our historical results not reflective of our future performance.

### FINANCIAL RESULTS SINCE DECEMBER 31, 2016

For the five months ended May 31, 2017, our revenue decreased compared to the corresponding period in 2016, primarily due to the decrease in revenue from our trading business and our power project operation and other business. The decrease in revenue from our trading business was primarily due to our reduction in trading in petroleum products in light of the prevailing market conditions for such products in 2017. The decrease in revenue from our power project operation and other business was primarily due to the decrease in revenue from our property development activities, as we had sold a significant portion of our completed housing development project in 2016. In addition, we experience seasonality in our business operation, particularly in the construction contracting business segment, primarily due to cold weather in north China and more public holidays during winters (generally from January to March) which have a significant impact on construction projects (for further details, please see “Financial Information – Factors affecting our Results of Operations – Seasonality”). The progress of our construction work was materially affected by seasonality factors in the first quarter, and as such our revenue, in particular the revenue from our construction contracting business, tends to be lower during the first few months of the year. Our gross profit for the five months ended May 31, 2017 decreased compared to the corresponding period in 2016, however our gross profit margin increased due to the increased profitability of our power project operation and other business, because our property development activities, which generally had a lower profit margin, contributed to a smaller proportion of our revenue from our power project operation and other business.

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## FINANCIAL INFORMATION

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Our financial performance for the five months ended May 31, 2017 are assessed based on the latest available consolidated management amounts of the Group and should not be taken as an indication of our performance for the rest of 2017.

We had experienced stronger revenue and profit growth in 2016 as a result of the significant growth in business activities of some of our key operating subsidiaries which were newly established in 2014 and 2015, including IM International Construction Company and IM Planning Design Institute. We expect more moderate revenue and profit growth in 2017 compared to 2016 as we intend to maintain a steady level of business activity for 2017. Also, downward pressure on the price of electricity generated by wind power and photovoltaic power plants in 2017 may impact the profitability of our construction contracting projects in respect of such power plants. Therefore, our profit margin for the year ending December 31, 2017 may be lower compared to our profit margin for the year ended December 31, 2016.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since December 31, 2016 (being the date to which our latest consolidated audited financial results were prepared) and there is no event since December 31, 2016, which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

### LISTING EXPENSES

Listing expenses represent sponsor fees, professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. Assuming an Offer Price of HK\$1.64 per H Share (being the mid-point of the stated range of Offer Price of between HK\$1.60 and HK\$1.68 per H Share), we estimate that our listing expenses will be approximately RMB108.6 million, of which a total amount of RMB87.9 million will be deducted from equity. With regard to the remaining RMB20.7 million of our listing expenses, (i) RMB0.5 million of such expenses which were incurred during the Track Record Period have been charged to our consolidated statement of profit or loss and other comprehensive income for 2016, (ii) RMB15.8 million of such expenses which were incurred or which will be incurred between January 1, 2017 and the Listing Date have been or will be charged to our consolidated statement of profit or loss and other comprehensive income for 2017, and (iii) RMB4.4 million of such expenses which will be incurred after the Listing Date will be charged to our consolidated statement of profit or loss and other comprehensive income for 2017. Our Directors do not expect such expenses to materially impact our results of operations in 2017.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

See the section headed “Business – Our Strategies” in this prospectus for a detailed discussion of our future plans.

### USE OF PROCEEDS

Assuming an Offer Price of HK\$1.64 per H Share (being the mid-point of the stated range of the Offer Price of between HK\$1.60 and HK\$1.68 per H Share), we estimate that we will receive net proceeds of approximately HK\$1,023.4 million from the Global Offering after deducting (i) the net proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering, and (ii) the underwriting commissions and fees and other estimated expenses in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set out below:

- Approximately 55%, or HK\$562.9 million, will be used for developing and constructing our pipeline construction contracting projects. See “Business – Construction Contracting Business – Power Grid Projects – Pending projects” and “Business – Construction Contracting Business – Power Generation Projects – Pending projects;”
- Approximately 15%, or HK\$153.5 million, will be used for purchasing additional construction equipment and machinery for our construction contracting business, primarily truck-mounted cranes and crawler cranes;
- Approximately 20%, or HK\$204.7 million, will be used for partially or fully repaying two RMB200.0 million loans from Agricultural Bank of China (Hohhot Xincheng branch), each of which has an annual interest rate of 4.35% and will mature in January 2018; and
- Approximately 10%, or HK\$102.3 million, will be used for working capital and general corporate purposes.

If the Offer Price is fixed at HK\$1.68 per H Share, being the high-end of the Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised, the net proceeds will be increased by approximately HK\$26.6 million. If the Offer Price is fixed at HK\$1.60 per H Share, being the low-end of the Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised, the net proceeds will be reduced by approximately HK\$26.6 million. To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes accordingly on a pro rata basis.

In the event the Over-allotment Option is exercised in full, (i) we will receive additional net proceeds of approximately HK\$167.7 million assuming an Offer Price of HK\$1.68 per H Share (being the high end of the Offer Price range stated in this prospectus); (ii) we will receive additional net proceeds of approximately HK\$163.7 million assuming an Offer Price of HK\$1.64 per H Share (being the mid-point of the Offer Price range stated in this prospectus); and (iii) we will receive additional net proceeds of approximately HK\$159.7 million assuming an Offer Price of HK\$1.60 per H Share (being the low end of the Offer Price range stated in this prospectus).

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## FUTURE PLANS AND USE OF PROCEEDS

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Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro rata basis in the event that the Over-allotment Option is exercised.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, our Directors currently intend that such proceeds will be placed in short-term interest-bearing instruments, such as liquid fixed-income securities, bank deposits or money market instruments with licensed banks or financial institutions in Hong Kong or PRC.

We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

Based on a letter issued by NSSF on November 24, 2016, all net proceeds from the sale of the Sales Shares by the Selling Shareholders in the Global Offering will be remitted to an account designated by NSSF in accordance with the relevant PRC laws and regulations. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders pursuant to the Global Offering.

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## CORNERSTONE INVESTOR

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### THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement with China South Industries Assets Management Co., Ltd. (the “**Cornerstone Investor**” or “**South Industries Assets**”), pursuant to which South Industries Assets has agreed to subscribe for, such number of the Offer Shares (rounded down to the nearest whole board lot of 2,000 H Shares) as may be purchased with an aggregate amount of US\$30 million or the Hong Kong dollars equivalent of US\$30 million (inclusive of relevant brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) at the Offer Price (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$1.60 per H Share, (being the low end of the Offer Price range), the total number of Offer Shares to be subscribed for by South Industries Assets would be approximately 144,800,000, representing approximately (i) 19.70 % of the Offer Shares and 21.89% of the International Offer Shares, assuming that the Over-allotment Option is not exercised and no reallocation takes place; and (ii) 5.17 % of the H Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK\$1.64 per H Share (being the mid-point of the Offer Price range), the total number of Offer Shares to be subscribed by South Industries Assets would be approximately 141,268,000, representing approximately (i) 19.22% of the Offer Shares and 21.36% of the International Offer Shares, assuming that the Over-allotment Option is not exercised and no reallocation takes place; and (ii) 5.05% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK\$1.68 per H Share (being the high end of the Offer Price range), the total number of Offer Shares subscribed by the South Industries Assets would be approximately 137,904,000, representing approximately (i) 18.76% of the Offer Shares and 20.85% of the International Offer Shares, assuming that the Over-allotment Option is not exercised; and (ii) 4.93% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and no reallocation takes place.

The Cornerstone Placing will form part of the International Offering and South Industries Assets will not subscribe for any Offer Share under the Global Offering (other than and pursuant to the Cornerstone Placing). The Offer Shares to be subscribed for by South Industries Assets have no special or preferential rights attached thereto and will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, South Industries Assets will not have any board representation in our Company, and will not become a substantial shareholder of our Company (as defined under the Listing Rules). The H Shares to be subscribed for by South Industries Assets will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the sub-section headed “Structure of the Global Offering – The Hong Kong Public Offering” in this prospectus.

South Industries Assets is a state-owned enterprise incorporated in the PRC on August 28, 2001 with a registered capital of RMB 2.3 billion. The principal businesses of South Industries Assets are investment and information consulting. As a wholly-owned subsidiary of China South Industries Group Corporation (“**China South Industries**”), South Industries Assets serves as a platform for

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## CORNERSTONE INVESTOR

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capital operation and industry-finance integration. China South Industries is a company incorporated in the PRC. As one of the Fortune Global 500 Companies, its principal businesses include manufacturing of vehicles, motorcycles and ordnance equipment.

To the best knowledge of our Company, South Industries Assets is an Independent Third Party, not our connected person (as defined in the Listing Rules) and not an existing shareholder of our Company.

Details of the allocation to the Cornerstone Investor will be disclosed in our announcement of results of allocations in the Hong Kong Public Offering to be published on or around Monday, July 17, 2017.

### CONDITIONS PRECEDENT

The subscription of South Industries Assets is subject to, among other things, the following conditions precedent:

- (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become unconditional by no later than the time and date as specified in those underwriting agreements (in accordance with their respective terms or waived) and not having been terminated;
- (ii) the Listing Committee of the Hong Kong Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares and that such approval or permission has not been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;
- (iii) the representations, warranties, undertakings and acknowledgements of South Industries Assets under the cornerstone investment agreement are and will be accurate and true and not misleading and there being no material breach of the cornerstone investment agreement on the part of South Industries Assets; and
- (iv) there is no law enacted or promulgated that prohibits the consummation of the Hong Kong Public Offering, International Offering or the transactions contemplated under the cornerstone investment agreement, and there is no valid order or injunction issued by governmental authority that prevents or prohibits the consummation of such transaction.

### RESTRICTIONS ON THE CORNERSTONE INVESTOR'S INVESTMENT

South Industries Assets has agreed that, unless it has obtained prior written consent of each of our Company and the Sole Global Coordinator, South Industries Assets will not, and will cause its affiliates not to, at any time during the period of six months from the Listing Date (“**Lock-up Period**”), (i) dispose of (as defined in the cornerstone investment agreement) any of the H Shares



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## CORNERSTONE INVESTOR

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subscribed for by South Industries Assets in the International Offering pursuant to the cornerstone investment agreement (the “**Investor Shares**”), or any shares or other securities of the Company which are derived from the Investor Shares, or any interest therein (the “**Relevant Shares**”), or any interest in any company or entity holding (directly or indirectly) any Relevant Shares; (ii) will not agree or contract to, or publicly announce any intention to enter any such transaction described above; or (iii) will not allow any change in control (as defined in the Takeovers Code) at the level of the ultimate beneficiary owners of South Industries Assets. Pursuant to the cornerstone investment agreement, South Industries Assets shall not pledge the H Shares subscribed for by South Industries Assets during the Lock-up Period.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited  
BOCI Asia Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 73,500,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares in issue and to be offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### *Grounds for Termination*

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the day that trading in the H Shares commences on the Hong Kong Stock Exchange:

- there develops, occurs, exists or comes into force:
  - any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof) or Japan (each a “**Relevant Jurisdiction**”); or
  - any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international

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## UNDERWRITING

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financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or an appreciation of the RMB against any foreign currencies) in or affecting any Relevant Jurisdiction; or

- any event or series of events in the nature of force majeure (including, without limitation, acts of government, labor disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, destruction of power plant, outbreak of diseases or epidemics, economic sanction, in whatever form) in or affecting any Relevant Jurisdiction; or
- any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
- any moratorium, suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the Nasdaq Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange; or
- any general moratorium on commercial banking activities in any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
- any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations, or (B) any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or
- any litigation or claim being threatened or instigated against any member of the Group; or
- a Governmental Authority (as defined in the Hong Kong Underwriting Agreement) or a regulatory body or organization in any Relevant Jurisdiction commencing any investigation or other Proceedings (as defined in the Hong Kong Underwriting Agreement), or announcing an intention to investigate or take other Proceedings, against any member of the Group; or

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## UNDERWRITING

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- any of the chairman, general manager or the executive Director of the Company vacating his office, or any litigation or claim being threatened or instigated against, or a Governmental Authority or a regulatory body or organization in any Relevant Jurisdiction commencing any investigation or other Proceedings, or announcing an intention to investigate or take other Proceedings against any of the chairman, general manager or the executive Director of the Company, or any of them being charged with an indictable offense or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any of them or an announcement by any governmental, political, regulatory body that it intends to take any such action against any of them which would affect or is likely to affect the suitability or eligibility of the Company for listing; or
- any petition being presented for the winding-up or liquidation of any member of the Group, or any member of the Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of the Group; or
- the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction;

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Joint Bookrunners and the Hong Kong Underwriters, (A) is or will be or may be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, position or condition (financial or otherwise), or prospects of the Company or the Group as a whole or to any present or prospective shareholder of the Company in its capacity as such; or (B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or may make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) makes or will make it or may make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the prospectus, the Application Forms, the Formal Notice, the preliminary offering circular or the offering circular; or

- there has come to the notice of the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, or any of the Hong Kong Underwriters:
- that any statement contained in the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any

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## UNDERWRITING

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supplement or amendment thereto) was or has become untrue, incomplete, incorrect or misleading in any material respect or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

- non-compliance of the prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or
- any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the prospectus, not having been disclosed in the prospectus, constitutes a material omission therefrom; or
- there has been a material breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Company or it is (or would when repeated be) untrue, incorrect, incomplete or misleading in any material respect, provided however that where any of such representations, warranties, undertakings or provisions has been given on a materiality basis, then this termination right will be exercisable when such representation, warranty, undertaking or provision is (or would when repeated be) breached in any respect; or
- any event, act or omission which gives or is likely to give rise to any liability of the Company pursuant to the indemnities given by the Company under the Hong Kong Underwriting Agreement if such liability may materially and adversely affect the business or financial or trading position of the Group; or
- admission (as defined in the Hong Kong Underwriting Agreement) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the admission is subsequently withdrawn, canceled, qualified (other than by customary conditions), revoked or withheld; or
- any material breach of any of the obligations of the Company under the Hong Kong Underwriting Agreement; or
- any (i) material adverse change or (ii) prospective material adverse change (and, in respect of such prospective material adverse change, it is not or is not likely to be remedied by the Company prior to 8:00 a.m. on the Listing Date) in the earnings, results of operations, business, business prospects, financial or trading position, conditions (financial or otherwise) or prospects of any member of the Group;

then the Sole Global Coordinator may (for itself and on behalf of the Joint Bookrunners and the Hong Kong Underwriters), in its sole and absolute discretion and after consultation with the Company, give notice in writing to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect.

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## UNDERWRITING

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### *Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules*

#### *Undertakings by Us*

We have undertaken to the Hong Kong Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules or pursuant to the Global Offering and the Over-allotment Option, no further shares or securities convertible into shares of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the date on which our H Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing).

#### *Undertakings by our Controlling Shareholder*

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholder has undertaken to us and to the Hong Kong Stock Exchange that, except pursuant to the Global Offering (including the Over-allotment Option), it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Hong Kong Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “First Six-month Period”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those shares or securities of the Company in respect of which it is shown by this prospectus to be the beneficial owner (as defined in the Listing Rules); or
- (b) in the period of six months commencing on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the shares or securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, it would cease to be our controlling shareholder (as defined in the Listing Rules).

In addition, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholder has also undertaken to the Hong Kong Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when it pledges or charges any of shares or of other share capital beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such shares or other securities so pledged or charged; and

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## UNDERWRITING

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- (b) when it receives any indications, either verbal or written, from any pledgee or chargee of any of shares or of other securities pledged or charged that such shares or securities will be disposed of, immediately inform us of any such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholder and announce such as soon as possible after being so informed by our Controlling Shareholder.

### ***Undertakings to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement***

#### *Undertakings by Us*

We have also undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Sole Lead Manager, the Joint Bookrunners and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time from the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date (“First Six-month Period”), we will not, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Hong Kong Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other equity securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of the Company, as applicable), or deposit any share capital or other equity securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities of the Company or any interest therein; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the transactions specified above is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not the issue of such share capital or other securities will be completed within the First Six-month Period).

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## UNDERWRITING

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The Company has further agreed that, in the event the Company enters into any of the transactions specified above or offers to or agrees to or announces any intention to effect any such transaction after the First Six-month Period, it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of the Company will, create a disorderly or false market for any Shares or other securities of the Company.

### ***Indemnity***

Our Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

### **The International Offering**

In connection with the International Offering, it is expected that our Company (for itself and on behalf of the Selling Shareholders) will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, among others, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company and the Selling Shareholders are expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot and the Selling Shareholders to sell up to an aggregate of 110,250,000 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over allocations (if any) in the International Offering.

It is expected the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

### **Commission and Expenses**

The Hong Kong Underwriters will receive a gross underwriting commission of 2.8% on the Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. The Company will also pay the Sole Global Coordinator an additional incentive fee of 1.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Sole Global Coordinator and the relevant International Underwriters (but not the Hong Kong Underwriters).



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## **UNDERWRITING**

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The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK\$1.64 per Offer Share (being the mid-point of the indicative Offer Price range), the full payment of the incentive fee and the exercise of the Over-allotment Option in full) are expected to be approximately HK\$65.2 million. Such commissions and fees are payable by our Company. The Selling Shareholders will pay the SFC transaction levy and Hong Kong Stock Exchange trading fee in respect of their respective Sale Shares.

Assuming an Offer Price of 1.64 per H Share (being the mid-point of the indicative Offer Price range), the aggregate commissions and fees (assuming the full payment incentive fee and no exercise of the Over-allotment Option), together with listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering are estimated to be approximately HK\$124.6 million in total.

The commission and expenses were determined after arm's length negotiation between the Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

### **HONG KONG UNDERWRITERS' INTERESTS IN THE COMPANY**

Save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

### **SOLE SPONSOR'S INDEPENDENCE**

The Sole Sponsor satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

### **RESTRICTIONS ON THE OFFER SHARES**

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in China and the U.S.

### **ACTIVITIES BY SYNDICATE MEMBERS**

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "Syndicate Members") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

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## UNDERWRITING

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The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the relevant rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the

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## UNDERWRITING

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Offer Shares) whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

### **OVER-ALLOTMENT AND STABILIZATION**

Details of the arrangements relating to the over-allotment option and stabilization are set forth in “Structure of the Global Offering.”

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 73,500,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below in “The Hong Kong Public Offering” below; and
- (ii) the International Offering of an aggregate of 661,500,000 Offer Shares (subject to reallocation as mentioned below) outside the United States (including to professional and institutional investors and other investors anticipated to have a sizeable demand for the International Offer Shares within Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 26.3% of the enlarged registered share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 29.1% of the enlarged registered share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed “Over-allotment Option” below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in “The Hong Kong Public Offering – Reallocation” below.

### THE HONG KONG PUBLIC OFFERING

#### Number of Offer Shares initially offered

Our Company is initially offering 73,500,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 2.6% of the Company’s registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

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## STRUCTURE OF THE GLOBAL OFFERING

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Completion of the Hong Kong Public Offering is subject to the conditions as set out in “Conditions of the Hong Kong Public Offering” below.

### **Allocation**

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 36,750,000 Offer Shares for pool A and 36,750,000 Offer Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding 1% brokerage, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable) or less.

The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding 1% brokerage, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. In addition, multiple or suspected multiple applications and any application for more than 36,750,000 Offer Shares, being the maximum number of Offer Shares initially comprised in pool B in the Hong Kong Public Offering, are liable to be rejected.

Allocation of Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A and B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

### **Reallocation**

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. In the event of over-applications, the Sole Global Coordinator, after

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## STRUCTURE OF THE GLOBAL OFFERING

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consultation with us, shall apply a clawback mechanism following the closing of the application lists on the following basis:

- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of H Shares initially available under the Hong Kong Public Offering, then H Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 220,500,000 H Shares, representing 30% of the H Shares initially available under the Global Offering.
- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the H Shares initially available under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the H Shares available under the Hong Kong Public Offering will be 294,000,000 H Shares, representing 40% of the H Shares initially available under the Global Offering.
- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 100 times or more of the number of the H Shares initially available for subscription under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the H Shares available under the Hong Kong Public Offering will be 367,500,000 H Shares, representing 50% of the H Shares initially available under the Global Offering. In each such case, the number of the H Shares allocated to the International Offering will be correspondingly reduced.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deem appropriate. In addition, the Sole Global Coordinator may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deem appropriate.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest

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## STRUCTURE OF THE GLOBAL OFFERING

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for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or the applicant (or any person for whose benefit he is making the application) has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$1.68 per H Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "Pricing of the Global Offering" below, is less than the maximum price of HK\$1.68 per H Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to Apply for Hong Kong Offer Shares."

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

### THE INTERNATIONAL OFFERING

#### Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 626,500,000 Offer Shares to be offered by us and 35,000,000 Sale Shares to be sold by the Selling Shareholders.

#### Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an

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## STRUCTURE OF THE GLOBAL OFFERING

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application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

### Over-allotment Option

In connection with the Global Offering, we and the Selling Shareholders are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot, and the Selling Shareholders to sell, up to 110,250,000 additional Offer Shares (consisting of up to 105,000,000 additional H Shares to be issued by the Company and up to 5,250,000 additional H Shares to be sold by the Selling Shareholders), representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.80% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

### PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building" is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Monday, July 10, 2017, and in any event on or before Monday, July 17, 2017, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholders) and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$1.68 per H Share and is expected to be not less than HK\$1.60 per H Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**



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## STRUCTURE OF THE GLOBAL OFFERING

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The Sole Global Coordinator (for itself and on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company (for itself and on behalf of the Selling Shareholders), reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) Hong Kong Economic Times (in Chinese) notices of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range. Upon issue of a notice in the reduction of the Offer Price, the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholders), will be fixed within such revised offer price range. **Applicants should have regard to the possibility that any announcement of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.** Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction. If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application will be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid. In the absence of any notice published in relation to the reduction in the Offer Price, the Offer Price, if agreed upon with our Company (for itself and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) will under no circumstances be set outside the offer price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Sole Global Coordinator may at its discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of H Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

The net proceeds of the Global Offering accruing to our Company (after deduction of (i) the net proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering; and (ii) underwriting fees and estimated expenses payable by our Company in relation to the Global Offering and assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$996.8 million, assuming an Offer Price per H Share of HK\$1.60, or approximately HK\$1,050 million, assuming an Offer Price per H Share of HK\$1.68 (or if the Over-allotment Option is exercised in full, approximately HK\$1,156.5 million, assuming an Offer Price per H Share of HK\$1.60, or approximately HK\$1,217.7 million, assuming an Offer Price per H Share of HK\$1.68).

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## STRUCTURE OF THE GLOBAL OFFERING

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The Offer Price for H Shares under the Global Offering is expected to be announced on Monday, July 17, 2017.

The indications of interest in the Global Offering, the results of applications and the basis of allocation of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Monday, July 17, 2017 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.imeec.cn](http://www.imeec.cn).

### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, China International Capital Corporation Hong Kong Securities Limited, as Stabilizing Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws, rules and regulatory requirements in place. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, or its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

The Stabilizing Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

- (i) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;
- (ii) in connection with any action described in paragraph (i) above:
  - (A) (1) over-allocate the Offer Shares; or (2) sell or agree to sell the Offer Shares so as to establish a short position in them;
  - (B) purchase or subscribe for or agree to purchase or subscribe for the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (A) above;

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## STRUCTURE OF THE GLOBAL OFFERING

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- (C) sell or agree to sell any of the Offer Shares to liquidate a long position held as a result of those purchases; or
- (D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty regarding the extent to which and the time period for which it will maintain any such position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the day on the Listing Date and ends on the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering. The stabilization period is expected to expire on Wednesday, August 9, 2017. After this date, when no further stabilization action may be taken, demand for the H Shares, and therefore their market price, could fall.

Any stabilizing action taken by the Stabilizing Manager, its affiliates or any person acting for it may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 110,250,000 additional H Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

### **H SHARES WILL BE ELIGIBLE FOR CCASS**

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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## STRUCTURE OF THE GLOBAL OFFERING

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All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### THE SELLING SHAREHOLDERS

IM Energy Group and IM Sulige Company, as the Selling Shareholders, are initially offering 34,825,000 and 175,000 Sale Shares respectively as part of the Global Offering. In addition, IM Energy Group and IM Sulige Company may sell up to additional 5,223,750 and 26,250 respectively Sale Shares if the Over-allotment Option is exercised. Pursuant to a letter issued by the NSSF on November 24, 2016, the NSSF instructed us, among other things, to remit the proceeds (after deducting the SFC transaction levy and Hong Kong Stock Exchange trading fee) from the sale of the Sale Shares currently registered in the name of the Selling Shareholders in the Global Offering to an account designated by the NSSF in accordance with relevant PRC laws and regulations.

### DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, July 18, 2017, it is expected that dealings in the Offer Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Tuesday, July 18, 2017. Our H Shares will be traded in board lots of 2,000 H Shares each.

### CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, (i) the Offer Shares to be issued or sold (including any additional Offer Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering; and (ii) the Offer Shares which will be converted from Domestic Shares and transferred to NSSF pursuant to the relevant PRC regulations in relation to deduction of state-owned shares; and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

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## STRUCTURE OF THE GLOBAL OFFERING

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**If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed.**

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares.” In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** at [www.eipo.com.hk](http://www.eipo.com.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.eipo.com.hk](http://www.eipo.com.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, June 30, 2017 till 12:00 noon on Monday, July 10, 2017 from:

- (i) any of the following offices of the Hong Kong Underwriters:

**China International Capital Corporation**

**Hong Kong Securities Limited**

29/F, One International Finance Centre

1 Harbour View Street

Central

Hong Kong

**BOCI Asia Limited**

26/F, Bank of China Tower

1 Garden Road

Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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(ii) any of the branches of the following receiving banks:

### **Bank of Communications Co., Ltd. Hong Kong Branch**

<b>District</b>	<b>Branch Name</b>	<b>Address</b>
<b>Hong Kong Island</b>	Hong Kong Branch Taikoo Shing Sub-Branch	20 Pedder Street, Central Shop 38, G/F., CityPlaza 2, 18 Taikoo Shing Road
<b>Kowloon</b>	Kowloon Sub-Branch Cheung Sha Wan Plaza Sub-Branch	G/F., 563 Nathan Road Unit G04 on G/F., Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
<b>New Territories</b>	Tiu Keng Leng Sub-Branch	Shops Nos. L2-064 and L2-065, Level 2, Metro Town, Tiu Keng Leng

### **China Construction Bank (Asia) Corporation Limited**

<b>District</b>	<b>Branch Name</b>	<b>Address</b>
<b>Hong Kong Island</b>	Central Branch Causeway Bay Plaza Branch	6 Des Voeux Road Central, Central G/F, Causeway Bay Plaza 1, Causeway Bay
<b>Kowloon</b>	Mongkok Nathan Road Branch Mei Foo Branch  Kwun Tong Hoi Yuen Road Branch	788 Nathan Road, Mongkok Shop N46, G/F, Mei Foo Sun Chuen, Stage 6 56 Hoi Yuen Road, Kwun Tong
<b>New Territories</b>	Tsuen Wan Branch Yuen Long Branch	282 Sha Tsui Road, Tsuen Wan 68 Castle Peak Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, June 30, 2017 till 12:00 noon on Monday, July 10, 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. – Inner Mongolia Energy Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Friday, June 30, 2017 – 9:00 a.m. to 5:00 p.m.

Monday, July 3, 2017 – 9:00 a.m. to 5:00 p.m.

Tuesday, July 4, 2017 – 9:00 a.m. to 5:00 p.m.

Wednesday, July 5, 2017 – 9:00 a.m. to 5:00 p.m.

Thursday, July 6, 2017 – 9:00 a.m. to 5:00 p.m.

Friday, July 7, 2017 – 9:00 a.m. to 5:00 p.m.

Saturday, July 8, 2017 – 9:00 a.m. to 1:00 p.m.

Monday, July 10, 2017 – 9:00 a.m. to 12:00 noon

The application for the Hong Kong Offer Shares will commence on Friday, June 30, 2017 through Monday, July 10, 2017, being slightly longer than normal market practice of four days.

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, July 10, 2017, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) **undertake** to execute all relevant documents and instruct and authorize the Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (ii) **agree** to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law and the Articles of Association;
- (iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) **agree** that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) **agree** to disclose to the Company, our H Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of the Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) **agree** that your application will be governed by the laws of Hong Kong;
- (xii) **represent, warrant** and **undertake** that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) **warrant** that the information you have provided is true and accurate;
- (xiv) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) **authorize** the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfill the criteria mentioned in the section "personal collection" to collect share certificate(s) and/or refund cheque(s);
- (xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) **understand** that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 5. APPLYING THROUGH WHITE FORM eIPO SERVICE

#### General

Individuals who meet the criteria in “Who can apply” section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

Detailed instructions for application through the **White Form eIPO** service are on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk), you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

#### Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** Service Provider at [www.eipo.com.hk](http://www.eipo.com.hk) (24 hours daily, except on the last application day) from 9:00 a.m. Friday, June 30, 2017 until 11:30 a.m. on Monday, July 10, 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, July 10, 2017 or such later time under the “Effects of Bad Weather on the Opening of the Application Lists” in this section.

#### No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

#### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “INNER MONGOLIA ENERGY ENGINEERING CO., LTD.” **White Form eIPO** application submitted via [www.eipo.com.hk](http://www.eipo.com.hk) to support the funding of “Source of DongJiang – Hong Kong Forest” project initiated by Friends of Earth (HK).

### 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our H Share Registrar.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
  - declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
  - confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application**

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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**instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong;
- agree with the Company, for itself and for the benefit of each Shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):
  - (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;
  - (b) that any award made in such arbitration shall be final and conclusive; and
  - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agree with the Company (for the Company itself and for the benefit of each Shareholder of the Bank) that H Shares in the Company are freely transferable by their holders; and
- authorize the Company to enter into a contract on its behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Articles of Association of the Company.

### **Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, June 30, 2017 – 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Monday, July 3, 2017 – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Tuesday, July 4, 2017 – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Wednesday, July 5, 2017 – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Thursday, July 6, 2017 – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Friday, July 7, 2017 – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Saturday, July 8, 2017 – 8:00 a.m. to 1:00 p.m.<sup>(1)</sup>
- Monday, July 10, 2017 – 8:00 a.m.<sup>(1)</sup> to 12:00 noon

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*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, June 30, 2017 until 12:00 noon on Monday, July 10, 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, July 10, 2017, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the H Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, July 10, 2017 or such later time under the “Effect of Bad Weather on the Opening of the Application Lists” below.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Hong Kong Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure of the Global Offering – Pricing of the Global Offering” of this prospectus.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, July 10, 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, July 10, 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” of this prospectus, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, July 17, 2017 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company’s website at [www.imeec.cn](http://www.imeec.cn) and the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at [www.imeec.cn](http://www.imeec.cn) and the Hong Kong Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Monday, July 17, 2017;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- from the designated results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, July 17, 2017 to 12:00 midnight on Sunday, July 23, 2017;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, July 17, 2017 to Thursday, July 20, 2017;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, July 17, 2017 to Wednesday, July 19, 2017 at all the receiving bank’s designated branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in “Structure of the Global Offering” of this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- the Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.68 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering – Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, July 17, 2017.

### 14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number,

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Monday, July 17, 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m., Tuesday, July 18, 2017 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, July 17, 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, July 17, 2017, by ordinary post and at your own risk.

#### ***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, July 17, 2017, by ordinary post and at your own risk.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, July 17, 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- If you are applying as a CCASS investor participant

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, July 17, 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

***(iii) If you apply through the White Form eIPO service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, July 17, 2017, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, July 17, 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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*(iv) If you apply via Electronic Application Instructions to HKSCC*

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, July 17, 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Monday, July 17, 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, July 17, 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, July 17, 2017. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, July 17, 2017.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

*The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*

**Deloitte.**

德勤

Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

June 30, 2017

The Directors

Inner Mongolia Energy Engineering Co., Ltd

China International Capital Corporation Hong Kong Securities Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Inner Mongolia Energy Engineering Co., Ltd (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended December 31, 2016 (the “Track Record Period”) for inclusion in the prospectus dated June 30, 2017 (the “Prospectus”) in connection with the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was established in the People's Republic of China (the “PRC” or “Mainland China”) on March 24, 2016 under the name of Inner Mongolia Keyi Energy Engineering Co., Ltd. On May 31, 2016, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC as part of the reorganization (the “Reorganization”) of Inner Mongolia Energy Engineering Investment (Group) Co., Ltd. (“Energy Construction Group”), a state-owned enterprise established in the PRC, and changed its name to Inner Mongolia Energy Engineering Co., Ltd. Pursuant to the reorganization as more fully explained in the section headed “History and Corporate Structure”, the Company became the holding company of the subsidiaries now comprising the Group on May 31, 2016.

At the date of this report, the particulars of the Company's principal subsidiaries, which operate in the PRC, are as follows:

Name of subsidiary	Date and place of establishment	Paid up capital	Equity interests attributable to the Group			Principal activities	
			At December 31,				At the date of this report
			2014	2015	2016		
<i>RMB'000</i>							
內蒙古電力勘测設計院有限責任公司							
Inner Mongolia Power Survey & Design Institute Co., Ltd.	November 2, 1991						
("Power Survey & Design Institute")*(Notes b) . . . . .	PRC	125,000	100%	100%	100%		
內蒙古送變電有限責任公司					Survey, design, consulting and construction		
Inner Mongolia Electric Power Transmission And Transformaton Co., Ltd. ("Electric Transmission and Transformation")*(Note c) . . . . .	August 1, 2001	213,780	100%	100%	100%		
內蒙古第一電力建設工程有限責任公司							
Inner Mongolia No.1 Power Construction Project Co., Ltd.	June 10, 1985						
("No.1 Power Construction Project")*(Notes a and c) . . . . .	PRC	177,000	100%	100%	100%		
內蒙古第三電力建設工程有限責任公司							
Inner Mongolia No.3 Electric Power Construction Engineering Co., Ltd.	June 1, 1990						
("No.3 Electric Power Construction Engineering")*(Notes a and c) . . . . .	PRC	170,608	100%	100%	100%		

Name of subsidiary	Date and place of establishment	Paid up registered capital	Equity interests attributable to the Group			Principal activities	
			At December 31,				At the date of this report
			2014	2015	2016		
		RMB'000					
內蒙古能建物產有限公司							
Inner Mongolia Power Construction Products Co., Ltd. ("Power Construction Products")* (Note d)	June 9, 2015 PRC	100,000	N/A	100%	100%	Trading of petroleum, coal, metal and chemical products	
內蒙古能建物業服務有限公司							
Inner Mongolia Power Construction Property Services Co., Ltd. ("Power Construction Property Services")*	June 8, 2015 PRC	1,000	N/A	100%	100%	Property management service	
內蒙古電力建設(集團)有限公司							
Inner Mongolia Power Construction Group Co., Ltd ("Power Construction Group")* (Note e)	June 1, 2015 PRC	20,000	N/A	100%	100%	Survey, design, consulting and construction	
內蒙古能建工程設計諮詢有限公司							
Inner Mongolia Power Construction Engineering Design Consulting Co., Ltd. ("Power Construction Engineering Design Consulting")*	December 24, 2014 PRC	3,000	100%	100%	100%	Survey, design, consulting and construction	
內蒙古能建國際工程建設投資有限公司							
Inner Mongolia Power Construction International Engineering Construction Investment Co., Ltd. ("Power Construction International")*	December 1, 2015 PRC	50,000	N/A	100%	100%	Construction	
內蒙古能建英利新能源裝備製造有限公司							
Inner Mongolia Energy Engineering Yingli New Energy Equipment Manufacturing Co., Ltd. ("Yingli Equipment Manufacturing")*	November 17, 2015	7,920	N/A	51%	51%	New energy equipment manufacturing	

Name of subsidiary	Date and place of establishment	Paid up registered capital RMB'000	Equity interests attributable to the Group			At the date of this report	Principal activities
			At December 31, 2016				
			2014	2015	2016		
內蒙古旗下營和益發電有限公司#							
Inner Mongolia Qixiaying Heyi Power Co., Ltd. ("Qixiaying Power")*	March 23, 2015 PRC	17,900	N/A	55%	55%	Power generation	
內蒙古能建電力設計諮詢有限責任公司#							
Inner Mongolia Mengneng Nengyuan Design Consulting Research Co., Ltd. ("Design Consulting Research")*(Note f)	August 26, 2003 PRC	3,024	N/A	100%	100%	Consulting	
內蒙古蒙能建設工程監理有限責任公司#							
Inner Mongolia Mengneng Construction Project Supervision Co., Ltd. ("Construction Project Supervision")*(Note f)	September 24, 2002 PRC	10,000	N/A	100%	100%	Supervision	
內蒙古恒鑫鐵塔有限公司#							
Inner Mongolia Hengxin Iron Tower Co., Ltd. ("Hengxin Iron Tower")*	August 19, 2008 PRC	50,000	100%	100%	100%	Manufacturing	
內蒙古恒潤新能源有限責任公司#							
Inner Mongolia Hengrun New Energy Co., Ltd. ("Hengrun New Energy")*	December 9, 2010 PRC	216,880	100%	100%	100%	Wind power generation	
包頭市卓越信息技術諮詢有限責任公司#							
Baotou Zhuoyue Information Technology Consulting Co., Ltd*(Note g)	January 29, 2007 PRC	300	N/A	N/A	67%	Information technology	

Name of subsidiary	Date and place of registered establishment	Paid up capital RMB'000	Equity interests attributable to the Group			At the date of this report	Principal activities
			At December 31,		2016		
			2014	2015			
包頭市華建房地產開發有限公司# Baotou Hua Jian Real Estate Development Co., Ltd. ("Hua Jian Real Estate")* .....	September 28, 1992 PRC	10,010	100%	100%	100%	Real estate development	
包頭市華安電建試驗檢測技術有限公司# Baotou Huanan Electric Construction Test and Detection Technology Co., Ltd. ("Huanan Electric")* .....	May 13, 2010 PRC	200	100%	100%	100%	Inspection services	
包頭市銀隆建材城有限公司# Baotou Silver Long Building Materials Co., Ltd. ("Silver Long")* .....	July 27, 2009 PRC	400	100%	100%	100%	House leasing	
鄂爾多斯市蒙能建物產有限公司# Ordos Mongolia Power Construction Co., Ltd.* .....	March 24, 2016 PRC	–	N/A	N/A	100%	Trading of petroleum, coal, metal and chemical products	
能建(上海)物產有限公司# Power Construction (Shanghai) Products Co., Ltd.* .....	February 2, 2016 PRC	–	N/A	N/A	100%	Trading of petroleum, coal, metal and chemical products	
蒙能建國際貿易(天津)有限公司# Mongolia Power Construction International Trade (Tianjin) Co., Ltd.* .....	December 8, 2015 PRC	–	N/A	100%	100%	Trading of petroleum, coal, metal and chemical products	



Name of subsidiary	Date and place of establishment	Paid up registered capital RMB'000	Equity interests attributable to the Group			At the date of this report	Principal activities
			At December 31,		2016		
			2014	2015			
蒙能建石油化工(大連)有限公司#						Trading of petroleum, coal, metal and chemical products	
Mongolia Power Construction Petrochemical (Dalian) Co., Ltd.*	October 22, 2015 PRC	9,000	N/A	100%	100%	100%	Trading of petroleum, coal, metal and chemical products
烏海市蒙能建物產化工有限公司#						Trading of petroleum, coal, metal and chemical products	
Wuhai Mongolia Power Construction Products Chemical Co. Ltd.*	February 1, 2016 PRC	-	N/A	N/A	100%	100%	Trading of petroleum, coal, metal and chemical products
內蒙古電建集團第一建設工程有限責任公司#							
Inner Mongolia Electric Power Construction Group No.1 Construction Engineering Co., Ltd.*	January 5, 2016 PRC	-	N/A	N/A	100%	100%	Construction
內蒙古電建集團第三建設工程有限責任公司#							
Inner Mongolia Electric Power Construction Group No.3 Construction Engineering Co., Ltd.*	January 12, 2016 PRC	-	N/A	N/A	100%	100%	Construction
陝西榆林蒙能建物產有限公司#							Trading of petroleum, coal, metal and chemical products
Mongolia Power Construction Product (Shanxi Yulin) Co., Ltd.* (Note h)	November 11, 2015 PRC	1,000	N/A	100%	100%	N/A	Trading of petroleum, coal, metal and chemical products

All subsidiaries above are limited liability companies established in the PRC.

\* English name for identification only.

# Except for these subsidiaries which were indirectly held, the other subsidiaries listed above were directly held by the Company.

*Notes:*

- (a) The registered capital of No.1 Power Construction Project was increased from RMB77,000,000 to RMB400,000,000 in January 2016. The registered capital of No. 3 Electric Power Construction Engineering was increased from RMB70,610,000 to RMB400,000,000 in July 2016.
- (b) The registered capital of Power Survey & Design Institute was increased from RMB125,000,000 to RMB500,000,000 in May 2017.
- (c) Certain of the equity interests in these subsidiaries at December 31, 2014 and 2015 were held by their labor unions and employee shareholding committees. Considering the Guidance of Standardization of State Owned Enterprise Employee Shareholdings and Investment (Guo Zi Fa Gai Ge No.[2008] 139) issued by the State-owned Assets Supervision and Administration Commission of the State Council (“SASAC”) and the Guidance of Accounting Treatment of Payroll Balance During the Reformation of the State Owned Enterprises (Cai Qi Ban No.[2006] 23) issued by the Ministry of Finance, as well as a clarification issued by the Inner Mongolia SASAC on August 8, 2016 that such labor union and employee shareholding should be regarded as state-owned and managed by the Inner Mongolia SASAC, therefore the directors of the Company consider that the entire beneficial interest of these equity interests were attributable to the Group pursuant to the Reorganization. Accordingly, these subsidiaries were regarded as wholly owned as of December 31, 2014 and 2015. The legal ownership of the entire equity interests had been transferred to the Group during the year ended December 31, 2016.
- (d) The registered capital of Power Construction Products was increased from RMB100,000,000 to RMB550,000,000 in July 2016.
- (e) The registered capital of Power Construction Group was RMB660,000,000.
- (f) These subsidiaries were acquired by the Group during the year ended December 31, 2015.
- (g) This subsidiary was acquired by the Group during the year ended December 31, 2016.
- (h) Mongolia Power Construction Product ( Shanxi Yulin ) Co., Ltd. was deregistered in March 2017.

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors of the Company (the “Directors”), principally affect the results and net assets of the Group. To give full details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

The Company and its subsidiaries have adopted December 31, as their financial year end date for statutory financial reporting purposes.

The statutory financial statements of the Company's principal subsidiaries for the Track Record Period were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by the certified public accountants set out below:

<b>Name of subsidiary</b>	<b>Financial periods</b>	<b>Name of auditor</b>
Power Survey & Design Institute	Year ended December 31, 2014	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
	Year ended December 31, 2015	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
	Year ended December 31, 2016	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
Electric Transmission and Transformation	Year ended December 31, 2014	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
	Year ended December 31, 2015	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
	Year ended December 31, 2016	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
No.1 Power Construction Project	Year ended December 31, 2014	Zhenghua Account Office Baotou
	Year ended December 31, 2015	Inner Mongolia Da Yang Certified Public Accountants Co., Ltd.
	Year ended December 31, 2016	Inner Mongolia Da Yang Certified Public Accountants Co., Ltd.
No.3 Electric Power Construction Engineering	Year ended December 31, 2014	Inner Mongolia Da Yang Certified Public Accountants LLC
	Year ended December 31, 2015	Inner Mongolia Da Yang Certified Public Accountants LLC
	Year ended December 31, 2016	Inner Mongolia Da Yang Certified Public Accountants Co., Ltd.
Power Construction Products	From June 9, 2015 (date of establishment) to December 31, 2015	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
	Year ended December 31, 2016	Inner Mongolia Zhong Cai Pu Xin Certified Public Accountants LLC
Power Construction Property Services	From June 8, 2015 (date of establishment) to December 31, 2015	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
	Year ended December 31, 2016	Inner Mongolia Zhong Kai Certified Public Accountants LLP,
Power Construction Group	From June 1, 2015 (date of establishment) to December 31, 2015	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
Power Construction Engineering Design Consulting	From December 24, 2014 (date of establishment) to December 31, 2014	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
	Year ended December 31, 2015	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
	Year ended December 31, 2016	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
Design Consulting Research	Year ended December 31, 2015	Inner Mongolia Yide Certified Public Accountants LLC

<b>Name of subsidiary</b>	<b>Financial periods</b>	<b>Name of auditor</b>
Construction Project Supervision	Year ended December 31, 2015	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
	Year ended December 31, 2016	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
Hengxin Iron Tower	Year ended December 31, 2014	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
	Year ended December 31, 2015	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
	Year ended December 31, 2016	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
Hengrun New Energy	Year ended December 31, 2014	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
	Year ended December 31, 2015	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
	Year ended December 31, 2016	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch
Power Construction International	Year ended December 31, 2016	Da Hua Certified Public Accountants LLP, Inner Mongolia Branch

Except for the above, no audited statutory financial statements were prepared for other principal subsidiaries as they are either not required to issue audited financial statements under the local statutory requirements or newly established.

No statutory audited financial statements have been prepared for the Company since its establishment on March 24, 2016.

For the purpose of this report, the Directors have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with accounting policies which conform with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) (the “Underlying Financial Statements”). We have carried out an independent audit on the Underlying Financial Statements in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the “IAASB”), and have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 to Section A below. No adjustments are considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The preparation of the Underlying Financial Statements is the responsibility of the Directors who approved their issue. The Directors are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 to Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as of December 31, 2014, 2015 and 2016, and of the Company as of December 31, 2016, and of the financial performance and cash flows of the Group for the Track Record Period.

## A. FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended December 31,		
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
Revenue .....	6	3,845,919	6,533,286	9,782,098
Cost of sales .....		(3,080,458)	(5,512,838)	(8,291,690)
Gross profit .....		765,461	1,020,448	1,490,408
Other income .....	7	9,010	29,103	72,241
Other expenses .....		(9,543)	(3,201)	(8,758)
Other gains and losses .....	8	(22,306)	(64,834)	(13,548)
Selling and distribution expenses .....		(1,441)	(6,190)	(15,270)
Administrative expenses .....		(456,509)	(568,648)	(612,640)
Finance income .....	9	40,689	33,820	18,076
Finance costs .....	9	(61,199)	(59,261)	(170,101)
Profit before tax .....		264,162	381,237	760,408
Income tax expense .....	10	(60,718)	(78,867)	(143,256)
Profit for the year .....	11	<u>203,444</u>	<u>302,370</u>	<u>617,152</u>
Other comprehensive expense, net of income tax:				
Items that will not be reclassified subsequently to profit or loss:				
– Remeasurement of defined benefit obligations . . . .		(73,274)	(54,881)	(17,298)
– Income tax relating to remeasurement of defined benefit obligations that will not be reclassified to profit or loss .....		1,789	1,612	412
Other comprehensive expense for the year, net of income tax .....		<u>(71,485)</u>	<u>(53,269)</u>	<u>(16,886)</u>
Total comprehensive income for the year .....		<u>131,959</u>	<u>249,101</u>	<u>600,266</u>
Profit for the year attributable to:				
Owners of the Company .....		203,444	302,370	617,033
Non-controlling interests .....		–	–	119
		<u>203,444</u>	<u>302,370</u>	<u>617,152</u>

		<u>Year ended December 31,</u>		
	<i>NOTES</i>	<u>2014</u>	<u>2015</u>	<u>2016</u>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total comprehensive income attributable to:				
Owners of the Company .....		131,959	249,101	600,147
Non-controlling interests .....		—	—	119
		<u>131,959</u>	<u>249,101</u>	<u>600,266</u>
Earnings per share				
– Basic (RMB) .....	12	<u>0.10</u>	<u>0.14</u>	<u>0.29</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At December 31,		
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment .....	15	1,384,000	1,356,522	1,282,383
Prepaid lease payments .....	16	72,383	71,871	54,613
Investment properties .....	17	13,096	12,383	9,717
Intangible assets .....	18	20,253	25,450	28,304
Interest in a joint venture .....	19	–	–	20,281
Available-for-sale investments .....	21	1,000	1,000	1,000
Deferred tax assets .....	22	42,112	69,813	61,313
Deposit for acquisition of an office building .....		–	–	475,043
Other financial assets .....	28	–	–	922,210
Other non-current assets .....	23	–	36,275	–
		<u>1,532,844</u>	<u>1,573,314</u>	<u>2,854,864</u>
<b>CURRENT ASSETS</b>				
Inventories .....	24	138,945	336,401	124,858
Prepaid lease payments .....	16	512	512	1,122
Properties for sale .....	25	384,556	411,882	13,791
Amounts due from customers for construction contracts .....	26	137,407	320,994	265,602
Trade and bills receivables .....	27	2,522,837	3,749,932	6,867,066
Prepayments, deposits and other receivables .....	28	741,866	1,051,582	1,414,116
Pledged bank deposits .....	29	79,038	221,217	249,802
Time deposits .....	29	444,490	10,000	200,000
Cash and cash equivalents .....	29	<u>2,077,959</u>	<u>2,158,018</u>	<u>1,535,514</u>
		<u>6,527,610</u>	<u>8,260,538</u>	<u>10,671,871</u>
<b>CURRENT LIABILITIES</b>				
Trade and bills payables .....	30	2,224,911	2,621,714	3,053,796
Amounts due to customers for construction contracts .....	26	196,087	395,502	402,831
Other payables and accruals .....	31	2,305,124	2,095,055	1,806,380
Income tax payable .....		62,777	143,628	119,827
Bank and other borrowings .....	32	236,500	678,500	1,672,500
Defined benefit obligations .....	33	<u>26,759</u>	<u>27,064</u>	<u>26,373</u>
		<u>5,052,158</u>	<u>5,961,463</u>	<u>7,081,707</u>



	NOTES	At December 31,		
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
NET CURRENT ASSETS .....		<u>1,475,452</u>	<u>2,299,075</u>	<u>3,590,164</u>
TOTAL ASSETS LESS CURRENT LIABILITIES ...		<u>3,008,296</u>	<u>3,872,389</u>	<u>6,445,028</u>
NON-CURRENT LIABILITIES				
Bank and other borrowings .....	32	403,000	364,500	2,485,000
Defined benefit obligations .....	33	<u>436,682</u>	<u>485,418</u>	<u>495,155</u>
		<u>839,682</u>	<u>849,918</u>	<u>2,980,155</u>
NET ASSETS .....		<u>2,168,614</u>	<u>3,022,471</u>	<u>3,464,873</u>
Capital and reserves				
Owner's equity .....		2,168,614	3,019,971	–
Issued share capital .....	34(a)	–	–	2,100,000
Reserves .....	34(b)	–	–	<u>1,360,295</u>
		<u>2,168,614</u>	<u>3,019,971</u>	<u>3,460,295</u>
Non-controlling interests .....		–	<u>2,500</u>	<u>4,578</u>
TOTAL EQUITY .....		<u>2,168,614</u>	<u>3,022,471</u>	<u>3,464,873</u>

## STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>NOTES</i>	At December 31, 2016 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment .....	15	20,785
Intangible assets .....		1,860
Investments in subsidiaries .....	20	2,716,580
Loans to subsidiaries .....	28	1,500,000
		<u>4,239,225</u>
<b>CURRENT ASSETS</b>		
Bills receivables .....		5,557
Prepayments, deposits and other receivables .....	28	792,392
Cash and cash equivalents .....	29	206,376
		<u>1,004,325</u>
<b>CURRENT LIABILITIES</b>		
Trade payables .....		1,734
Other payables and accruals .....	31	560,720
Bank and other borrowings .....	32	210,000
		<u>772,454</u>
NET CURRENT ASSETS .....		<u>231,871</u>
TOTAL ASSETS LESS CURRENT LIABILITIES .....		<u>4,471,096</u>
<b>NON-CURRENT LIABILITIES</b>		
Bank borrowings .....	32	1,390,000
Defined benefit obligations .....		2,447
		<u>1,392,447</u>
NET ASSETS .....		<u>3,078,649</u>
Capital and reserves		
Issued share capital .....	34(a)	2,100,000
Reserves .....	34(c)	978,649
TOTAL EQUITY .....		<u>3,078,649</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Owner's equity RMB'000	Issued share capital RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2014	1,654,432	—	—	—	1,654,432	—	1,654,432
Total comprehensive income	131,959	—	—	—	131,959	—	131,959
Capital injection by owners into the Company	382,223	—	—	—	382,223	—	382,223
At December 31, 2014	2,168,614	—	—	—	2,168,614	—	2,168,614
Total comprehensive income	249,101	—	—	—	249,101	—	249,101
Deemed contribution upon acquisition of subsidiaries (note 41)	63,466	—	—	—	63,466	—	63,466
Capital injection by owners into the Company	538,790	—	—	—	538,790	—	538,790
Contributed by non-controlling interests	—	—	—	—	—	2,500	2,500
At December 31, 2015	3,019,971	—	—	—	3,019,971	2,500	3,022,471
Total comprehensive income (note c)	245,684	—	—	354,463	600,147	119	600,266
Deemed distribution to owner (note a)	(153,145)	—	—	—	(153,145)	—	(153,145)
Other distribution to owner*	(7,000)	—	—	—	(7,000)	—	(7,000)
Deemed contribution upon acquisition of subsidiaries (note 41)	322	—	—	—	322	159	481
Conversion of share capital and capital reserve (note b)	(3,105,832)	2,100,000	1,005,832	—	—	—	—
Contributed by non-controlling interests	—	—	—	—	—	1,800	1,800
At December 31, 2016	—	2,100,000	1,005,832	354,463	3,460,295	4,578	3,464,873

\* Representing certain amounts paid to Energy Construction Group to increase the capital of its subsidiaries, and such amount was waived by the Group and regarded as other distribution to owner.

Notes:

- (a) Deemed distribution to owner consists of:

	<b>Year ended</b>
	<b>December 31, 2016</b>
	<i>RMB'000</i>
<b>Distribution of assets</b>	
– Property, plant and equipment (note 15) .....	96,995
– Prepaid lease payments (note 16) .....	54,115
– Investment properties (note 17) .....	<u>2,035</u>
	<u>153,145</u>

In connection with the Reorganization, certain property, plant and equipment, and prepaid lease payments and investment properties that do not have perfected titles and ownership certificates historically associated with the Core Business (see note 1 for definition) that were retained by Energy Construction Group and were included in the Financial Information from the beginning of the Track Record Period until the date of reformation of the Company, are reflected as a deemed distribution to owner of the Company immediately prior to the completion date of conversion of the Company into a joint stock company on May 31, 2016.

- (b) As further described in note 2 to Section A below, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group have been prepared as if the Group had been in existence throughout the Track Record Period. Upon the establishment of the Company on May 31, 2016, the net carrying amount of the assets and liabilities transferred to the Company of RMB3,105,832,000 was converted into the Company's share capital of RMB2,100,000,000, equivalent to 2,100,000,000 shares of RMB 1.00 each, with all the then existing reserves eliminated and the resulting difference of RMB1,005,832,000 dealt with in the capital reserve. Accordingly, the capital reserve, being the difference between the amounts of share capital issued and the net carrying amount of the assets and liabilities, was presented in the reserves of the Group. Separate classes of reserves, including retained profits prior to the establishment of the Company, were not separately disclosed as all of these reserves had been capitalized and incorporated in the capital reserve of the Group pursuant to the Reorganization.
- (c) As described in note 1 to section A below, the Core Business were transferred to the Company on May 31, 2016. The comprehensive income before May 31, 2016 is credited to owner's equity.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTES	Year ended December 31,		
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
<b>OPERATING ACTIVITIES</b>				
Profit before tax		264,162	381,237	760,408
Adjustment for:				
Depreciation of property, plant and equipment	15	108,566	121,908	112,567
Amortization of prepaid lease payments	16	511	512	431
Depreciation of investment properties	17	713	713	631
Amortization of intangible assets	18	2,888	3,569	4,767
Recognition of deferred revenue related to other financing		(6,320)	–	–
Finance costs	9	61,199	59,261	170,101
Finance income	9	(40,689)	(33,820)	(18,076)
Loss (gain) on disposal of property, plant and equipment	8	1,474	(2,172)	(5,242)
Recognition of allowance for trade receivables	8	17,404	61,438	16,818
Recognition of allowance for other receivables	8	2,898	4,213	140
Dividend income from available-for-sale investments	7	–	(16,537)	(3,000)
Operating cash flows before movements in working capital		412,806	580,322	1,039,545
Movements in working capital:				
Increase in trade and bill receivables		(214,654)	(1,270,441)	(3,133,952)
Decrease (increase) in prepayments, deposits and other receivables		423,357	(396,807)	(201,196)
Decrease (increase) in inventories		43,151	(197,404)	211,543
(Increase) decrease in properties for sale		–	(27,326)	398,091
Decrease (increase) in amounts due from customers for construction contracts		292,610	(183,587)	55,392
(Decrease) increase in amounts due to customers for construction contracts		(111,391)	199,415	7,329
(Decrease) increase in trade and bills payables		(268,775)	396,673	431,495
Increase (decrease) in other payables and accruals		312,892	(47,398)	(317,354)
Decrease in defined benefit obligations		(31,481)	(23,718)	(24,326)
Cash from (used in) operations		858,515	(970,271)	(1,533,433)
Income tax paid		(14,763)	(23,831)	(158,145)
Net cash from (used in) operating activities		843,752	(994,102)	(1,691,578)
<b>INVESTING ACTIVITIES</b>				
Interest received		41,750	41,638	18,637
Deposit paid and purchase of property, plant and equipment		(74,377)	(38,492)	(619,588)
Addition to prepaid lease payments		–	(36,275)	(1,623)
Addition to intangible assets		(5,913)	(8,660)	(7,621)
Acquisition and capital contributions to a joint venture		–	–	(20,281)
Proceeds from disposal of property, plant and equipment		8,666	3,297	14,405
Addition to other financial assets		–	–	(922,210)
Withdrawal of pledged bank deposits and time deposits		615,951	775,071	368,326
Placement of pledged bank deposits and time deposits		(625,870)	(482,760)	(586,911)
Dividends received from available-for-sale investments		–	16,537	3,000
Acquisition of subsidiaries, net of cash acquired	41	–	49,610	1,204
Cash advanced to parent company		–	–	(102,427)
Repayments of cash advanced by parent company		–	–	34,881
Cash advanced to fellow subsidiaries		(20,043)	–	(96,978)
Repayments of cash advanced by fellow subsidiaries		1,656	76,235	2,544
Net cash (used in) from investing activities		(58,180)	396,201	(1,914,642)

	Year ended December 31,			
	NOTES	2014	2015	2016
		RMB'000	RMB'000	RMB'000
<b>FINANCING ACTIVITIES</b>				
Interest paid .....		(38,797)	(41,153)	(151,350)
New bank and other borrowings .....		400,000	635,000	5,011,000
Repayment of bank and other borrowings .....		(46,500)	(236,500)	(1,896,500)
Repayment of other financing .....		(12,378)	-	-
Capital contribution from non-controlling interests .....		-	2,500	1,800
Capital contribution from/(distribution to) owners .....		382,223	511,570	(7,000)
Advance from parent company .....		-	-	36,779
Repayment to Inner Mongolia Power Group .....		(327,792)	(194,104)	-
Advances from fellow subsidiaries .....		25,368	32,706	53,982
Repayment to fellow subsidiaries .....		(14,361)	(32,059)	(64,995)
Net cash from financing activities .....		<u>367,763</u>	<u>677,960</u>	<u>2,983,716</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....		1,153,335	80,059	(622,504)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR .....		<u>924,624</u>	<u>2,077,959</u>	<u>2,158,018</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR .....		<u><u>2,077,959</u></u>	<u><u>2,158,018</u></u>	<u><u>1,535,514</u></u>

**NOTES TO THE FINANCIAL INFORMATION****1. GROUP REORGANIZATION**

The Company was established in the PRC on March 24, 2016 and was converted into a joint stock company with limited liability on May 31, 2016 as part of the Reorganization of Energy Construction Group in preparation for the listing of the Company's H shares on the Stock Exchange. The address of the Company's registered office and principal place of business is Harbor Building, Erdos East Street, Saihan District, Hohhot, Inner Mongolia, the PRC. In the opinion of the Directors, Energy Construction Group is the immediate and ultimate holding company of the Company.

Prior to the establishment of the Company, the operations of construction and contracting, survey, design and consulting, trading, and investment and other businesses were carried out by various entities owned and controlled by Energy Construction Group or directly carried out by Energy Construction Group. Pursuant to a reorganization agreement dated April 25, 2016, the principal operations and business of Energy Construction Group (the "Core Business") were transferred to the Company on May 31, 2016 which include:

- (i) all operating assets and liabilities relating to the Core Business of Energy Construction Group;
- (ii) contractual rights and obligations relating to the businesses, assets and equity interests transferred to the Company;
- (iii) employees (including their personnel files, records and data with respect to their remuneration and other benefits and related liabilities) relating to the businesses, assets and equity interests transferred to the Company;
- (iv) qualifications, licences and approvals relating to the businesses, assets and equity interests transferred to the Company;
- (v) rights to claim and set-off against third parties and other similar rights in connection with the businesses, assets and equity interests transferred to the Company; and
- (vi) data, books and/or records relating to business, accounting, finance, technology, research and development and all other know-how relating to the businesses transferred to the Company.

In consideration for Energy Construction Group transferring the Core Business and relevant assets to the Company pursuant to the Reorganization, the Company issued 2,089,500,000 ordinary shares to Energy Construction Group and 10,500,000 ordinary shares to Inner Mongolia Sulige Gas Power Co. Ltd. ("MSGPC"), a subsidiary of Energy Construction Group, and acquired the shareholding of the aforesaid various entities owned and controlled by Energy Construction Group. The shares issued to Energy Construction Group and MSGPC amounting to 2,100 million shares in aggregate have a par value of RMB1.00 each and represented the entire registered and issued share capital of the Company upon its conversion into a joint stock company on May 31, 2016. As such, the Company is directly owned as to 99.5% by Energy Construction Group and 0.5% by MSGPC.

In connection with the Reorganization, certain assets, which included certain property, plant and equipment, prepaid lease payments and investment properties that do not have perfected titles and ownership certificates amounting to RMB153,145,000 historically associated with the Core Business, that were retained by Energy Construction Group and were included in the Financial Information from the beginning of the Track Record Period until the date of reformation of the Company, are reflected as a deemed distribution to owner of the Company immediately prior to the completion date of conversion of the Company into a joint stock company on May 31, 2016.

**2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL INFORMATION**

As disclosed in note 1 above, prior to the completion of the Reorganization, the Core Business were legally owned and controlled by Energy Construction Group. Upon the completion of the Reorganization on May 31, 2016, the Core Business were transferred to the Company. As there is no change in the ultimate controlling shareholder of the Core Business, the Reorganization has been accounted for as a combination of businesses under common control in a manner similar to a pooling-of-interests. As a result, the consolidated statements of profit or loss and other comprehensive income, consolidated statements

of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the entities of the Group as if the group structure upon completion of the Reorganization had existed throughout the Track Record Period, or since their respective dates of establishment, where there is a shorter period. The consolidated statements of financial position as of December 31, 2014 and 2015 included the assets and liabilities of the Group as if the group structure upon completion of the Reorganization had existed on those dates taking into account the respective date of establishment, where applicable.

The Financial Information is presented in Renminbi (“RMB”), which is also the functional currency of the Company and its principal subsidiaries.

### 3. APPLICATION OF IFRSs

For the purpose of preparing and presenting the Financial Information, the Group has adopted and consistently applied International Accounting Standards (“IASs”), IFRSs, amendments and interpretations (“new and revised IFRSs”) issued by the IASB which are effective for the accounting periods beginning on January 1, 2016 throughout the Track Record Period.

At the date of this report, the IASB has issued the following new and revised IFRSs that are not yet effective. The Group has not early applied these new and revised IFRSs.

IFRS 9	Financial Instruments <sup>1</sup>
IFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
IFRS 16	Leases <sup>2</sup>
IFRS 17	Insurance Contracts <sup>6</sup>
IFRIC 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
IFRIC 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 7	Disclosure Initiative <sup>4</sup>
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>
Amendments to IAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2018

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after January 1, 2017

<sup>5</sup> Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018 as appropriate

<sup>6</sup> Effective for annual periods beginning on or after January 1, 2021

Except as described below, the Directors consider that the application of the other new and revised IFRSs is unlikely to have a material impact on the Group’s financial position and performance as well as disclosure to be set out in the financial statements of the Group in the future.

#### IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortized cost or fair value. Specifically, debt



investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Except for the potential early recognition of credit losses based on the expected credit loss model in relation to the Group's financial assets measured at amortized costs, the management of the Group anticipates that the adoption of IFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as of December 31, 2016.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in respect of revenue and costs in the Group's consolidated financial statements. The Group is in the process of allocating the transaction price to the performance obligations in the contracts.

#### **IFRS 16 Leases**

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosures of leases. IFRS 16 supersedes (a) IAS 17 Leases; (b) IFRIC-4 Determining whether an Arrangement contains a Lease; (c) SIC-15 Operating Leases-Incentives; and (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise and option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 38, total operating lease commitments of the Group as of December 31, 2016 amounted to RMB23,891,000. The Directors do not expect the adoption of IFRS 16 would result in significant impact on the Group's financial performance, but it is expected that certain portion of the lease commitments will be regarded to be recognized in the consolidated statement of financial position as right-of-use assets and lease liabilities.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

**Basis of consolidation**

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

***Changes in the Group's ownership interests in existing subsidiaries***

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amounts by which the non-controlling interests are adjusted (based on the carrying amount of the net assets attributable to the change in interests) and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

***Merger accounting for business combination involving entities under common control***

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing carrying amounts from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period.

**Investments in subsidiaries**

The investments in subsidiaries are stated at cost less accumulated impairment loss, if any.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business.

Revenue is recognized when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below:

Revenue for services rendered including research and development, and feasibility study, is recognized when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the group entities.

Revenue from survey, design and consultancy contracts is recognized under the percentage of completion method, when the contract has progressed to a stage where the stage of completion and expected profit on the contract can be estimated reliably and, depending on the nature of the contract, are measured mainly by reference to the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Anticipated losses are fully provided on contracts when identified.

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Sale of goods is recognized when goods are delivered and title has passed.

Revenue from sale of properties in the ordinary course of business is recognized when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements.

Deposits and installments received from customers prior to meeting the above criteria for revenue recognition are included in the consolidated statements of financial position under current liabilities.

Dividend income from investments is recognized when a group entity's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's policy for the recognition of revenue from operating leases is described in the accounting policy for leasing below.

**Construction contracts**

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for construction contracts. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for construction contracts.

Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade and other receivables.

### **Government grants**

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the periods in which they become receivable.

### **Employee benefits**

#### ***Retirement benefit costs and termination benefits***

Payments to state-managed retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions. The Group's subsidiaries are required to contribute certain percentages of their payroll to the state-managed retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statements of financial position with a charge or credit recognized in other comprehensive income in the periods in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the periods of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the periods to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line items of administrative expenses and finance costs. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognises any related restructuring costs.

#### ***Short-term and other long-term employee benefits***

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the periods the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

#### **Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost of investment property over its estimated useful life and after taking into account its estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the periods in which the property is derecognised.

#### **Property, plant and equipment**

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less recognized impairment loss, if any. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**Intangible assets**

Computer software purchased with finite useful lives are recorded at cost less accumulated amortization and impairment. Amortization is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting periods, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognised.

**Impairment of tangible and intangible assets and investments in subsidiaries**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Group as lessor***

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the relevant lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

***The Group as lessee***

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

***Leasehold land and building***

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as investment properties or property, plant and equipment.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial periods of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the periods in which they are incurred.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.



Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and interest in a Joint Venture except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### **Completed properties**

Completed properties in the ordinary course of business are included in current assets and stated at the lower of cost and net realisable value. Cost includes the land cost, development expenditure, borrowing costs capitalized in accordance with the Group's accounting policy, and other directly attributable expenses. Net realisable value represents the selling price estimated by management based on prevailing market conditions less estimated costs of completion, where applicable, and costs necessary to make the sale.

### **Financial instruments**

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

***Financial assets***

The Group's financial assets are classified into available-for-sale ("AFS") equity investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

***Effective interest method***

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

***AFS financial assets***

AFS financial assets are non-derivatives that are either designated as available for sale or are not classified as loans and receivables nor financial assets at fair value through profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables, loans to subsidiaries, pledged bank deposits, time deposits and cash and cash equivalents) are measured at amortized cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment of financial assets below).

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

***Impairment of financial assets***

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade and bills receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit periods, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### ***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### ***Financial liabilities***

Financial liabilities including bank and other borrowings, trade and bills payables and other payables are subsequently measured at amortized cost, using the effective interest method.

#### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognized at the proceeds received, net of direct issue costs.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

*Derecognition of financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognized in profit or loss.

**5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES**

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*Significant judgements in applying accounting policy***Non-controlling interests**

Certain equity interests in the subsidiaries, namely Electric Transmission and Transformation, No.1 Power Construction Project and No.3 Electric Power Construction Engineering, at December 31, 2014 and 2015 were held by their labor unions and employee shareholding committees. Considering the Guidance of Standardization of State Owned Enterprise Employee Shareholdings and Investment (Guo Zi Fa Gai Ge No.[2008] 139) issued by the SASAC and the Guidance of Accounting Treatment of Payroll Balance during the Reformation of the State Owned Enterprises (Cai Qi Ban No.[2006] 23) issued by the Ministry of Finance, as well as a clarification document issued by the Inner Mongolia SASAC on August 8, 2016 that such labor union and employee shareholding should be regarded as state-owned and managed by Inner Mongolia SASAC, the Directors consider that the beneficial interests of these equity interests were attributable to the Group pursuant to the Reorganization, and therefore the Group is able to exercise its power on the 100% equity interests in these subsidiaries throughout the Track Record Period. Accordingly, these subsidiaries were regarded as wholly owned as of December 31, 2014 and 2015. The legal ownership of these equity interests had been transferred to the Group as at May 31, 2016. The results and financial position of these subsidiaries are consolidated in full during the Track Record Period.

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

***Useful lives and residual value of property, plant and equipment***

The Group's management estimates the residual value and useful lives of property, plant and equipment. These estimates are based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets.

As of December 31, 2014, 2015 and 2016, the carrying amounts of property, plant and equipment of the Group were RMB1,384,000,000, RMB1,356,522,000, and RMB1,282,383,000, respectively, details of which are set out in note 15.

***Recognition of deferred tax assets***

As of December 31, 2014, 2015 and 2016, deferred tax assets of RMB42,112,000, RMB69,813,000 and RMB61,313,000, respectively, were recognized in the consolidated statements of financial position. The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognized in profit or loss in the periods in which such a reversal takes place.

Besides, as of December 31, 2014, 2015 and 2016, due to the unpredictability of future profit streams, the Group does not recognize deferred tax assets on certain tax losses and deductible temporary differences, details of which are set out in note 22. In cases where the actual future profits generated are higher than expected, the deferred tax assets will be recognized in the consolidated statements of profit or loss and other comprehensive income in the periods in which such a situation takes place.

***Construction contracts***

Revenue from individual contract is recognized under the percentage of completion method which requires estimation made by the management. The Group's management estimates the contract revenue, contract costs and foreseeable losses of construction contracts based on the budgets prepared for the contracts. Management reviews and revises the estimation made on budgeted contract revenue and budgeted contract costs as the contract progresses. Variation in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

***Estimated impairment of receivables***

The Group recognises impairment of receivables based on the recoverability of the receivables. If there is any indication that the receivables may be unrecoverable, impairment shall be recognized. The recognition of impairment requires judgement and estimation. If there is difference between the re-estimated results and the existing estimation, it will affect the profit and the carrying amount of receivables during the periods in which the estimation changes. The carrying amount of receivables and movements of the impairment losses recognized during each of the reporting period are set out in notes 27 and 28.

***Retirement benefit obligations***

The retirement obligations are estimated based on a number of factors that are determined on an actuarial basis using a number of assumptions as disclosed in note 33. The accuracy of the estimate mainly depends on the extent of deviation between the actuarial assumptions and the actual conditions. Any changes in these assumptions will have an impact on the carrying amount of retirement benefit obligations.

## 6. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the Track Record Period is as follows:

	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Construction and contracting .....	2,974,164	4,029,345	6,072,784
— Construction work .....	2,958,885	3,388,620	4,104,142
— Sales of equipments .....	15,279	640,725	1,968,642
Rendering of services .....	500,292	521,963	567,811
Trading of petroleum, coal, metal and chemical products .....	—	1,481,204	2,228,106
Sales of towers .....	149,982	207,837	143,870
Sales of properties .....	28,458	59,294	523,124
Sales of electricity .....	141,505	150,120	137,547
Maintenance operation .....	44,875	67,004	77,355
Other service income .....	6,643	16,519	31,501
<b>Total .....</b>	<b><u>3,845,919</u></b>	<b><u>6,533,286</u></b>	<b><u>9,782,098</u></b>

The executive directors of the Company are identified as the chief operating decision maker (the "CODM") of the Group for the purposes of resources allocation and performance assessment. The information reported to the CODM for the purposes of resources allocation and performance assessment focuses specifically on respective businesses of the Group. The Group's operating and reportable segments are as follows:

- Provision of construction and contracting services for large scale power generation, transformation and transmission projects of fossil-fuel power, wind farm and solar power in China and overseas, as well as undertaking other types of construction projects, such as municipal engineering, industrial and civil construction projects ("Construction and contracting");
- Provision of survey and design services for large scale power generation, transformation and transmission projects of fossil-fuel power, wind farms and solar power in China and overseas, and the provision of a broad range of consulting services, such as the policy and planning of power industry as well as testing, evaluation and supervision of power projects ("Survey, design and consulting"); and
- Trading of petroleum, coal, metal and chemical products ("Trading").

"Investment and other businesses" comprises a number of businesses, including manufacturing and sale of equipment, sales of towers, developing and sale of properties, wind power project, maintenance operation and other business operations, and none of these units has ever individually met the quantitative thresholds for determining a reportable segment.

The accounting policies applied in determining segment revenue and segment results of the operating segments are the same as the Group's accounting policies described in note 4 above. Segment results represent the profit earned by each segment without allocation of other income, other expenses, certain administrative expenses, other gains and losses, finance income and finance costs. This is the measure reported to the board of directors for the purpose of resource allocation and performance assessment.

## Segment revenue and results

Year ended December 31, 2014

	Survey, Construction design and and contracting consulting		Trading	Segment Total	Investment and other business	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment revenue</b>							
External segment revenue . . . . .	2,974,164	500,292	–	3,474,456	371,463	–	3,845,919
Inter-segment revenue . . . . .	–	–	–	–	34,321	(34,321)	–
Consolidated revenue . .	<u>2,974,164</u>	<u>500,292</u>	<u>–</u>	<u>3,474,456</u>	<u>405,784</u>	<u>(34,321)</u>	<u>3,845,919</u>
Segment results . . . . .	<u>99,812</u>	<u>270,489</u>	<u>–</u>	<u>370,301</u>	<u>69,705</u>	<u>–</u>	<u>440,006</u>
Unallocated items							
Other income . . . . .							9,010
Other expense . . . . .							(9,543)
Other gains and losses . . . . .							(22,306)
Administrative expenses . . . . .							(132,495)
Finance income . . . . .							40,689
Finance costs . . . . .							(61,199)
Profit before tax . . . . .							<u>264,162</u>

Year ended December 31, 2015

	Survey, Construction design and and contracting consulting		Trading	Segment Total	Investment and other business	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment revenue</b>							
External segment revenue . . . . .	4,029,345	521,963	1,481,204	6,032,512	500,774	–	6,533,286
Inter-segment revenue . . . . .	–	–	–	–	46,384	(46,384)	–
Consolidated revenue . .	<u>4,029,345</u>	<u>521,963</u>	<u>1,481,204</u>	<u>6,032,512</u>	<u>547,158</u>	<u>(46,384)</u>	<u>6,533,286</u>
Segment results . . . . .	<u>268,855</u>	<u>268,171</u>	<u>16,233</u>	<u>553,259</u>	<u>100,311</u>	<u>–</u>	<u>653,570</u>
Unallocated items							
Other income . . . . .							29,103
Other expense . . . . .							(3,201)
Other gains and losses . . . . .							(64,834)
Administrative expenses . . . . .							(207,960)
Finance income . . . . .							33,820
Finance costs . . . . .							(59,261)
Profit before tax . . . . .							<u>381,237</u>

Year ended December 31, 2016

	Construction and contracting RMB'000	Survey, design and consulting RMB'000	Trading RMB'000	Investment Segment total RMB'000	and other businesses RMB'000	Eliminations RMB'000	Total RMB'000
<b>Segment revenue</b>							
External segment revenue . . . . .	6,072,784	567,811	2,228,106	8,868,701	913,397	–	9,782,098
Inter-segment revenue . . . . .	–	–	–	–	39,237	(39,237)	–
Consolidated revenue . . . . .	<u>6,072,784</u>	<u>567,811</u>	<u>2,228,106</u>	<u>8,868,701</u>	<u>952,634</u>	<u>(39,237)</u>	<u>9,782,098</u>
Segment results . . . . .	<u>762,991</u>	<u>262,673</u>	<u>60,264</u>	<u>1,085,928</u>	<u>53,058</u>	<u>–</u>	<u>1,138,986</u>
Unallocated items							
Other income . . . . .							20,803
Other expenses . . . . .							(8,758)
Other gains and losses . . . . .							(13,548)
Administrative expenses . . . . .							(225,050)
Finance income . . . . .							18,076
Finance costs . . . . .							(170,101)
Profit before tax . . . . .							<u>760,408</u>

### Geographical information

Over 90% of the revenue and operating results of the Group are derived from the PRC based on location of the operations during the Track Record Period.

The Group's non-current assets are all located in PRC.

### Revenue from major customers

Revenue from customers during the Track Record Period individually contributing over 10% of the Group's revenue is as follows:

	Year ended December 31,		
	2014 RMB'000	2015 RMB'000	2016 RMB'000
Customer A# . . . . .	1,316,521	1,556,018	1,768,818
Customer B# . . . . .	<u>482,410</u>	<u>N/A(note)</u>	<u>N/A(note)</u>

*note:* The corresponding revenues did not contribute over 10% of the total revenue of the Group for the relevant year.

#Mainly from the Construction and contracting segment.



## Segment assets and liabilities

Information reported to the CODM for the purposes of resources allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

## 7. OTHER INCOME

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Dividend income from available-for-sale investments .....	–	16,537	3,000
Agency income* .....	–	–	51,438
Rental income .....	7,241	10,243	9,615
Sales of scrap materials .....	1,350	1,898	5,410
Others .....	419	425	2,778
<b>Total</b> .....	<b>9,010</b>	<b>29,103</b>	<b>72,241</b>

\* The agency income mainly represents the net income earned in the trading of coal as an agent.

## 8. OTHER GAINS AND LOSSES

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
(Loss)/gain on disposal of property, plant and equipment .....	(1,474)	2,172	5,242
Impairment recognized in respect of:			
– Trade receivables (note 27) .....	(17,404)	(61,438)	(16,818)
– Other receivables (note 28) .....	(2,898)	(4,213)	(140)
Others .....	(530)	(1,355)	(1,832)
<b>Total</b> .....	<b>(22,306)</b>	<b>(64,834)</b>	<b>(13,548)</b>

## 9. FINANCE INCOME AND FINANCE COSTS

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Interest income on bank deposits .....	40,689	33,820	18,076
Interest expenses on:			
Bank and other borrowings .....	39,139	41,383	154,027
Other financing .....	2,922	–	–
Defined benefit obligations .....	19,138	17,878	16,074
<b>Total finance costs</b> .....	<b>61,199</b>	<b>59,261</b>	<b>170,101</b>

## 10. INCOME TAX EXPENSE

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Current PRC corporate income tax .....	63,415	106,883	134,532
Deferred tax (note 22) .....	(2,697)	(28,016)	8,724
	<u>60,718</u>	<u>78,867</u>	<u>143,256</u>

Under the relevant PRC Corporate Income Tax Law and the respective regulations, except for certain preferential treatments available to the Company's subsidiaries, which were exempted or taxed at a preferential rate of 15% during different periods of time in the Track Record Period primarily due to their status as entities engaging in technology development or development projects in the western part of China, the entities within the Group are subject to corporate income tax at a rate of 25%.

A subsidiary was entitled to be exempted from income tax in three years starting from the first profit-making year and allowed a 50 percent reduction in the following three years from 2012, based on Guoshuifa [2009] No. 80 Notice on the implementation of Preferential tax on Key State-Supported Public Infrastructure Projects issued by State Administration of Taxation (國家稅務總局關於實施國家重點扶持的公共基礎設施項目企業所得稅優惠問題的通知).

The tax expense for the year is reconciled to the profit before tax per consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Profit before tax .....	<u>264,162</u>	<u>381,237</u>	<u>760,408</u>
Tax at the applicable tax rate of 25% .....	66,041	95,309	190,102
Effect of expenses not deductible for tax purpose .....	5,120	674	667
Effect of unrecognised tax losses and deductible temporary differences .....	17,561	13,544	16,559
Effect of utilization of tax losses and deductible temporary differences previously unrecognised .....	–	(5,695)	(28,257)
Preferential tax policies .....	(28,004)	(13,304)	(52,541)
Effect of non taxable income .....	–	–	(750)
Increase in opening deferred tax assets resulting from an increase in applicable tax rate* .....	–	(11,661)	17,476
Tax charge for the year .....	<u>60,718</u>	<u>78,867</u>	<u>143,256</u>

\* In 2014 Inner Mongolia Power Survey & Design Institute Co., Ltd. was taxed at a preferential tax rate of 15% under the condition that the entity's revenue of survey, design and consulting was higher than 70% of its total revenue. The condition was not satisfied during the year ended December 31, 2015, and the entity was taxed at the statutory rate of 25% in 2015. In 2016 Inner Mongolia Power Survey & Design Institute Co., Ltd. was taxed at a preferential tax rate of 15%, being qualified as High and New Technology Enterprise.

**11. PROFIT FOR THE YEAR**

Profit for the year has been arrived at after charging (crediting):

	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Directors' and supervisors' emoluments ( <i>note 14</i> ) .....	–	–	1,722
Other staff costs:			
Salaries and other benefits .....	642,793	730,348	864,033
Contributions to retirement plans .....	103,268	111,888	138,674
Total employee benefit expenses .....	746,061	842,236	1,004,429
Depreciation :			
– Property, plant and equipment ( <i>note 15</i> ) .....	108,566	121,908	112,567
– Investment properties ( <i>note 17</i> ) .....	713	713	631
	109,279	122,621	113,198
Amortization of intangible assets ( <i>note 18</i> )			
– included in administrative expense .....	2,888	1,970	2,674
– included in cost of sales .....	–	1,599	2,093
	2,888	3,569	4,767
Amortization of prepaid lease payments ( <i>note 16</i> ) .....	511	512	431
Auditor's remuneration .....	757	2,173	2,578
Cost of inventories recognized as expense .....	230,421	1,772,434	2,455,747
Contract cost recognised as expense .....	2,533,899	3,372,660	4,962,052
Cost of rendering services .....	229,803	253,792	305,138
Cost of properties sold .....	26,054	50,110	495,885
Cost of wind power generated .....	60,281	63,842	72,868
	3,080,458	5,512,838	8,291,690
Minimum lease payments under operating leases in respect of buildings .....	1,856	16,588	18,732
Gross rental income from investment properties .....	(6,052)	(8,998)	(8,958)
Less: Direct operating expenses incurred for investment properties that generated rental income .....	–	–	–
	(6,052)	(8,998)	(8,958)

**12. EARNINGS PER SHARE**

The calculation of basic earnings per share for the years ended December 31, 2014, 2015 and 2016 is based on the profit attributable to owners of the Company for the Track Record Period and the number of ordinary shares of 2,100,000,000 which has been adjusted retrospectively for the effect of shares issued in connection with the Reorganization as if the Reorganization had been effective since January 1, 2014.

No diluted earnings per share has been presented as the Company did not have any dilutive potential ordinary shares during the Track Record Period.

## 13. DIVIDENDS

Pursuant to the shareholders' resolution of the Company passed on July 9, 2016, the existing shareholders of the Company, Energy Construction Group and MSGPC, are entitled to special dividends based on the proportion of shares they hold, the total amount of which shall be determined based on the distributable net profits attributable to the owners of the Company for the period from June 1, 2016 to the month before listing, as determined based on the audited financial statements of the Company prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC. This special dividend has not been provided in the year 2016.

## 14. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

The Company was established on March 24, 2016 and its directors, chief executive and supervisor were appointed in May and July 2016.

	Year ended December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Directors' fee .....	—	—	—
Salaries and other allowances .....	—	—	573
Discretionary bonus .....	—	—	1,122
Retirement benefit scheme contributions .....	—	—	27
<b>Total</b> .....	<b>—</b>	<b>—</b>	<b>1,722</b>

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2016					
Executive directors:					
Mr. Lu Dangzhu# (general manager) .....	—	64	414	8	486
Independent non-executive					
Directors:					
Mr. Wang Wen# .....	—	95	—	—	95
Mr. Su Nan# .....	—	85	—	—	85
Mr. Ding Zhiyun# .....	—	85	—	—	85
Mr. Yang Hong# .....	—	95	—	—	95
Ms. Lau Miu Man* .....	—	—	—	—	—
	—	360	—	—	360
Supervisors:					
Ms. Qiao Yan# .....	—	—	—	—	—
Mr. Guo Runcheng# .....	—	—	—	—	—
Mr. Li Donghua# .....	—	49	331	8	388
Mr. Wu Junlin# .....	—	100	377	11	488
	—	149	708	19	876
	—	573	1,122	27	1,722

During the three years ended December 31, 2014, 2015 and 2016, all the executive directors and supervisors received their emoluments from Energy Construction Group, part of which was in respect of their services to the companies now comprising the Group. No apportionment has been made as the Directors consider that it is impracticable to apportion these amounts between their services to the companies now comprising the Group and their services to Energy Construction Group.

# Appointed on May 31, 2016

\* Appointed on July 6, 2016

#### Five highest paid individuals

For the Track Record Period, the five highest paid employees were not Directors, supervisors nor chief executive of the Group.

Details of the remuneration of the five highest paid individuals are as follows:

	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other allowances . . . . .	598	2,122	1,035
Discretionary bonus . . . . .	3,205	2,334	3,277
Retirement benefit scheme contributions . . . . .	56	55	411
	<u>3,859</u>	<u>4,511</u>	<u>4,723</u>

Discretionary bonuses are determined based on the Group's or respective individual's performance for such financial year.

The number of the five highest paid individuals whose remuneration fell within the following bands is as follows:

	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Not exceeding HKD1,000,000 . . . . .	4	5	4
HKD1,000,001 to HKD1,500,000 . . . . .	1	–	1
	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Group to any of the Directors, supervisors, chief executive, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors, supervisors and chief executive has waived any emoluments during the Track Record Period.

## 15. PROPERTY, PLANT AND EQUIPMENT

## THE GROUP

	Buildings	Machinery	Vehicles	Electronic equipment	Office equipment	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>COST</b>								
At January 1, 2014 . . .	274,120	1,376,788	100,713	27,718	34,555	32,794	55,533	1,902,221
Additions . . . . .	1,532	24,400	10,032	775	12,318	2,043	23,276	74,376
Reclassification . . . . .	–	62,103	–	–	–	5,720	(67,823)	–
Write off/disposals . . .	(687)	(1,844)	(6,567)	(50)	(274)	(5,599)	–	(15,021)
At December 31,								
2014 . . . . .	274,965	1,461,447	104,178	28,443	46,599	34,958	10,986	1,961,576
Additions . . . . .	1,799	26,713	10,222	4,584	7,629	2,925	11,742	65,614
Injected by owner (note 42) . . . . .	–	27,220	–	–	–	–	–	27,220
Acquisition of subsidiaries (note 41) . . . . .	1,751	156	54	730	–	30	–	2,721
Write off/disposals . . .	–	(9,205)	(7,623)	–	(48)	–	–	(16,876)
At December 31,								
2015 . . . . .	278,515	1,506,331	106,831	33,757	54,180	37,913	22,728	2,040,255
Additions . . . . .	1,866	29,852	11,454	5,631	10,369	5,548	79,825	144,545
Transfers/ Reclassifications . . .	48,862	(40,588)	1,192	(2,462)	(7,415)	411	–	–
Acquisition of subsidiaries (note 41) . . . . .	–	–	–	–	–	41	–	41
Deemed distribution to owner* . . . . .	(137,139)	(13,984)	(993)	(9,215)	–	(2,712)	(11,870)	(175,913)
Write off/disposals . . .	(487)	(30,228)	(27,220)	(3,233)	(8,472)	(2,748)	–	(72,388)
At December 31,								
2016 . . . . .	191,617	1,451,383	91,264	24,478	48,662	38,453	90,683	1,936,540

	Buildings	Machinery	Vehicles	Electronic equipment	Office equipment	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>DEPRECIATION</b>								
At January 1, 2014 ...	(70,928)	(276,027)	(75,695)	(17,282)	(22,588)	(11,371)	–	(473,891)
Provided for the								
year .....	(12,408)	(76,515)	(6,867)	(2,668)	(4,465)	(5,643)	–	(108,566)
Write off/disposals ...	111	1,417	3,353	–	–	–	–	4,881
At December 31,								
2014 .....	(83,225)	(351,125)	(79,209)	(19,950)	(27,053)	(17,014)	–	(577,576)
Provided for the								
year .....	(10,708)	(93,059)	(7,591)	(2,640)	(5,156)	(2,754)	–	(121,908)
Write off/disposals ...	–	9,203	6,548	–	–	–	–	15,751
At December 31,								
2015 .....	(93,933)	(434,981)	(80,252)	(22,590)	(32,209)	(19,768)	–	(683,733)
Provided for the								
year .....	(11,707)	(75,058)	(10,643)	(3,421)	(6,344)	(5,394)	–	(112,567)
Transfers/								
Reclassifications ...	(5,003)	4,364	(382)	258	1,066	(303)	–	–
Write off/disposals ...	317	24,457	24,516	3,126	8,188	2,621	–	63,225
Deemed distribution to								
owner* .....	61,329	7,190	927	7,714	–	1,758	–	78,918
At December 31,								
2016 .....	(48,997)	(474,028)	(65,834)	(14,913)	(29,299)	(21,086)	–	(654,157)
<b>CARRYING VALUES</b>								
At December 31,								
2014 .....	<u>191,740</u>	<u>1,110,322</u>	<u>24,969</u>	<u>8,493</u>	<u>19,546</u>	<u>17,944</u>	<u>10,986</u>	<u>1,384,000</u>
At December 31,								
2015 .....	<u>184,582</u>	<u>1,071,350</u>	<u>26,579</u>	<u>11,167</u>	<u>21,971</u>	<u>18,145</u>	<u>22,728</u>	<u>1,356,522</u>
At December 31,								
2016 .....	<u>142,620</u>	<u>977,355</u>	<u>25,430</u>	<u>9,565</u>	<u>19,363</u>	<u>17,367</u>	<u>90,683</u>	<u>1,282,383</u>

\* Details of the deemed distribution to owner are set out in note (a) to the consolidated statements of changes in equity.

## THE COMPANY

	<u>Vehicles</u>	<u>Electronic equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>COST</b>						
Transfer from owner pursuant to the Reorganization . . . . .	3,048	244	709	177	6,558	10,736
Additions . . . . .	<u>882</u>	<u>13</u>	<u>151</u>	<u>291</u>	<u>10,428</u>	<u>11,765</u>
At December 31, 2016 . . . .	<u>3,930</u>	<u>257</u>	<u>860</u>	<u>468</u>	<u>16,986</u>	<u>22,501</u>
<b>DEPRECIATION</b>						
Provided for the period . . . .	<u>(1,306)</u>	<u>(24)</u>	<u>(292)</u>	<u>(94)</u>	<u>—</u>	<u>(1,716)</u>
<b>CARRYING VALUES</b>						
At December 31, 2016 . . . .	<u>2,624</u>	<u>233</u>	<u>568</u>	<u>374</u>	<u>16,986</u>	<u>20,785</u>

Property, plant and equipment other than construction in progress are depreciated using the straight-line method after taking into account of their estimated residual values with the following useful lives:

Buildings . . . . .	20-40 years
Machinery . . . . .	5-14 years
Vehicles . . . . .	5-10 years
Electronic equipment . . . . .	3-10 years
Office equipment . . . . .	3-10 years
Others . . . . .	3-20 years



## 16. PREPAID LEASE PAYMENTS

## THE GROUP

	At December 31,		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>COST</b>			
At beginning of the year .....	76,378	76,378	76,378
Additions .....	–	–	37,898
Deemed distribution to owner* .....	–	–	(55,434)
	<u>76,378</u>	<u>76,378</u>	<u>58,842</u>
At end of the year .....	76,378	76,378	58,842
<b>ACCUMULATED AMORTIZATION</b>			
At beginning of the year .....	(2,972)	(3,483)	(3,995)
Provided for the year .....	(511)	(512)	(431)
Deemed distribution to owner* .....	–	–	1,319
	<u>(3,483)</u>	<u>(3,995)</u>	<u>(3,107)</u>
At end of the year .....	(3,483)	(3,995)	(3,107)
<b>CARRYING VALUES</b>			
At beginning of the year .....	<u>73,406</u>	<u>72,895</u>	<u>72,383</u>
At end of the year .....	<u>72,895</u>	<u>72,383</u>	<u>55,735</u>
Analysed for reporting purposes as:			
Non-current .....	72,383	71,871	54,613
Current .....	512	512	1,122
	<u>72,895</u>	<u>72,383</u>	<u>55,735</u>
Analysis of periods of land use rights in the PRC:			
Long-term lease .....	50,779	50,779	–
Medium-term lease .....	22,116	21,604	55,735
	<u>72,895</u>	<u>72,383</u>	<u>55,735</u>

\* Details of the deemed distribution to owner are set out in note (a) to the consolidated statements of changes in equity.

The prepaid lease payments represented land use rights in the PRC held under long-term lease over 50 years and medium-term leases of 20 to 50 years.

## 17. INVESTMENT PROPERTIES

## THE GROUP

	At December 31,		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>COST</b>			
At the beginning of the year .....	17,055	17,055	17,055
Additions .....	–	–	–
Deemed distribution to owner* .....	–	–	(5,623)
At the end of the year .....	<u>17,055</u>	<u>17,055</u>	<u>11,432</u>
<b>ACCUMULATED DEPRECIATION</b>			
At the beginning of the year .....	(3,246)	(3,959)	(4,672)
Provided for the year .....	(713)	(713)	(631)
Deemed distribution to owner* .....	–	–	3,588
At the end of the year .....	<u>(3,959)</u>	<u>(4,672)</u>	<u>(1,715)</u>
<b>CARRYING VALUES</b> .....	<u>13,096</u>	<u>12,383</u>	<u>9,717</u>

\* Details of the deemed distribution to owner are set out in note (a) to the consolidated statements of changes in equity.

The above investment properties are depreciated on a straight-line basis taking into account their estimated residual value, over the shorter of the lease term of land and estimated useful lives of building of 20 to 40 years.

Certain investment properties were distributed to Energy Construction Group during the five months ended May 31, 2016 as mentioned in note (a) to the consolidated statement of changes in equity. The carrying amount of these properties as of December 31, 2014 and 2015 were RMB2,236,000 and RMB2,035,000, respectively.

The fair value of the remaining investment properties as of December 31, 2014, 2015, and 2016 were RMB33,841,000, RMB31,503,000 and RMB28,700,000, respectively.

The fair value has been arrived at on the basis of valuation carried out on the respective dates by China Enterprise Appraisals Consultation Co., Ltd (“CEA”), a firm of independent qualified professional valuers not connected with the Group. The address of CEA is Floor 9, Prime Tower, No.22 Chaowai Street, Chaoyang District, Beijing, the PRC.

In estimating the fair value of the investment properties, the Group uses market observable data to the extent it is available. The management of the Group works closely with the valuer to establish the appropriate valuation techniques and inputs to the model. The valuations were arrived at by valuing the properties on the basis of capitalization of the rental income derived from the existing tenancy agreements with due allowance for the reversionary income potential of the properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There has been no change in the valuation technique during the Track Record Period.

The fair values of the Group's investment properties are grouped into Level 3 of fair value measurement.

## 18. INTANGIBLE ASSETS

## THE GROUP

	<u>At December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Computer software			
<b>COST</b>			
At the beginning of the year .....	26,282	32,195	40,961
Additions .....	5,913	8,660	7,621
Acquisition of subsidiaries ( <i>note 41</i> ) .....	—	106	—
	<u>32,195</u>	<u>40,961</u>	<u>48,582</u>
<b>ACCUMULATED AMORTIZATION</b>			
At the beginning of the year .....	(9,054)	(11,942)	(15,511)
Provided for the year .....	(2,888)	(3,569)	(4,767)
	<u>(11,942)</u>	<u>(15,511)</u>	<u>(20,278)</u>
<b>CARRYING VALUES</b> .....	<u>20,253</u>	<u>25,450</u>	<u>28,304</u>

The computer software, which have finite useful lives, are amortized on a straight-line basis over the periods of 5-10 years.

## 19. INTEREST IN A JOINT VENTURE

	<u>At December 31,</u>
	<u>2016</u>
	<i>RMB'000</i>
Cost of interest in joint venture .....	<u>20,281</u>

Details of the Group's joint venture at the end of the reporting period is as follows:

<u>Name of entity</u>	<u>Place of establishment</u>	<u>Proportion of ownership interest held by the Group</u>			<u>Proportion of voting rights held by the Group</u>			<u>Principal activity</u>
		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	
Zhong Hang Shen Xin Wind Power Co., Ltd. ....	PRC	—	—	49%	—	—	40%	Wind power generation

Summarized financial information of the joint venture is disclosed below:

	<b>At December 31, 2016</b>
	<i>RMB'000</i>
Cash and cash equivalents .....	6,774
Other current assets .....	17,319
Total current assets .....	24,093
Total non-current assets .....	19,830
Total assets .....	43,923
Current liabilities .....	(2,533)
Total liabilities .....	(2,533)
Net assets .....	<u>41,390</u>

	<b>At December 31, 2016</b>
	<i>RMB'000</i>
Net assets of the joint venture .....	41,390
Proportion of the Group's ownership interest in the joint venture .....	49%
Carrying amount of the Group's interest in the joint venture .....	<u>20,281</u>

## 20. INVESTMENTS IN SUBSIDIARIES

### THE COMPANY

	<b>At December 31, 2016</b>
	<i>RMB'000</i>
Unlisted investments, at cost .....	<u>2,716,580</u>

## 21. AVAILABLE-FOR-SALE INVESTMENTS

### THE GROUP

	<b>At December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted investments:			
Equity securities .....	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

The unlisted investment represents equity securities established in the PRC. It is measured at cost less impairment at the end of each reporting period because the ranges of reasonable fair value estimates are so significant that the Directors are of the opinion that the fair values cannot be reliably measured. The Group does not intend to dispose them in the near future.

## 22. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognized and movements thereon during the Track Record Period:

## THE GROUP

	<u>Defined benefit obligations</u>	<u>Impairment of receivables</u>	<u>Tax losses</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2014 .....	11,888	24,648	1,090	37,626
(Charge) credit to profit or loss ( <i>note 10</i> ) .....	(337)	4,124	(1,090)	2,697
Credit to other comprehensive income .....	1,789	–	–	1,789
At December 31, 2014 .....	13,340	28,772	–	42,112
Credit to profit or loss ( <i>note 10</i> ) .....	(6)	16,361	–	16,355
Credit to other comprehensive income .....	(589)	–	–	(589)
Acquisition of subsidiaries ( <i>note 41</i> ) .....	274	–	–	274
Effect of changes in tax rate .....	2,224	9,437	–	11,661
At December 31, 2015 .....	15,243	54,570	–	69,813
(Charge) credit to profit or loss ( <i>note 10</i> ) .....	(2,649)	4,508	6,893	8,752
Credit to other comprehensive income .....	224	–	–	224
Effect of changes in tax rate .....	(2,030)	(15,446)	–	(17,476)
At December 31, 2016 .....	<u>10,788</u>	<u>43,632</u>	<u>6,893</u>	<u>61,313</u>

Details of tax losses and other temporary differences not recognized during the Track Record Period are set out below:

	<u>At December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Tax losses .....	281,840	310,128	272,345
Other deductible temporary differences .....	<u>235,696</u>	<u>238,804</u>	<u>229,795</u>

No deferred tax asset has been recognized in respect of the above tax loss and deductible temporary differences due to the unpredictability of future profit stream for relevant subsidiaries. The unrecognised tax losses will expire in the following years:

	<u>At December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2016 .....	472	472	–
2017 .....	125,707	103,599	28,194
2018 .....	69,855	69,531	64,828
2019 .....	85,806	85,460	82,694
2020 .....	–	51,066	49,909
2021 .....	–	–	46,720
	<u>281,840</u>	<u>310,128</u>	<u>272,345</u>

## 23. OTHER NON-CURRENT ASSETS

## THE GROUP

	At December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Deposit for lease payment .....	–	36,275	–

## 24. INVENTORIES

## THE GROUP

	At December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Raw materials .....	63,095	104,184	75,124
Low value consumables and spare parts .....	12,963	10,565	8,824
Work in progress .....	3,260	5,638	12,206
Finished goods .....	59,627	216,014	28,704
<b>Total</b> .....	<b>138,945</b>	<b>336,401</b>	<b>124,858</b>

## 25. PROPERTIES FOR SALE

## THE GROUP

	At December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Completed properties for sale .....	384,556	411,882	13,791

## 26. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONSTRUCTION CONTRACTS

## THE GROUP

	At December 31,		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Contract costs incurred plus recognized profits less recognized losses to date .....	9,524,009	11,129,616	12,358,892
Less: Progress billings received and receivable .....	(9,582,689)	(11,204,124)	(12,496,121)
	<u>(58,680)</u>	<u>(74,508)</u>	<u>(137,229)</u>
Gross amounts due from customers for construction work .....	137,407	320,994	265,602
Gross amounts due to customers for construction work .....	(196,087)	(395,502)	(402,831)
	<u>(58,680)</u>	<u>(74,508)</u>	<u>(137,229)</u>

Gross amounts due to customers for construction work above include amounts attributable to fellow subsidiaries as follows:

	<u>At December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fellow subsidiaries .....	<u>–</u>	<u>(30,605)</u>	<u>(17,385)</u>

The transactions between these related parties were based on prices mutually agreed between the parties after taking reference of the market prices.

## 27. TRADE AND BILLS RECEIVABLES

### THE GROUP

	<u>At December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables .....	2,373,961	3,636,941	6,601,879
Retention money receivables .....	334,324	305,052	380,524
Less: allowance of doubtful debts .....	<u>(274,315)</u>	<u>(335,753)</u>	<u>(352,571)</u>
	<u>2,433,970</u>	<u>3,606,240</u>	<u>6,629,832</u>
 Bills receivable .....	 88,867	 143,692	 237,234
 Total trade and bills receivables .....	 <u>2,522,837</u>	 <u>3,749,932</u>	 <u>6,867,066</u>

Trade and bills receivables primarily represent receivables from construction and contracting. The credit terms granted to construction contract customers generally ranged from 30 days to 150 days. For certain construction contracts of solar power projects, the credit period was 150 days after the completion date of construction work.

The Group normally requires its trading customers to pay in advance or allows a credit period of less than 30 days to its trading customers.

The following is an analysis of trade receivables by age, net of allowance for doubtful debts presented based on the billing date at the end of each reporting period:

	<b>At December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 6 months .....	1,030,646	1,479,768	3,683,913
6 months to 1 year .....	543,233	919,602	1,182,936
1 year to 2 years .....	448,064	692,316	1,100,052
2 years to 3 years .....	116,096	249,194	287,747
3 years to 4 years .....	120,526	66,287	224,932
4 years to 5 years .....	109,056	69,212	55,092
Over 5 years .....	66,349	129,861	95,160
	<u>2,433,970</u>	<u>3,606,240</u>	<u>6,629,832</u>

An aged analysis of the trade receivables that are past due but not impaired is as follows:

	<b>At December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Past due but not impaired			
Less than 6 months past due .....	840,650	1,336,888	1,809,542
6 months-1 year past due .....	495,648	805,959	1,070,235
1-2 years past due .....	282,080	470,755	371,937
2-3 years past due .....	118,311	157,741	180,739
3-4 years past due .....	114,791	67,750	73,185
4-5 years past due .....	74,433	73,564	40,207
Over 5 years past due .....	46,444	90,903	41,895
	<u>1,972,357</u>	<u>3,003,560</u>	<u>3,587,740</u>

The Group operates wind power projects. The carrying amount of corresponding tariff premium receivables, which represented the government subsidies on renewable energy for ground projects to be received from the State Grid based on the existing government policies, are RMB189,530,000, RMB152,456,000 and RMB206,885,000, respectively, as of December 31, 2014, 2015 and 2016. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid companies, which therefore takes a relatively long time for settlement.

Pursuant to CaiJian [2012] No.102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, a set of standardised procedures for the settlement of the tariff premium has come into force since 2012 and approvals on a project by project basis are required before the allocation of funds to local grid companies. As of December 31, 2016, the operating projects relating to the above receivables have been approved for the tariff premium, and the application for settlement is in progress. The Directors are of the opinion that the approvals for settlement will be obtained in due course and the tariff premium receivables are fully recoverable considering that there are no bad debt experience with the grid companies in the past and the tariff premium is funded by the PRC government.



Movements in the allowance of doubtful debts are set out as follows:

	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year .....	256,911	274,315	335,753
Provided for the year .....	<u>17,404</u>	<u>61,438</u>	<u>16,818</u>
At the end of the year .....	<u><u>274,315</u></u>	<u><u>335,753</u></u>	<u><u>352,571</u></u>

The amounts due from fellow subsidiaries and parent company included in trade receivables are analysed as follows:

	<b>At December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fellow subsidiaries .....	34,428	395,789	559,127
Parent company .....	<u>—</u>	<u>—</u>	<u>34,490</u>
	<u><u>34,428</u></u>	<u><u>395,789</u></u>	<u><u>593,617</u></u>

The following is an analysis of the amounts due from fellow subsidiaries and parent company by age:

	<b>At December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 6 months .....	34,428	12,864	37,127
6 months to 1 year .....	—	370,764	188,188
1 year to 2 years .....	<u>—</u>	<u>12,161</u>	<u>368,302</u>
	<u><u>34,428</u></u>	<u><u>395,789</u></u>	<u><u>593,617</u></u>

The above amounts are unsecured and interest-free. The Group has not granted any credit periods to related parties.

As of December 31, 2014, 2015 and 2016, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Bills") to certain of its suppliers in order to settle the trade payables due to those suppliers with an aggregate carrying amount of RMB111,771,000, RMB394,324,000 and RMB455,662,000 respectively. The Bills had a maturity of one to six months at the end of the reporting period. In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Bills and has discharged its obligations under the relevant PRC practice, rule and regulations. As such, the Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills receivable are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is remote. Accordingly, the Group has derecognised the carrying amounts of the Bills and the associated liabilities in their entirety prior to the maturity of the Bills.

## 28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

## THE GROUP

	<u>At December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current Assets			
Advance to suppliers	295,079	659,803	778,329
Other receivables	250,067	295,106	425,071
Performance deposits (note (a))	4,824	5,547	18,682
Staff advances	59,160	58,676	44,356
Amounts due from fellow subsidiaries (note (b))	76,813	578	95,012
Amounts due from parent company (note (b))	–	–	67,546
Prepaid value added tax	104,061	92,129	44,030
Interest on time deposits receivable	8,747	929	368
Safety guaranty	599	511	1,748
Less: allowance of doubtful debts of other receivables	<u>(57,484)</u>	<u>(61,697)</u>	<u>(61,026)</u>
	<u>741,866</u>	<u>1,051,582</u>	<u>1,414,116</u>
Non-Current Assets			
Other financial assets (note (c))	<u>–</u>	<u>–</u>	<u>922,210</u>

*Notes:*

- (a) As of December 31, 2014, 2015 and 2016, other receivables consist of performance deposits of RMB4,824,000, RMB5,547,000 and RMB18,682,000 in the Group's normal operating cycle, respectively. Performance deposit are expected to be recovered more than 12 months after the reporting period.
- (b) The amounts due from fellow subsidiaries and parent company are non-trade nature, unsecured, interest-free and repayable on demand.
- (c) In 2016, the Group entered into three coal underwriting agreements (the "Coal Underwriting Agreements") with independent third party (the "Counterparty") in respect of the underwriting of the sale of coal from three coal mines. Pursuant to the Coal Underwriting Agreements, the Group shall pay RMB1,000 million in total to the Counterparty, and the Group had paid an aggregate advance payment of RMB922 million as of December 31, 2016. Such advance payment shall be repaid to the Group in full within 24 months after the amount has been paid. Such advance payment bears interest at prevailing bank loan interest rate.

Both the Counterparty and the Group agree to jointly source for customers and sell the coal to such customers, at a price to be mutually agreed. Details of the coal sale and purchase, including the coal delivery location, coal transportation method and coal transportation costs, will be further agreed in separate coal sale and purchase agreement(s). However, there is no minimum stipulated amount of coal which the Group is required to underwrite under the Coal Underwriting Agreements. The Group will not take an active role in the operation of the coal mines.

In return, the Counterparty undertakes to pay the Group a minimum amount of RMB560 million in total, annually, under the Coal Underwriting Agreements from the year 2017 to 2020.

The payment obligation in the Coal Underwriting Agreements is secured by (i) the equity interest in the Counterparty, (ii) the equity interests in a company which owns one of the three coal mines, as well as (iii) the 69% equity interest in another company held by the controlling party of the Counterparty.

In the opinion of the Directors of the Company, the Group has no power to affect the relevant activities of either the Counterparty or the coal mining companies, the Group's advance payments pursuant to the Coal Underwriting Agreements are classified as other financial assets.

On March 19, 2017, the Group and the Counterparty entered into an Amendment Agreement, which stipulates that:

- 1) The Group commits a minimum coal underwriting quantity of 5 million metric tons per year, from 2017 to 2020; if the Group fails to underwrite at least five million tons of coal from the Counterparty for a particular year, IM Products Company will not be entitled to the compensation in (4) as below.
- 2) The advance payment, made by the Group to the Counterparty, should be repaid by the method of deduction of the coal purchase to be made by the Group from the Counterparty;
- 3) The purchase price is agreed to be RMB160 per ton plus 50% of the difference between the selling price and RMB160 per ton.
- 4) The Counterparty is obliged to compensate the Group, either by cash or by coal, to ensure that the Group's gross profit, from the underwriting of coal under this agreement is no less than RMB560 million annually, from 2017 to 2020.

On May 22, 2017, the Group, Energy Construction Group, the Counterparty, the controlling shareholder of Counterparty entered into a coal underwriting transfer agreement ("Transfer Agreement"), pursuant to which the Group shall transfer all of its rights and obligations under the Coal Underwriting Agreements and the Amendment Agreement to Energy Construction Group. The Transfer Agreement became effective on June 20, 2017, (the "Effective Date"). The transfer consideration is RMB690.3 million, being the remaining balance of advance payments under the relevant agreements as of the Effective Date.

Movements in the allowance of doubtful debts of other receivables are set out as follows:

	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year .....	54,587	57,484	61,697
Provided for the year .....	6,075	4,213	3,121
Reversed for the year .....	(3,177)	–	(2,981)
Written off .....	(1)	–	(811)
At the end of the year .....	<u>57,484</u>	<u>61,697</u>	<u>61,026</u>

The amounts due from fellow subsidiaries and parent company included in the prepayments, deposits and other receivables are non-trade nature, unsecured, interest-free and do not have fixed repayment terms. In the opinion of the Directors, the outstanding non-trade related balances at the date of this report of RMB30.4 million will be settled before the listing of the shares of the Company on Stock Exchange (the "Listing").

## THE COMPANY

	<b>At December 31, 2016</b>
	<i>RMB'000</i>
Other receivables .....	20,025
Prepayments .....	1,301
Amounts due from fellow subsidiaries .....	95,012
Amounts due from subsidiaries .....	607,902
Amounts due from parent company .....	67,197
Interest receivable .....	955
	<u>792,392</u>
Loans to subsidiaries (non-current) .....	<u>1,500,000</u>

The amounts due from subsidiaries, fellow subsidiaries and parent company are non-trade nature, unsecured, interest-free and do not have fixed repayment terms.

The loans to subsidiaries are unsecured and bear interest at 4.75% per annum. The amounts of RMB1,500,000,000 are repayable in 2019 and are presented as non-current assets.

## 29. PLEDGED BANK DEPOSITS, TIME DEPOSITS AND BANK AND CASH BALANCES

## THE GROUP

	<b>At December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances .....	2,106,997	2,126,188	1,785,316
Time deposits .....	494,490	263,047	200,000
	<u>2,601,487</u>	<u>2,389,235</u>	<u>1,985,316</u>
Less: Pledged deposits for			
Bills payable .....	–	124,360	133,299
Letter of guarantee .....	73,420	81,070	104,104
Others .....	5,618	15,787	12,399
	<u>79,038</u>	<u>221,217</u>	<u>249,802</u>
Less: Non-pledged time deposits with original maturity of more than three months .....	<u>444,490</u>	<u>10,000</u>	<u>200,000</u>
Cash and cash equivalents .....	<u>2,077,959</u>	<u>2,158,018</u>	<u>1,535,514</u>

The Group's bank and cash balances comprise cash and bank deposits, carrying interest at prevailing variable market rates ranging from 0.38% to 3.300%, 0.35% to 3.300%, 0.30% to 4.03% per annum as of December 31, 2014, 2015, and 2016, respectively.

As of December 31, 2014, 2015 and 2016, the bank deposits of RMB444,490,000, RMB10,000,000 and RMB200,000,000.00 carried fixed rate interests ranging from 3.25% to 3.30%, 1.40% to 3.30% and 4.03% per annum, respectively, with original maturity of more than three months.

**THE COMPANY**

	<b>At December 31, 2016</b>
	<u>RMB'000</u>
Cash and cash equivalents .....	<u>206,376</u>

The Company's bank and cash balances comprise cash and bank deposits carrying interests at prevailing market rates of 0.30% to 1.17% per annum at December 31, 2016.

**30. TRADE AND BILLS PAYABLES****THE GROUP**

	<b>At December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade payables .....	2,224,911	2,366,937	2,462,844
Bills payable .....	–	254,777	590,952
	<u>2,224,911</u>	<u>2,621,714</u>	<u>3,053,796</u>

The credit period on purchases of goods or services ranges from 30 days to 180 days.

Included in trade and bills payables are retention payables of RMB74,220,000, RMB76,881,000, and RMB118,245,000 as of December 31, 2014, 2015 and 2016, respectively. Retention payables are interest-free and payable at the end of the retention periods of the respective construction contracts.

Details of the bank deposits pledged for the Group's bills payable are set out in note 29.

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of each reporting period:

	<b>At December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Within 1 year .....	920,855	1,701,238	2,274,681
1 to 2 years .....	651,390	342,103	399,830
2 to 3 years .....	282,259	281,927	133,606
More than 3 years .....	370,407	296,446	245,679
	<u>2,224,911</u>	<u>2,621,714</u>	<u>3,053,796</u>

The amounts due to fellow subsidiaries included in the trade and bills payables are analysed as follows:

	<b>At December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fellow subsidiaries .....	<u>86,020</u>	<u>–</u>	<u>–</u>

The above amounts due to fellow subsidiaries are unsecured, non-interest-bearing and repayable on similar credit terms offered by other suppliers of the Group.

### 31. OTHER PAYABLES AND ACCRUALS

#### THE GROUP

	<b>At December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Advance from customers .....	733,700	680,162	638,920
Proceeds from pre-sale of properties .....	502,853	463,192	16,619
Other payables (note (a)) .....	455,861	358,592	581,972
Amounts due to Inner Mongolia Power Group (note (b)) .....	194,104	–	–
Amounts due to fellow subsidiaries (note (b)) .....	25,324	25,971	14,958
Amounts due to parent company (note (b)) .....	–	–	36,779
Accrued payroll and welfare .....	314,829	258,502	170,741
Accrued benefit for retired employees* .....	–	250,000	247,214
Non-income related tax payables .....	78,111	58,064	95,930
Interest payables .....	<u>342</u>	<u>572</u>	<u>3,247</u>
	<u>2,305,124</u>	<u>2,095,055</u>	<u>1,806,380</u>

#### Notes:

- (a) The balances of other payables mainly include retentions money payable, deposits payable and others.
- (b) Amounts due to Inner Mongolia Power Group, fellow subsidiaries and parent company were unsecured, interest free and repayable on demand.

The amounts due to fellow subsidiaries and parent company included in other payables and accruals are analysed as follows:

	<b>At December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Analysed by nature:			
Trade nature (aged within 1 year) .....	2,965	1,000	–
Non trade nature .....	<u>25,324</u>	<u>25,971</u>	<u>51,737</u>
	<u>28,289</u>	<u>26,971</u>	<u>51,737</u>

In the opinion of the Directors, the outstanding non-trade balances at December 31, 2016 will be repaid before the Listing.

## THE COMPANY

	<b>At December 31,</b>
	<b>2016</b>
	<i>RMB'000</i>
Accrued payroll and welfare .....	14,597
Other payables .....	1,528
Accrued benefit for retired employees* .....	247,212
Non-income related tax payables .....	253
Interest payables .....	2,570
Amounts due to subsidiaries .....	294,560
	<u>560,720</u>

\* This represents the fund received from the Inner Mongolia SASAC for retirement benefit of retired employees in addition to the Group's defined benefit scheme. The utilization of this fund is restricted for this specified purpose.

## 32. BANK AND OTHER BORROWINGS

## THE GROUP

	<b>At December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current			
Short term bank borrowings:			
unsecured .....	200,000	240,000	1,410,000
Short term other borrowings:			
unsecured .....	-	400,000	100,000
Current portion of long term bank borrowings:			
unsecured .....	36,500	38,500	162,500
	<u>236,500</u>	<u>678,500</u>	<u>1,672,500</u>
Non-current			
Long term bank borrowings:			
unsecured .....	<u>403,000</u>	<u>364,500</u>	<u>2,485,000</u>

	At December 31,		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount repayable based on repayment term:			
On demand or within one year .....	236,500	678,500	1,672,500
More than one year but within two years .....	40,500	42,500	800,500
More than two years but within five years .....	121,500	121,500	1,532,500
More than five years .....	241,000	200,500	152,000
	<u>639,500</u>	<u>1,043,000</u>	<u>4,157,500</u>
Less: Amounts due within one year shown under current liabilities .....	<u>(236,500)</u>	<u>(678,500)</u>	<u>(1,672,500)</u>
Amounts shown under non-current liabilities .....	<u>403,000</u>	<u>364,500</u>	<u>2,485,000</u>

The amounts due to Energy Construction Group included in other borrowings above are analysed below, and expired before April 2017. At the date of this report, the outstanding balance was fully settled.

	At December 31,		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Energy Construction Group .....	<u>—</u>	<u>400,000</u>	<u>100,000</u>

The bank borrowings guaranteed by parent company are analyzed below. At the date of this report, the bank borrowings guaranteed by parent company is nil.

	At December 31,		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guaranteed by			
Energy Construction Group .....	<u>—</u>	<u>200,000</u>	<u>700,000</u>

The carrying amounts of the bank and other borrowings and the range of effective interest rates are as below:

	At December 31,					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Fixed rate bank borrowings .....	—	—	40,000	4.13-5.60	2,710,000	4.13-5.60
Fixed rate other borrowings .....	—	—	400,000	4.35	100,000	4.35
Floating rate bank borrowings .....	<u>639,500</u>	5.35-6.49	<u>603,000</u>	5.10-6.21	<u>1,347,500</u>	4.35-5.39
	<u>639,500</u>		<u>1,043,000</u>		<u>4,157,500</u>	

The floating rate bank and other borrowings are arranged at the interest rate based on benchmark interest rates of the People's Bank of China.



## THE COMPANY

	<b>At December 31, 2016</b>
	<u>RMB'000</u>
Current	
Short term other borrowings:	
unsecured . . . . .	100,000
Current portion of long term bank borrowings:	
unsecured . . . . .	<u>110,000</u>
	<u>210,000</u>
Non-current	
Long term bank borrowings:	
unsecured . . . . .	<u>1,390,000</u>
	<u>1,600,000</u>
	<b>At December 31, 2016</b>
	<u>RMB'000</u>
Carrying amount repayable based on repayment term:	
On demand or within one year . . . . .	210,000
More than one year but within two years . . . . .	260,000
More than two years but within three years . . . . .	<u>1,130,000</u>
	1,600,000
Less: Amounts due within one year shown under current liabilities . . . . .	<u>(210,000)</u>
Amounts shown under non-current liabilities . . . . .	<u>1,390,000</u>

The short term other borrowings are from Energy Construction Group and bear interest at fixed rates of 4.35% per annum, and expired before April 2017. At the date of this report, the outstanding balance was fully settled.

**33. DEFINED BENEFIT OBLIGATIONS**

The Group pays post-employment obligations to its retired employees in the PRC. In addition, the Group is committed to make periodic benefits payments to certain former employees, who were terminated or early retired, standby staff with injury and the dependents of deceased employees in accordance with various employee benefit schemes adopted by the Group. These benefits were only applicable to the qualifying employees.

The plan exposes the Group to actuarial risks such as interest rate risk, benefit risk and average medical expense risk.

Interest risk	The present value of the defined benefit plan obligations is calculated using a discount rate determined by reference to government bond yields. As such, a decrease in the bond interest rate will increase the plan liability.
Benefit risk	The present value of the defined benefit plan obligations is calculated by reference to the future benefits of plan participants. As such, an increase in the benefits of the plan participants will increase the plan liability.
Average medical expense risk	The present value of the defined benefit plan obligations is calculated by reference to the future average medical expense of plan participants. As such, an increase in the average medical expense of the plan participants will increase the plan liability.

The actuarial valuations of the present value of the defined benefit obligations as of December 31, 2014, 2015 and 2016 were carried out by an independent firm of actuaries, Towers Watson, a member of China Association of Actuaries. The address of Towers Watson is at 29th Floor, Units 2917, 2927, 2929, 2918, 2920, South Tower, Kerry Centre 1, Guang Hua Road, Chaoyang District, Beijing, the PRC. The present value of the defined benefit obligations, and the related current service cost and past cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<u>At December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Discount rate* . . . . .	3.5%-4%	2.75%-3.25%	3%-3.5%
Annual increase rate of pension benefits for civil retirees, retirees and beneficiaries . . . . .	2%	2%	2%
Annual cost of living adjustment (COLA) for internal retirees . . . . .	4.5%	4.5%	4.5%
Medical cost trend rates . . . . .	<u>8%</u>	<u>8%</u>	<u>8%</u>

\* The discount rate has been determined with reference to the yields on state government bonds.

Amounts recognized in the consolidated statements of profit or loss and other comprehensive income in respect of the defined benefit plans are as follows:

	<u>Year ended December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest cost . . . . .	19,138	17,878	16,074
Components of defined benefit costs recognized in profit and loss under administrative expenses . . . . .	898	2,468	1,621
Components of defined benefit costs recognized in other comprehensive income . . . . .	<u>73,274</u>	<u>54,881</u>	<u>17,298</u>
<b>Total</b>	<b><u>93,310</u></b>	<b><u>75,227</u></b>	<b><u>34,993</u></b>

The service cost for the Track Record Period is included in the employee benefits expense in profit or loss. The interest cost for the Track Record is included in finance costs in profit or loss. The remeasurement of the net defined benefit obligations arising from changes in financial assumptions for the Track Record Period is included in other comprehensive income.

The amount of retirement and supplemental benefit obligations recognized in the consolidated statements of financial position are determined as follows:

#### The Group

	<u>At December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net liability arising from defined benefit obligations . . . . .	463,441	512,482	521,528
Less: Amount due within one year . . . . .	<u>(26,759)</u>	<u>(27,064)</u>	<u>(26,373)</u>
Amount due after one year . . . . .	<u>436,682</u>	<u>485,418</u>	<u>495,155</u>

Movements in the present value of the retirement and supplemental benefit obligations during the Track Record Period were as follows:

	<u>Year ended December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the year . . . . .	402,510	463,441	512,482
Interest cost . . . . .	19,138	17,878	16,074
Benefits paid . . . . .	(31,481)	(23,718)	(24,326)
Actuarial (gains) losses arising from changes in financial assumptions . . . . .	73,274	54,881	17,298
	<u>463,441</u>	<u>512,482</u>	<u>521,528</u>
At end of the year . . . . .			

Mortality is assumed to be the average life of expectancy of residents in Mainland China and the medical costs paid to early retirees are assumed to continue until the death of the retirees.

Significant actuarial assumptions made in determining defined benefit obligations are discount rate, supplemental benefit inflation rate and medical cost trend rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of each of the Track Record Period, while holding all other assumptions constant.

- If the discount rate on benefit obligations increases by 0.25%, the defined benefit obligations would decrease by RMB18,486,000, RMB17,747,000 and RMB17,919,000 as of December 31, 2014, 2015 and 2016, respectively;
- If the discount rate on benefit obligations decreases by 0.25%, the defined benefit obligations would increase by RMB18,575,000, RMB18,848,000 and RMB19,012,000 as of December 31, 2014, 2015 and 2016, respectively;
- If the pension benefit rate increases by 1%, the defined benefit obligations would increase by RMB39,371,000, RMB46,863,000 and RMB42,440,000 as of December 31, 2014, 2015 and 2016, respectively;
- If the pension benefit rate decreases by 1%, the defined benefit obligations would decrease by RMB32,243,000, RMB38,296,000 and RMB34,835,000 as of December 31, 2014, 2015 and 2016, respectively;
- If the average medical cost trend rate increases by 1%, the defined benefit obligations would increase by RMB27,489,000, RMB32,158,000 and RMB37,385,000 as of December 31, 2014, 2015 and 2016, respectively;
- If the average medical cost trend rate decreases by 1%, the defined benefit obligations would decrease by RMB21,433,000, RMB25,072,000 and RMB29,471,000 as of December 31, 2014, 2015 and 2016, respectively.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the Projected Unit Credit Method at the end of each reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognized in the consolidated statements of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis during the Track Record Period.

The average expected future lifetime of the covered participants can be analysed as follows:

- Retirees: 20 years, 19 years and 18 years for the years ended December 31, 2014, 2015 and 2016;

- Civil retirees: 7 years, 6 years and 6 years for the years ended December 31, 2014, 2015 and 2016;
- Internal retirees: 31 years, 30 years and 30 years for the years ended December 31, 2014, 2015 and 2016;
- Active employees: 44 years, 43 years and 43 years for the years ended December 31, 2014, 2015 and 2016;
- Beneficiaries: 12 years, 11 years and 11 years for the years ended December 31, 2014, 2015 and 2016.

### 34. CAPITAL AND RESERVES

#### (a) Issued share capital

	<u>At December 31, 2016</u>	
	Number of shares	Nominal value <i>RMB'000</i>
Registered, issued and fully paid		
– State legal person shares of RMB1 each .....	<u>2,100,000,000</u>	<u>2,100,000</u>

The Company was established on March 24, 2016 with a registered capital of RMB500 million. The Company was converted into a joint stock company on May 31, 2016 with an initial registered share capital of RMB2,100 million divided into 2,100 million shares with a par value of RMB1 each. 2,100 million state legal person shares with a par value of RMB1 each were issued to Energy Construction Group and IMSGPC, all of which were credited as fully paid, in consideration for the transfer of the Core Business to the Company pursuant to the Reorganization as set out in note 1.

#### (b) Group's reserve

Details of the Group's reserves for the Track Record Period are presented in the consolidated statements of changes in equity.

#### (c) Company's reserves

	Capital reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At the date of Reorganization .....	1,005,832	–	1,005,832
Loss and total comprehensive expense for the period .....	<u>–</u>	<u>(27,183)</u>	<u>(27,183)</u>
At December 31, 2016 .....	<u>1,005,832</u>	<u>(27,183)</u>	<u>978,649</u>

### 35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt, which includes bank and other borrowings as disclosed in note 32, net of pledged deposits, bank and cash balances and equity attributable to owners of the Company.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations by the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares or capital contribution, raising new debts or the redemption of existing debts.

## 36. FINANCIAL INSTRUMENTS

## a. Categories of financial instruments

## THE GROUP

	At December 31,		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Financial assets</b>			
<b>Loans and receivables:</b>			
Trade and bills receivables .....	2,522,837	3,749,932	6,867,066
Deposits and other receivables .....	399,611	360,836	1,573,247
Pledged bank deposits .....	79,038	221,217	249,802
Time deposits .....	444,490	10,000	200,000
Cash and cash equivalents .....	2,077,959	2,158,018	1,535,514
Subtotal .....	5,523,935	6,500,003	10,425,629
Available-for-sale investments .....	1,000	1,000	1,000
	<u>5,524,935</u>	<u>6,501,003</u>	<u>10,426,629</u>
<b>Financial liabilities</b>			
<b>Amortized cost:</b>			
Trade and bills payables .....	2,224,911	2,621,714	3,053,796
Other payables .....	675,631	385,135	636,958
Bank and other borrowings .....	639,500	1,043,000	4,157,500
	<u>3,540,042</u>	<u>4,049,849</u>	<u>7,848,254</u>

## THE COMPANY

	At December 31,
	2016
	<i>RMB'000</i>
<b>Financial assets</b>	
<b>Loans and receivables:</b>	
Bills receivables .....	5,557
Deposits and other receivables .....	2,291,091
Cash and cash equivalents .....	206,376
	<u>2,503,024</u>
<b>Financial liabilities</b>	
<b>Amortised cost:</b>	
Trade payables .....	1,734
Other payables .....	298,658
Bank and other borrowings .....	1,600,000
	<u>1,900,392</u>

**b. Financial risk management objectives and policies**

The Company's major financial instruments include bank and cash balances, bills receivables, deposits and other receivables, other payables and bank and other borrowings. The Group's major financial instruments include trade and bills receivables, pledged bank deposits, bank and cash balances, deposits and other receivables, trade and bills payable, other payables, bank and other borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***Market risk******Interest rate risk***

The Group is exposed to fair value interest rate risk which arises from fixed rate bank and other borrowings.

The Company is exposed to fair value interest rate risk which arises from fixed rate loans to subsidiaries and bank and other borrowings.

In addition, the Group is exposed to cash flow interest rate risk which arises from floating rate bank and other borrowings, and cash and cash equivalents. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

***Sensitivity analysis***

The sensitivity analyses below have been determined based on the exposure to interest rates for bank and cash balances, pledged bank deposits, floating rate bank and other borrowings at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year. A 10 basis points increase or decrease in interest rate on bank and cash balances and pledged bank deposits and a 50 basis points increase or decrease in interest rate on floating rate bank and other borrowings are used which represent management's assessment of the reasonably possible changes in interest rates.

If interest rates had been 10 basis points higher/lower for bank and cash balances and pledged deposits with all other variable held constant, the Group's post-tax profit for the years ended December 31, 2014, 2015 and 2016 would increase/decrease by approximately RMB1,951,000, RMB1,792,000 and RMB1,489,000, respectively.

If interest rates had been 50 basis points higher/lower for floating rate bank and other borrowings with all other variables held constant, the Group's post-tax profit for the years ended December 31, 2014, 2015 and 2016 would decrease/increase by approximately RMB2,398,000, RMB2,261,000 and RMB5,053,000, respectively.

***Credit risk***

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. At the end of each reporting period, the Company's and the Group's maximum exposure is arising from the carrying amount of the respective recognized financial assets as stated in the Company's and consolidated statements of financial position.

The Group has concentration of credit risk as 31.7%, 38.4% and 23.7% of the total trade receivables was due from the Group's largest five customers in the PRC as of December 31, 2014, 2015, and 2016, respectively. The Group's remaining customers individually contribute less than 3% of the total trade receivables of the Group.

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimize the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to

recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds was limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies.

Other than the above mentioned concentration of credit risk, the Group does not have any other significant concentration of credit risk.

### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank and cash balances as well as undrawn banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and bills payable to ensure compliance with loan covenants.

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

### THE GROUP

	Weighted average interest rate %	Repayable within one year RMB'000	In the second year RMB'000	In the third year RMB'000	In the fourth year RMB'000	In the fifth year RMB'000	After five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<b>At December 31, 2014</b>									
Trade and bills payables	N/A	2,207,110	17,801	–	–	–	–	2,224,911	2,224,911
Other payables	N/A	675,631	–	–	–	–	–	675,631	675,631
Interest-bearing bank and other borrowings									
– Floating rate	6.41	278,764	68,239	65,452	62,665	59,878	257,591	792,589	639,500
		<u>3,161,505</u>	<u>86,040</u>	<u>65,452</u>	<u>62,665</u>	<u>59,878</u>	<u>257,591</u>	<u>3,693,131</u>	<u>3,540,042</u>
<b>At December 31, 2015</b>									
Trade and bills payables	N/A	2,603,186	18,528	–	–	–	–	2,621,714	2,621,714
Other payables	N/A	385,135	–	–	–	–	–	385,135	385,135
Interest-bearing bank and other borrowings									
– Floating rate	6.18	277,745	63,928	61,312	58,695	56,078	213,461	731,219	603,000
– Fixed rate	4.47	459,647	–	–	–	–	–	459,647	440,000
		<u>3,725,713</u>	<u>82,456</u>	<u>61,312</u>	<u>58,695</u>	<u>56,078</u>	<u>213,461</u>	<u>4,197,715</u>	<u>4,049,849</u>
<b>At December 31, 2016</b>									
Trade and bills payables	N/A	3,033,373	20,423	–	–	–	–	3,053,796	3,053,796
Other payables	N/A	636,958	–	–	–	–	–	636,958	636,958
Interest-bearing bank and other borrowings									
– Floating rate	4.80	309,768	594,839	340,371	49,847	49,455	159,850	1,504,130	1,347,500
– Fixed rate	4.56	1,508,016	361,300	1,131,300	–	–	–	3,000,616	2,810,000
		<u>5,488,115</u>	<u>976,562</u>	<u>1,471,671</u>	<u>49,847</u>	<u>49,455</u>	<u>159,850</u>	<u>8,195,000</u>	<u>7,848,254</u>

## THE COMPANY

	Weighted average interest rate %	Repayable on demand or within one year RMB'000	In the second year RMB'000	In the third year RMB'000	In the fourth year RMB'000	In the fifth year RMB'000	After five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<b>At December 31, 2016</b>									
Trade payables . . .	N/A	1,734	–	–	–	–	–	1,734	1,734
Other payables . . .	N/A	298,658	–	–	–	–	–	298,658	298,658
Interest-bearing bank and other borrowings									
– Fixed rate . . .	4.35	175,600	71,250	1,562,845	–	–	–	1,809,695	1,600,000
		<u>475,992</u>	<u>71,250</u>	<u>1,562,845</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,110,087</u>	<u>1,900,392</u>

The amounts included above for floating interest rate instruments for non-derivative financial liabilities are subject to change if the actual floating interest rates differ to those estimates of interest rates determined at the end of each reporting period.

*Fair value measurement*

*Fair value measurement for financial instruments not measured at fair value on a recurring basis*

The Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortized cost in the Financial Information approximate their fair values which are determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

## 37. CAPITAL COMMITMENTS

## THE GROUP

	At December 31,		
	2014 RMB'000	2015 RMB'000	2016 RMB'000
Capital expenditures contracted but not provided for:			
Property, plant and equipment . . . . .	34,807	27,381	96,409
Committed capital injection into a joint venture . . . . .	–	–	22,746
	<u>–</u>	<u>–</u>	<u>22,746</u>



## 38. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<u>At December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year .....	2,184	8,906	9,886
1 to 2 years .....	2,184	2,933	9,886
2 to 3 years .....	1,456	—	4,119
	<u>5,824</u>	<u>11,839</u>	<u>23,891</u>

Operating lease payments represent fixed rentals payable by the Group for certain of its office premises owned by the Energy Construction Group as of December 31, 2016. Leases of rented premises are negotiated with fixed lease terms for 1 to 3 years.

The Group as lessor

For the year ended December 31, 2014, 2015 and 2016 property rental income earned was RMB6,051,000, RMB8,998,000 and RMB8,958,000, respectively. As of December 31, 2014, 2015 and 2016 the investment properties held, with carrying amount RMB13,096,000, RMB12,383,000 and RMB9,717,000, respectively.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	<u>At December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year .....	5,260	3,938	2,939
In the second to fifth year inclusive .....	1,000	—	—
Total	<u>6,260</u>	<u>3,938</u>	<u>2,939</u>

## 39. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities (including bank borrowings, bills payable) and other financing granted to the Group.

**The Group:**

	<i>Note</i>	<u>At December 31,</u>		
		<u>2014</u>	<u>2015</u>	<u>2016</u>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank deposits .....	29	<u>79,038</u>	<u>221,217</u>	<u>249,802</u>

**40. RELATED PARTY TRANSACTIONS**

## (a) Significant related party transactions

Save as disclosed elsewhere in the Financial Information, the Group entered into the following transactions with related parties, during the Track Record Period.

In the opinion of the Directors, the following related party transactions were conducted in the ordinary course of business. Construction and contracting revenue generated from fellow subsidiaries, and rental paid to parent company will continue after the Listing.

	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b><u>Construction and contracting revenue</u></b>			
Fellow subsidiaries .....	–	355,449	159,381
<b><u>Service revenue</u></b>			
Parent company .....	–	–	37,893
<b><u>Sales of goods</u></b>			
Fellow subsidiaries .....	10,628	–	–
<b><u>Purchase of goods</u></b>			
Fellow subsidiaries .....	36,549	13,029	–
<b><u>Rental expense</u></b>			
Parent company .....	–	–	5,767

Note:

In the opinion of the Directors, the transaction between the Group and the related parties were based on prices mutually agreed between the parties after taking reference of the market prices.

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or organisations (collectively “State-owned Enterprises”). During the Track Record Period, the Group had transactions with State-owned Enterprises including, but not limited to, the provision of infrastructure construction services and purchases of services. The Directors consider that the transactions with these State-owned Enterprises are activities in the ordinary course of the Group’s business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these State-owned Enterprises are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for services and products, and such pricing policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationship, the Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(b) **Outstanding balances with related parties**

Details of the outstanding balances with related parties are set out in notes 26, 27, 28, 30, 31 and 32.

## (c) Certain bank borrowings as of December 31, 2014, 2015 and 2016, were guaranteed by related parties. Details are set out in Note 32.

**(d) Compensation of key management personnel**

The remuneration of key management during the year was as follows:

	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other allowances .....	–	–	465
Discretionary bonus .....	–	–	2,516
Retirement benefit scheme contributions .....	–	–	70
	<u>–</u>	<u>–</u>	<u>3,051</u>

Before the Reorganization at May 31, 2016, all the key management received their emoluments from Energy Construction Group, part of which was in respect of their services to the companies now comprising the Group. No apportionment has been made as the Directors consider that it is impracticable to apportion these amounts between their services to the companies now comprising the Group and their services to Energy Construction Group.

**41. ACQUISITION OF SUBSIDIARIES**

During the year ended December 31, 2015 and 2016, the Group acquired the entire equity interests of certain companies owned by certain employees of the Group.

In respect of the companies owned by certain employees of the Group, the Inner Mongolia SASAC initiated the transactions to acquire these companies for the purposes of onward injection into Energy Construction Group so as to enable Energy Construction Group to make injection of these companies into the Group pursuant to the Reorganization. Under these acquisition transactions initiated by Inner Mongolia SASAC, purchase consideration amounted to the paid up capital of these companies. As Inner Mongolia SASAC is the controlling party of Energy Construction Group, these bargain purchase gain obtained by Inner Mongolia SASAC at the date of acquisition of these companies are recognized in reserve of the Group as deemed owner's contribution.

These companies are engaged in construction and provision of construction related services.

The fair value of identifiable net assets of these subsidiaries approximate to their book values on acquisition date. Assets and liabilities recognized at the date of acquisition are as follow:

(a) Subsidiaries acquired during the year ended December 31, 2015

	<i>RMB'000</i>
Property, plant and equipment .....	2,721
Intangible assets .....	106
Deferred tax assets .....	274
Inventories .....	52
Trade and bills receivables .....	18,092
Prepayments, deposits and other receivables .....	2,272
Cash and cash equivalents .....	53,970
Trade and bills payables .....	(130)
Other payables and accruals .....	(3,435)
Other borrowings .....	(5,000)
Defined benefit obligations .....	<u>(1,096)</u>
 Net assets .....	 67,826
Cash consideration .....	<u>(4,360)</u>
 Bargain purchase gain recognized as deemed contributions by owner .....	  <u>63,466</u>
Net cash inflow arising on acquisition	
Total cash consideration paid .....	(4,360)
Add: cash and cash equivalents acquired .....	<u>53,970</u>
 Net inflow of cash and cash equivalents .....	 <u>49,610</u>

The newly acquired subsidiaries did not contribute any revenue or profit for the year ended December 31, 2015.

Had the acquisition been completed on January 1, 2015, total group revenue for the year would have been RMB6,558,619,000 and profit for the year would have been RMB301,019,000. The pro-forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2015, nor was it intended to be a projection of future results.

(b) Subsidiary acquired during the year ended December 31, 2016

	<i>RMB'000</i>
Property, plant and equipment .....	41
Prepayments, deposits and other receivables .....	56
Cash and cash equivalents .....	1,204
Trade and bills payables .....	(587)
Other payables and accruals .....	(233)
Non-controlling interest .....	<u>(159)</u>
 Net assets and bargain purchase gain recognized as deemed contributions by owner .....	  <u>322</u>
Net cash inflow arising on acquisition	
Cash and cash equivalents acquired .....	<u>1,204</u>

Included in the profit for the year was RMB360,000 and revenue for the year was RMB1,210,000 attributable to the additional business generated by the newly acquired subsidiary.

Had the acquisition been completed on January 1, 2016, total group revenue for the year would have been RMB9,782,762,000 and profit for the year would have been RMB616,852,000. The pro-forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2016, nor was it intended to be a projection of future results.

In determining the above 'pro-forma' revenue and profit of the Group had subsidiaries been acquired at the beginning of the respective year, the directors have calculated depreciation of property, plant and equipment, and amortization of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements.

#### 42. MAJOR NON-CASH TRANSACTIONS

Major non-cash transactions during the Track Record Period were set out as follows:

	<u>Year ended December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-cash assets capital injection by owner into the Group ( <i>note 15</i> ) . . . . .	–	27,220	–
Deemed distribution of non-cash net assets to Energy Construction Group . . . . .	–	–	153,145
	<u>–</u>	<u>–</u>	<u>153,145</u>

#### 43. PARTICULARS OF SUBSIDIARIES

In addition to the principal subsidiaries disclosed in this report, at the end of each reporting period, the Group has other subsidiaries that are not material to the Group. These subsidiaries were inactive and did not generate any revenue during the Track Record Period, which are summarized as follows:

<u>Principal activities to be carried out</u>	<u>Principal place of business</u>	<u>Number of subsidiaries</u>		
		<u>At December 31,</u>		
		<u>2014</u>	<u>2015</u>	<u>2016</u>
Manufacturing . . . . .	Inner Mongolia	–	2	3
Power generation . . . . .	Inner Mongolia	–	6	8
Trading of petroleum, coal, metal and chemical products . . . . .	Beijing and other regions of the PRC	–	1	5
Consulting . . . . .	Inner Mongolia	–	–	1
Investment holding . . . . .	Inner Mongolia	–	10	10
Inspection services . . . . .	Inner Mongolia	–	–	1
Construction . . . . .	Inner Mongolia	–	–	2
		<u>–</u>	<u>19</u>	<u>30</u>

The Group had 2 and 4 non-wholly owned subsidiaries as of December 31, 2015 and December 31, 2016, respectively. Their non-controlling interests is immaterial individually and in aggregate to the Group.

#### B. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the shareholders' resolution of the Company passed on July 9, 2016, prior to the Hong Kong public offering and international offering of the ordinary shares of the Company, the existing shareholders of the Company, Energy

Construction Group and IMSGPC, are entitled to special dividends based on the proportion of shares they hold, the total amount of which shall be determined based on the distributable net profits attributable to the owners of the Company for the period from June 1, 2016 to June 30, 2017 as determined after a special audit applicable to enterprises established in the PRC (the "Special Dividend"). In accordance with relevant regulation, Energy Construction Group is entitled to a dividend in an amount equal to the Group's retained earnings for the period from January 1, 2016 to May 31, 2016, being the date of establishment of the Company (the "Pre-establishment Dividend"). The Special Dividend and the pre-establishment dividend (collectively, the "Aggregate Dividend"), which is estimated to be RMB874.7 million based on the latest management accounts of the Group, have not been provided in the Financial Information.

Pursuant to the shareholders' resolution of the Company dated on June 26, 2017, RMB690.3 million of Aggregate Dividend will prepay to Energy Construction Group prior to the Listing and such prepaid Aggregate Dividend will be used to offset the transfer consideration of RMB690.3 million as detailed in note 28.

#### **C. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any periods subsequent to December 31, 2016.

Yours faithfully,  
**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for the three years ended December 31, 2016 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

### (A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets of the Group which has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if the Global Offering had taken place on December 31, 2016. The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 or at any future dates following the Global Offering. It is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 as derived from the Accountants' Report set out in Appendix I of this prospectus and adjusted as described below:

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 <sup>(1)</sup> <i>RMB'000</i>	Estimated net proceeds from the Global Offering <sup>(2)</sup> <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share <i>RMB</i> <sup>(3)</sup> <i>HK\$</i> <sup>(4)</sup>	
Based on an Offer Price of HK\$1.60 per Share .....	3,431,991	868,672	4,300,663	1.54	1.76
Based on an Offer Price of HK\$1.68 per Share .....	3,431,991	915,067	4,347,058	1.55	1.78

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 has been calculated based on the audited consolidated net assets of the Group attributable to the owners of the Company of RMB3,460,295,000 after deducting intangible assets of RMB28,304,000, extracted from the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 700,000,000 Shares at the Offer Price of HK\$1.60 and HK\$1.68 per Share, respectively, after deduction of the underwriting fees and other related expenses expected to be incurred by the Group subsequent to December 31, 2016. No account has been taken of the Shares which may be issued pursuant to any exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of RMB0.8715 to HK\$1.00, which was the PBOC rate prevailing on June 16, 2017. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 2,800,000,000 Shares, comprising 2,100,000,000 Shares in issue at December 31, 2016 and 700,000,000 new Shares to be issued under the Global Offering. It does not take into account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is converted from RMB into Hong Kong dollars at the rate of HK\$1.00 to RMB0.8715 which was the PBOC rate prevailing on June 16, 2017. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
- (5) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 do not take into account the pre-establishment dividend and the special dividends, collectively, the “Aggregate Dividend” details of which are disclosed in the section headed “Financial Information – Dividends” in this prospectus. The Company preliminarily estimated that the above dividend would amount to approximately RMB 874.7 million. The dividend attributable to Energy Construction Group is amounting to RMB871.3 million. The actual amount of the Aggregate Dividend will be determined after a special audit by an independent accounting firm in the PRC to be conducted after the Global Offering. After the completion of the special audit, the Group will make an announcement regarding the actual amount of the Aggregate Dividend before pay the remaining amount of such Aggregate Dividend. The Group expect to pay the remaining amount of such Aggregate Dividend within six months after the Listing Date. Had the declaration of special dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share would be reduced to RMB1.22 (equivalent to HK\$1.41), based on a price of HK\$1.60 per Share, and RMB1.24 (equivalent to HK\$1.42), based on a price of HK\$1.68 per Share.
- (6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2016 to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2016.



**(B) ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this prospectus.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION****To the Directors of Inner Mongolia Energy Engineering Co., Ltd**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Inner Mongolia Energy Engineering Co. Ltd (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted consolidated net tangible assets as of December 31, 2016 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated June 30, 2017 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position at December 31, 2016 as if the Global Offering had taken place at December 31, 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended December 31, 2016 on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Pro Forma Financial Information**

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services

Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at December 31, 2016 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

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**APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu  
Certified Public Accountants  
Hong Kong  
June 30, 2017

This appendix contains a summary of the laws and regulations of Hong Kong and PRC governing taxation and foreign exchange.

## A. PRC TAXATION

### Taxations applicable to joint stock corporations with limited liability

#### *Enterprise Income Tax*

Pursuant to the Enterprise Income Tax Law of the People's Republic of China ("EIT Law") and the Implementation Rules of the Law of the people's Republic of China ("Implementation Rules"), both of which became effective on January 1, 2008, non-resident enterprises which have establishments or premises of business in China are subject to Enterprise Income Tax on their income sourced from China by such establishments or premises of business in China and on their income sourced from outside China which is effectively connected with such establishments or premises of business. Non-resident enterprises, which do not have establishments or premises of business in China, or which have establishments or premises of business in China but relevant income is not effectively connected with such establishments or premises of business, are subject to enterprise income tax on their income sourced from China. The tax rate for enterprise income tax is 25 percent under the EIT Law.

#### *Business Tax*

Pursuant to the Provisional Regulations on Business Tax of the People's Republic of China (《中華人民共和國營業稅暫行條例》) and its Implementation Rules which became effective on January 1, 2009, all entities and individuals who provide taxable services, assign intangible assets or sell immovable properties within the territory of the PRC are subject to business tax at rates ranging from 3% to 20%. Construction enterprises are subject to a business tax rate of 3%.

Pursuant to the Pilot Proposals for the Transformation from Business Tax to Value Added Tax (營業稅改徵增值稅試點方案) ("Pilot Proposals") promulgated by the Ministry of Finance and the SAT and effective on November 16, 2011, the transformation from business tax to VAT will take effect on January 1, 2012 in pilot business of pilot areas. Pursuant to the Pilot Proposals, two levels of low VAT rates of 11% and 6% are added in the current VAT rates which are 17% and 13% respectively. The tax rate for business such as the transportation business and the construction business is 11% and the tax rate for certain other modern service business is 6%.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of Replacing Business Tax with Value Added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) which was promulgated by the MF and the SAT on March 23, 2016 and became effective on May 1, 2016, since May 1, 2016, the government will levy VAT in lieu of business tax on a trial basis within the territory of the PRC, and any taxable activities of taxpayers shall be subject to a tax rate of 6% except for the taxpayer providing transportation, postal, telecom, construction, real estate leasing service, selling real estate, transferring land use right, leasing services of tangible personal property, and any cross-border taxable activity conducted by an entity or individual within the territory.

***Value-added Tax (VAT)***

Pursuant to the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) which became effective on January 1, 2009 and its implementation rules, all entities and individuals who sell goods, provide processing services, repairs and replacement services, or import goods within the territory of the PRC are VAT payers. The tax rate for general taxpayers selling or importing food grains, edible vegetable oil, tap water, heating, air conditioning, hot water, coal gas, liquefied petroleum gas, natural gas, methane gas, coal or charcoal-based products for household use, books, newspapers, magazines, feeds, chemical fertilizers, agricultural chemicals, agricultural machinery and covering plastic film for farming and other goods as stipulated by the State Council shall be 13%. The tax rate for taxpayers exporting goods shall be 0%, except as otherwise stipulated by the State Council. The tax rate for taxpayers selling or importing goods other than those mentioned above, or providing processing, repair and replacement services shall be 17%. The tax rate for small-scale taxpayers shall be 3%. A small-scale taxpayer refers to a taxpayer who produces goods or provides taxable services, or who produces goods or provides taxable services as its core business while operating wholesale or retail business as aside line with annual taxable sales amount ("taxable sales amount") below RMB 500,000; or a taxpayer who operates whole sale or retail business with annual taxable sales amount below RMB 800,000. An individual, a non-enterprise entity, and an enterprise who seldom has taxable activities with annual taxable sales amount exceeding the minimum taxable sales amount for a small-scale taxpayer shall be deemed as a small-scale taxpayer for VAT purpose.

***Stamp Duty***

Pursuant to the Provisional Regulation on Stamp Duty of the People's Republic of China (《中華人民共和國印花稅暫行條例》) which became effective on October 1, 1988, last amended on January 8, 2011 and the Implementation Rules of the Provisional Regulations on Stamp Duty of the People's Republic of China (《中華人民共和國印花稅暫行條例施行細則》) which became effective on October 1, 1988, entities and individuals who execute or receive taxable instruments within the territory of the PRC are subject to stamp duty.

Taxable instruments include purchases and sales contracts, the undertaking of processing contracts, contracts for undertaking construction projects, property leasing contracts, commodity transport contracts, warehousing and safekeeping contracts, loan contracts, property insurance contracts, technology contracts and other documents of contractual nature, property transfer documents, account books, certificates of title, licenses and other documents that are taxable as determined by the MOF. Pursuant to the stamp duty schedule, the stamp duty rate applicable to survey and design contracts for engineering and construction projects will be 0.05% of the professional fees receivable for rendering survey and design service, as compared to 0.03% of the contractual amount for construction and installation project contracts.

**Taxations applicable to shareholders of companies*****Dividend Tax***

Pursuant to the Individual Income Tax Law of the People's Republic of China which was implemented on September 10, 1980, last amended on June 30, 2011 and became effective on

September 1, 2011, and the Implementing Regulations of the Individual Income Tax Law of the People's Republic of China, which was last amended by the State Council on July 19, 2011 and became effective on September 1, 2011, dividends paid on the H shares held by anon-resident foreign individual is subject to individual income tax at a tax rate of 20%, unless specifically exempted by the taxation authority of the State Council or reduced under an applicable tax treaty.

Pursuant to the Circular Concerning Questions on Withholding and Payment of Enterprise Income Tax when PRC Resident Enterprises Distribute Dividends to Overseas Non-resident Corporate Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股利代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation, which became effective on November 6, 2008, any PRC resident enterprises distributing dividends for the year of 2008 and onward to overseas non-resident corporate shareholders of H Shares shall withhold enterprise income tax at a uniform rate of 10%. Such tax may be exempted or reduced under an applicable tax treaty for avoidance of double taxation after an application is approved.

Pursuant to the Circular on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of the Document (Guo Shui Fa [1993] No.045) (《關於國稅發[1993] 045號檔廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) promulgated for implementation by the State Administration of Taxation on June 28, 2011, the overseas resident individual shareholders of a domestic non-foreign-invested enterprise which issued stocks in Hong Kong are entitled to relevant preferential tax treatments in accordance with the tax treaties entered into by and between the countries they are from and China as well as the taxation arrangement between the Mainland China and Hong Kong(Macau). An individual income tax shall be withheld at a preferential tax rate of 10% generally for dividends paid to overseas resident individual shareholders by the domestic non-foreign-invested enterprise which issued stocks in Hong Kong. In case the 10% tax rate is not applicable, tax shall be levied as follows: (i) for individual shareholders receiving dividends who are residents of countries which have entered into tax treaties with China with tax rate lower than 10%, the obligatory withholder may apply for the preferential tax treatment at such lower rate on behalf of the entitled shareholders when distributing dividends, and the surplus amount withheld will be refunded upon approval by the taxation authority; (ii) for individual shareholders receiving dividends who are foreign residents of countries which have entered into tax treaties with China with tax rate higher than 10% but lower than 20%, the obligatory withholder shall withhold the individual income tax at the rate agreed under the tax treaty when distributing dividends, and no application procedure is required; (iii) individual shareholders receiving dividends who are foreign residents of countries which have not entered into tax agreements with China or otherwise, the obligatory withholder shall withhold the individual income tax at the rate of 20% when distributing dividends.

Pursuant to the Arrangement Between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (Guo Shui Han [2006] No. 884) in respect of income taxes signed by the Mainland China and Hong Kong on August 21, 2006, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident, but such tax amount shall not exceed 10% of the gross amount of dividends payable, and in the case

where a Hong Kong resident holds at least 25% equity interest in a PRC company, such tax amount shall not exceed 5% of the gross amount of dividends payable by the PRC company after an application is made to and approved by the PRC taxation authority.

#### **Taxation relating to transfer of shares**

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and its Implementation Rules currently in force, non-resident foreign individuals shall pay individual income tax at the rate of 20% on gains realized from sale of equity securities. However, under the Circular Declaring the Continuation of Temporary Exemption of Individual Income Tax on Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by MOF and State Administration of Taxation on March 30, 1998, income of individuals from transfer of listed stocks would continue to be exempted from individual income tax with effect from January 1, 1997. As of the Latest Practicable Date, no legislation has expressly provided individual income tax shall be collected from non-PRC resident individuals on the sale of shares in PRC resident enterprises listed on overseas stock exchanges. In practice, no such tax has ever been collected by the PRC taxation authorities.

#### ***Estate Duty***

Under the current legal environment in the PRC, holders of H Shares who are non-PRC residents are not subject to estate duty.

#### ***Stamp Duty***

Pursuant to the Provisional Regulations on Stamp Duty of the People's Republic of China, stamp duty of the PRC on transferring shares of listed companies in the PRC does not apply to purchase and disposal of H shares outside China. This Provisional Regulations stipulate that China's stamp duty only applies to documents executed or received within the territory of PRC which are only legally binding within China and are protected by China's laws.

#### **Foreign exchange controls**

Renminbi, which is the lawful currency of the PRC, is subject to foreign exchange controls. The SAFE, under the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Foreign Exchange Control Regulations of the People's Republic of China (《中華人民共和國外匯管理條例》) ("Foreign Exchange Regulations") promulgated by the State Council on January 29, 1996, which was amended on January 14, 1997 and August 5, 2008, are applicable to all activities related to the foreign exchange receipts and disbursements and transactions of domestic corporations and individuals and to the said activities of overseas corporations and individuals within the territory of People's Republic of China. The Foreign Exchange Regulations stipulates that all international disbursement and transfer of funds are classified under current account and capital account. Approval from the SAFE is not required for most current account transactions, but is required for capital account-transactions.

Pursuant to the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on June 20, 1996, which became effective on July 1, 1996, China abolished the balance restrictions on the current account foreign exchange conversion while retaining the restrictions on capital account foreign exchange transaction.

With effect from December 1, 1998, foreign exchange transactions of foreign-invested enterprises shall be conducted through the banking system for the settlement and sale of foreign exchange.

On July 21, 2005, the PBOC announced that, the Renminbi exchange rate is no longer pegged to the U.S. dollar, and the PRC would implement a regulated and managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and with reference to a basket of currencies. Foreign exchange rates will be determined with reference to the trading prices of Renminbi against major foreign currencies on interbank foreign exchange market on the day before.

Since January 4, 2006, the PBOC had improved the method of generating the middle price for quoting the Renminbi exchange rate by introducing an enquiry system in the inter-bank spot foreign exchange market, while keeping the matching system. In addition, the PBOC provided liquidity in the foreign exchange market by introducing the market-making system in the inter-bank foreign exchange market.

Pursuant to the Foreign Exchange Regulations, the foreign exchange income earned from current account transactions may be reserved or sold to financial institutions operating foreign exchange sale and settlement business. Approvals of foreign exchange control bureaus shall be obtained before foreign exchange incomes earned from capital account transactions are retained or sold to financial institutions engaged in the settlement and sale of foreign exchange, unless it is otherwise provided under PRC laws.

PRC enterprises which require foreign exchange for their ordinary business, trading or non-trading activities, import business or fulfill their foreign obligations may purchase foreign exchanges at the designated banks, provided valid receipts and evidences of transactions must be produced. In addition, foreign-invested enterprises which require foreign exchange for distribution of dividends, bonus or profits to their shareholders outside China and PRC enterprises which are required to pay dividends or profits to their shareholders in foreign currency under relevant regulations may affect such conversion and payment of foreign exchanges from their foreign exchange account or at the designated foreign exchange banks pursuant to the relevant resolutions approved by the general meeting of shareholders or board meetings of the PRC enterprises for distribution of dividends, bonus or profits together with valid evidences.

Convertibility of foreign exchange in respect of capital account items, such as direct investment and capital contribution, is still subject to restriction and prior approval from SAFE and its relevant branches.



Dividends payable to investors of H Shares will be denominated in Renminbi and shall be paid in Hong Kong dollars. We prepare our consolidated financial statements in Renminbi.

In accordance with the Circular on the Relevant Issues of Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) as promulgated by the State Administration of Foreign Exchange and took effect on December 26, 2014, a domestic company shall complete the registration procedure for overseas listing with the local branch of the State Administration of Foreign Exchange at the place of its incorporation within 15 working days after completion of its overseas offering. The proceeds from the listing may be remitted to domestic or deposited overseas, and the use of such proceeds shall be consistent with the relevant contents of the document and other public disclosure documents.

Pursuant to the Decision of the State Council on Cancelling or Adjusting a Group of Administrative Approval Items and other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50) as promulgated by the State Council on October 23, 2014, the SAFE and its branch bureaus abolished approval requirements for repatriation and settlement of foreign exchange for proceeds raised by domestic issuers from overseas listed foreign shares.

## **B. HONG KONG TAXATION**

### **1. Dividend Tax**

The current practice of the Hong Kong Inland Revenue Department is that no tax is payable in Hong Kong in respect of dividends paid by us.

### **2. Tax on Capital Gains and Profit Tax**

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the H Shares. However, gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong where the gains are derived from or arise from the trade, profession or business in Hong Kong will be subject to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations and at a maximum rate of 15% on individuals. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers could prove that the investment securities are held for long-term investment purpose. Gains from the sale of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would therefore arise in respect of trading gains from the sale of H Shares effected on the Hong Kong Stock Exchange by persons carrying on a business of trading or dealing in securities in Hong Kong.

### **3. Stamp Duty**

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of H Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or

(if greater) the value of, the H Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5. Where a sale or purchase of H shares is effected by a person who is not resident in Hong Kong and any stamp duty payable on the contract note is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon and the transferee shall be liable to pay such duty.

#### **4. Estate Duty**

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of H Shares whose death occur on or after February 11, 2006.

### **PRC LAWS AND REGULATIONS CONCERNING FOREIGN EXCHANGE CONTROL**

The foreign exchange control system of China has experienced a number of reforms and the current system contains two major regulatory laws and regulations since 1993. The Foreign Exchange Control Regulations of the People's Republic of China (《中華人民共和國外匯管理條例》) ("Foreign Exchange Regulations") promulgated by the State Council on January 29, 1996, which was amended on January 14, 1997 for the first time and on August 1, 2008 for the second time, and was become effective on August 5, 2008, are applicable to all activities related to the foreign exchange receipts and disbursements and transactions of domestic corporations and individuals and to the said activities of overseas corporations and individuals within the territory of People's Republic of China. Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (Zhong Guo Ren Min Yin Hang Ling [1996] No. 1) promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996 governs the foreign exchange settlements, purchases, foreign exchange account openings and payments to foreign countries that are incurred in China by domestic institutions, individual residents, foreign organizations' institutions in China and individuals visiting China. The PBOC publicizes the exchange rates between RMB and other major foreign currencies on each Business Day. The exchange rates are determined by reference to the preceding day's trading prices of RMB against major foreign currencies on the inter-bank foreign exchange market.

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## **APPENDIX IV      SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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This appendix sets out summaries of certain aspects of the PRC legal and judicial system, its arbitration system and its company and securities regulations. It also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between PRC Company Law and Hong Kong company law, certain requirements of the Hong Kong Listing Rules and the Mandatory Provisions.

### **1.    PRC LAWS AND REGULATIONS**

#### **The PRC legal system**

The PRC legal system is based on the PRC Constitution (hereinafter referred to as “the Constitution”) and is made up of written laws, administrative regulations, local regulations and rules, autonomy regulations and separate rules and regulations of State Council departments, rules and regulations of local governments and international treaties of which the PRC Government is a signatory. Court judgments do not constitute legally binding precedents, although they are used for judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (“the Legislation Law”), the NPC and the standing committee of the NPC (“the Standing Committee”) are empowered to exercise the legislative power of the State. The NPC enacts and amends basic laws governing criminal offenses, civil affairs, the State organs and other matters. The Standing Committee enacts and amends laws other than those that shall be formulated by the NPC, and during the period of adjournment of the NPC, the Standing Committee may partially supplement and amend the laws enacted by the NPC, but not in contradiction to the basic principles of such laws. The State Council is the highest organ of state administration and enacts administrative regulations based on the Constitution and laws. The people’s congresses at the provincial level and their standing committees may, in light of the specific circumstances and actual needs of their respective administrative areas, enact local regulations, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The ministries and commissions of the State Council, the PBOC, the National Audit Office of the PRC as well as other state organs endowed with administrative functions directly under the State Council may, according to laws, administrative regulations, decisions and orders of the State Council, formulate ministerial rules within their authorities. The people’s governments of the provinces, autonomous regions, and municipalities directly under the central government and the comparatively larger cities may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities. The people’s congresses of the national autonomous regions have the power to enact autonomous regulations and separate regulations on the basis of the political, economic and cultural characteristics of the local nationalities that reside in the area.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The significance of laws is greater than that of administrative regulations, local regulations, and rules. The significance of administrative regulations is greater than that of local regulations and rules. The

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## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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significance of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The significance of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee has the power to annul any administrative regulation that contravenes the Constitution and laws, to annul any local regulation that contravenes the Constitution, laws or administrative regulations, and to annul any autonomous regulation or local regulation which has been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at the lower level.

The power to interpret laws is vested in the Standing Committee by the Constitution. According to Resolutions of the Standing Committee on Improving Interpretation of Laws passed on June 10, 1981, in cases where the scope of provisions of laws or decrees needs to be further defined or additional stipulations need to be made, the Standing Committee shall provide interpretations or make stipulations by means of decrees. Interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the specific application of laws and decrees in the procuratorial work of the procuratorates shall be provided by the Supreme People's Procuratorate. If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the Standing Committee for interpretation or decision. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and supervisory authorities. In case where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the supervisory authorities under the people's governments of provinces, autonomous regions and municipalities directly under the Central Government.

### **The PRC judicial system**

According to the Constitution and the Law of Organization of the People's Courts of the PRC (hereinafter referred to as the "Law of Organization of the People's Courts"), the People's Courts

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## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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consist of the Supreme People's Court, the local people's courts, the military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are further divided into civil, criminal and administrative divisions. The intermediate people's courts have divisions similar to those of the basic people's courts, and other special divisions, such as the intellectual property division, where necessary.

The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The people's procuratorates also have the power to exercise legal supervision over the litigation proceedings of people's courts at the same level or below. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the people's courts at all levels.

The people's courts have adopted a "second instance as final" appellate system. A party may appeal against a judgment or ruling by the people's court of first instance to the people's court at the next higher level prior to the judgment or the ruling of the first instance is legally effective. The judgment or the ruling of the second instance by the people's court at the next higher level is final and legally binding. First judgments or rulings by the Supreme People's Court are final as well. However, in the case that the Supreme People's Court or the people's court at a higher level finds definite error(s) in the legally effective judgment or ruling by the people's court at a lower level, or the presiding judge of the people's court finds definite error(s) in the legally effective judgment by the court over which he/she presides, the case may then be retried in accordance with the procedures of trial supervision.

The Civil Procedure Law of the PRC (hereinafter referred to as the "Civil Procedure Law") sets forth provisions for the launching of civil litigation, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a local court in the defendant's place of domicile. The parties to a contract may, by express agreement, select a court of jurisdiction where civil actions may be brought, provided that the court of jurisdiction is located in either the plaintiff's or the defendant's place of domicile, or the place of execution or implementation, or the place of the object of the action, and provided that the provisions of the Civil Procedure Law regarding jurisdiction by level and exclusive jurisdiction shall not be violated.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. Should the judicial system of a foreign country limits the litigation rights of PRC citizens or enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country. If any party to a civil action refuses to comply with a legally effective judgment or ruling by a people's court or an effective award by an arbitration tribunal in the PRC, the other party may apply to the people's court for the compulsory enforcement of the judgment, ruling or award. However, specific time limits are imposed on the right to apply for such compulsory enforcement.

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## **APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling, or the people's court may, in accordance with relevant provisions of international treaties concluded or acceded to by China, or on the principle of reciprocity, request recognition and enforcement by a foreign court. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country on the mutual recognition and enforcement of judgments and rulings, or if the judgment or ruling satisfies the court's examination based on the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in the violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons related to the public interests.

### **The PRC Company Law, Special Regulations and Mandatory Provisions**

On December 29, 1993, the Company Law of the PRC (hereinafter referred to as the "Company Law") was adopted by the standing committee of the Eighth NPC, last amended on December 28, 2013 and came into effect on March 1, 2014, for the purpose of regulating the organization and activities of the Company and safeguarding the legitimate rights and interests of companies, shareholders and creditors. The latest amendment to the Company Law in 2013 has canceled the restriction on the minimum registered capital and replaced the registered paid-up share capital system by the registered subscribed share capital system.

The Special Regulations of the State Council Concerning the Floatation and Listing Abroad of Shares by Joint Stock Limited Companies (hereinafter referred to as the Special Regulations) were promulgated by the Standing Committee Meeting of the State Council, and took effect on August 4, 1994. The Special Regulations are formulated according to the Company Law in respect of the overseas share subscription and listing of joint stock limited companies.

The Mandatory Provisions in Articles of Association of Joint Stock Limited Companies to be Listed Overseas (hereinafter referred to as the "Mandatory Provisions") were promulgated by the former Securities Commission of the State Council and the State Economic System Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Therefore, the Mandatory Provisions have been incorporated into the Articles of Association (which are summarized in "Appendix V – Summary of Articles of Association").

Copies of the Chinese version of the Company Law, the Special Regulations and the Mandatory Provisions together with copies of their unofficial English translations thereof are available for inspection as mentioned in "Appendix VII – Documents Delivered to the Registrar of Companies and Available for Inspection."

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## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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The principal provisions of the Company Law, the Special Regulations and the Mandatory Provisions are summarized as follows.

### (i) General provisions

A “joint stock limited company” (hereinafter referred to as the “company”) is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A State-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by laws and administrative regulations for the modification of its operation mechanisms, the handling and evaluation of the company’s assets and liabilities and the establishment of its internal management organs.

A company must conduct its business in accordance with law and professional ethics. A company may invest in other limited liability companies and joint stock limited companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liability associated with the debts of the invested enterprises.

### (ii) Incorporation

A company may be incorporated by promotion or public subscription.

A company may be incorporated by two to 200 promoters, but at least half of the promoters must have the domicile in the PRC. According to the Special Regulations, state-owned enterprises or enterprises with the majority of their assets owned by the PRC government can be restructured in accordance with the relevant regulations to become joint stock limited companies which may issue shares to overseas investors. These companies can issue new shares once incorporated.

A company incorporated by promotion is one with registered capital entirely subscribed for by the promoters. Where a company is incorporated by public subscription, the promoters are required to subscribe for not less than 35% of the total shares of the company, and the remaining shares can be offered to the public or specific persons.

The Company Law provides that for companies incorporated by way of promotion, the registered capital shall be the total capital subscribed for by all promoters as registered with the relevant administrative bureau for industry and commerce. The company shall not raise capital from others before the promoters fully pay the capital subscribed by them. For companies incorporated by way of public subscription, the registered capital is the amount of total paid-up capital as registered with the relevant administrative bureau for industry and commerce.

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## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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The promoters shall convene an inaugural meeting within 30 days after the issued shares have been completely paid up, and shall give notice to all subscribers or make a public announcement of the date of the inaugural meeting 15 days prior to the meeting. The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares of the company. Any resolution of the meeting shall be approved by subscribers with more than half of the voting rights of those present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the company. A company is formally established and has the qualification of a legal person once the registration has been approved by the relevant administrative bureau for industry and commerce and a business license has been issued.

The promoters of a company shall individually and jointly be liable for: (i) the payment of all expenses and liabilities incurred in the incorporation process if the company cannot be incorporated; (ii) the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated; and (iii) compensation for damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

### **(iii) Share capital**

The promoters of a company may make capital contributions in cash, or in kind that can be valued in currency and transferable according to laws such as intellectual property rights or land-use rights based on their appraised value, except the assets not permitted by laws and regulations to be used for capital contribution.

If capital contribution is made other than in cash by the promoters of the company, valuation and verification of the properties contributed must be carried out and converted into shares.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in RMB and subscribed for in foreign currency.

Pursuant to the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from Hong Kong, Macau and Taiwan and listed overseas are defined as overseas listed foreign shares, and those issued to investors within the PRC other than the aforementioned areas are defined as domestic shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Detailed measures shall be specified by the State Council based on the Special Regulations. According to the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement on issuing overseas-listed-foreign-invested shares, to retain not more than 15% of the aggregate amount of overseas-listed-foreign-invested shares proposed to be issued less the amount of underwritten shares.



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## **APPENDIX IV      SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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The share offering price may be equal to or in excess of par value, but shall not be less than par value. The transfer of shares by shareholders shall be conducted in legally established stock exchanges or via other methods as stipulated by the State Council.

Pursuant to the Mandatory Provisions, no modification registration shall be made to the register of shareholders within thirty (30) days prior to the shareholders' general meeting being held or within five (5) days prior to the benchmark date set for the purpose of distribution of dividends.

### **(iv) Increase in capital**

Pursuant to the Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting. Except for abovementioned conditions of obtaining approval at the general meeting required by the Company Law, the Securities Law requires the following conditions for a company to offer new shares to the public: (i) a complete and well-operated organization; (ii) capability of making profits continuously and a healthy financial status; (iii) no false records or significant irregularities in its financial statements over the last three years; and (iv) fulfill any other requirements as prescribed by the securities administration authority of the State Council as approved by the State Council.

The public offer requires the approval of the securities administration authority of the State Council. After payment in full for the new shares issued, a company must modify its registration with the relevant administrative bureau for industry and commerce and issue a public notice accordingly.

### **(v) Reduction of share capital**

Subject to the minimum registered capital requirements, a company may reduce its registered capital in accordance with the following procedures stipulated by the Company Law:

- the company shall prepare a balance sheet and an inventory of assets;
- the reduction of registered capital must be approved by shareholders in the general meeting;
- the company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in newspapers within 30 days once the resolution approving the reduction in capital being passed;
- creditors of the company may require the company to clear off its debts or provide guarantees covering the debts within the statutory time limit; and
- the company must apply to the relevant administrative bureau for industry and commerce for registration of the reduction in registered capital.

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## **APPENDIX IV      SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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### **(vi) Repurchase of shares**

A company shall not repurchase its own shares other than for the following purposes:

- to reduce the registered capital by canceling its shares or to merge with another company holding its shares;
- to grant shares as a reward to the staff of the company;
- to repurchase the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting; or
- other purposes permitted by laws and administrative regulations.

The shares repurchased by the company as a reward to its staff shall not exceed 5% of the total number of its issued shares. Any fund for the repurchase shall be paid out of after-tax profits of the company, and the shares repurchased shall be transferred to the staff of the company within one year.

The Company shall not accept its shares being held as security under a pledge.

### **(vii) Transfer of shares**

Shares may be transferred in accordance with the relevant laws and regulations. A shareholder shall transfer his/her shares in stock exchanges established pursuant to laws or by other means as stipulated by the State Council. Registered shares may be transferred by endorsement or in any other manner specified in applicable laws and regulations.

Shares held by the promoter(s) of a company shall not be transferred within one (1) year from the date of incorporation of the company. Shares issued by a company prior to the public offer of its shares shall not be transferred within one (1) year from the date of its shares being listed on a stock exchange. Directors, supervisors and senior management personnel of the company shall report their shareholdings and the corresponding changes and shall not transfer over 25% of the total shares they hold in the company each year during their term of office. The above personnel shall not transfer shares they hold within half a year from the date of resignation.

### **(viii) Shareholders**

The articles of association of a company set forth the shareholders' rights and obligations and are binding on all the shareholders. Pursuant to the Company Law and the Mandatory Provisions, a shareholder's rights include:

- general meeting and to vote in respect of the amount of shares held;
- the right to transfer his/her shares in accordance with applicable laws and regulations as well as the articles of association;

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## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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- the right to inspect the company's articles of association, the register of shareholders, records of short-term debentures, minutes of shareholders' general meeting, board resolutions, supervisor resolutions and financial accounting reports, and to put forward proposals or raise questions on the business operations of the company;
- if a resolution approved by the shareholders' general meeting or by the board of directors violates any law or regulation, or infringes on the shareholders' lawful rights and interests, the right to institute an action in a people's court demanding that the illegal infringing action be stopped;
- the right to receive dividends based on the number of shares held;
- the right to obtain surplus assets of the company upon its termination in proportion to shares he/she holds; to claim against other shareholders who abuse their rights of shareholders for the damages; and
- any other shareholders' rights specified in the articles of association.

The obligations of shareholders include: abide by the articles of association of the company; pay the subscription monies in respect of shares subscribed for; be liable for debts and liabilities of the company to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up; no abuse of shareholders' rights to damage the interests of the company or other shareholders of the company; no abuse of the independent status of the company as a legal person and its limited liability companies as to damage the interests of the creditors of the company; and any other obligation specified in the articles of association of the company.

### **(ix) Shareholders' general meeting**

The shareholders' general meeting is the organ of authority of a company, which exercises its functions and powers in accordance with the Company Law.

The shareholders' general meeting exercises the following functions and powers:

- to decide on operational policies and investment plans of the company;
- to elect or remove the directors and supervisors who are not representatives of the employees, and to decide on matters relevant to remuneration of directors and supervisors;
- to review and approve reports of the board of directors;
- to review and approve reports of the board of supervisors or the supervisors;

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**APPENDIX IV      SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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- to review and approve annual financial budgets and financial accounts proposed by the company;
- to review and approve proposals for profit distribution and for recovery of losses of the company;
- to decide on increase and reduction of the registered capital of the company;
- to decide on bond issuances of the company;
- to decide on merger, division, dissolution and liquidation of the company and other issues;
- to amend the articles of association of the company; and
- other functions and powers specified in the articles of association of the company.

The annual shareholders' general meeting must be convened once a year. An extraordinary shareholders' general meeting shall be held within two months after the occurrence of any of the following circumstances:

- the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number specified in the articles of association of the company;
- the losses of the company which are not made up reach one-third of the total paid-up share capital of the company;
- as requested by a shareholder holding, or shareholders holding in aggregate, 10% or more of the shares of the company;
- when deemed necessary by the board of directors;
- as suggested by the board of supervisors; or
- other matters required by the articles of association.

The shareholders' general meeting shall be convened by the board of directors and shall be presided over by the chairman of the board of directors.

The notice to convene the shareholders' general meeting shall be dispatched to all the shareholders 20 days before the general meeting pursuant to the Company Law, and 45 days pursuant to the Special Regulations and the Mandatory Provisions, stating the matters to be reviewed at the

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## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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general meeting. Under the Special Regulations and the Mandatory Provisions, shareholders intending to attend are required to send written confirmations of their attendance to the company 20 days before the general meeting. According to the Special Regulations, at the annual shareholders' general meeting of the company, shareholders with 5% or more of the voting rights in the company are entitled to propose to the company in writing new resolutions to be reviewed at the general meeting, which if within the functions and powers of the shareholders' general meeting, are required to be added to the agenda of the general meeting.

Shareholders present at the shareholders' general meeting possess one vote for each share they hold. However, the company shall have no vote for any of its own shares the company holds.

Resolutions proposed at the shareholders' general meeting shall be approved by more than half of the voting rights cast by shareholders present in person (including those represented by proxies) at the general meeting, except that such resolutions as merger, division or reduction of registered capital, the issue of bonds or short-term debentures, the change in the form of the company or the amendment to the articles of association, shall be approved by shareholders with more than two-thirds of the voting rights cast by shareholders present (including those represented by proxies) at the general meeting.

A shareholder may entrust a proxy to attend a shareholders' general meeting. The proxy shall present a power of attorney issued by the shareholder to the company and shall exercise his voting rights within the authorization scope. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting, although the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% or more of the voting rights in the company have been received 20 days before the proposed date, or if that 50% level is not achieved, the company shall within five days notify shareholders again by public announcement of the matters to be considered at the meeting and the date and place of the meeting, and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class. Holders of domestic invested shares and holders of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

### **(x) Directors**

A company shall have a board of directors, which shall consist of five to nineteen members, and there can be staff representatives of the company. The term of office of each director shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may hold consecutive terms upon re-election.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors at least ten days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

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## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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Under the Company Law, the board of directors exercises the following functions and powers:

- to convene the shareholders' general meeting and report on its work to the shareholders;
- to implement the resolution of the shareholders' general meeting;
- to decide on the company's business plans and investment plans;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's proposals for profit distribution and for recovery of losses;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to prepare plans for the merger, division or dissolution or the change of the corporate form of the company;
- to decide on the company's internal management structure;
- to appoint or dismiss the company's general manager, and based on the general manager's recommendation, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- other functions and powers as specified in the articles of association.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf. If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

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## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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Under the Company Law, the following persons may not act as a director of a company:

- persons without capacity or with restricted capacity to undertake civil liabilities;
- persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- persons who are former directors, factory managers or managers of a company or enterprise that has been bankrupt and liquidated due to mismanagement, and those persons are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, and less than three years have elapsed since the date of the revocation of the business license;
- persons who have a relatively large amount of debt due and outstanding; or
- other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in “Appendix V – Summary of Articles of Association”).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises the following functions and powers (including but not limited to):

- to preside over shareholders’ general meetings and convene and preside over meetings of the board of directors;
- to check on the implementation of the resolutions of the board of directors.

In accordance with the articles of association, legal representatives of the company may consist of the chairman, any executive directors or managers. The Special Regulations provide that a company’s directors, supervisors, managers and other senior officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in “Appendix V – Summary of Articles of Association.”

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## **APPENDIX IV      SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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### **(xi) Supervisors**

A company shall have a supervisory committee composed of not less than three members. Each term of office of a supervisor is three years, and the supervisors may hold consecutive terms upon re-election. The supervisory committee is made up of shareholders representatives and an appropriate proportion of the company's staff representatives; and the percentage of the number of the company's staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

The supervisory committee exercises the following functions and powers:

- check the financial affairs of the company;
- supervise the directors and senior management in the performance of their duties, and to put forward proposals on the removal of any director or senior manager who violates laws, administrative regulations, the articles of association or any resolution of the shareholders' meeting;
- require the director or senior manager to make corrections if his/her act is detrimental to the interests of the company;
- propose the convening of extraordinary shareholders' general meetings, and to convene and preside over shareholders' meetings when the board of directors fails to exercise the function of convening and presiding over shareholders' meetings;
- put forward proposals at shareholders' general meetings;
- initiate actions against directors or senior management; and
- other functions and duties as provided for by the articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to supervisors of a company.

### **(xii) Managers and other senior officers**

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

- manage the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;



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## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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- arrange for the implementation of the company’s annual business and investment plans;
- formulate plans for the establishment of the company’s internal management structure;
- formulate the basic administration system of the company;
- formulate the company’s internal rules;
- recommend the appointment and dismissal of deputy managers and any financial officer and appoint or dismiss other executives (other than those required to be appointed or dismissed by the board of directors);
- attend board meetings as a non-voting attendant; and
- other powers conferred by the board of directors or the company’s articles of association.

The Special Regulations and the Mandatory Provisions provide that the other senior management personnel of a company include the chief financial officer, secretary of the board of directors and other executives as specified in the articles of association of the company.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to managers and senior officers of the company. The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management personnel of a company have been incorporated in the Articles of Association (a summary of which is set out in “Appendix V – Summary of Articles of Association”).

### **(xiii) Duties of directors, supervisors, managers and senior officers**

A director, supervisor, manager and other senior officers of a company are required under the Company Law to comply with the relevant laws, regulations and the company’s articles of association, carry out their duties honestly and protect the interests of the company. A director, supervisor, manager and other senior officers of a company is also under a duty of confidentiality to the company and is prohibited from divulging secret information of the company unless permitted by the relevant laws and regulations or by the shareholders.

A director, supervisor, manager and other senior officers who contravenes any law, regulation or the company’s articles of association in the performance of his/her duties which results in any loss to the company shall be personally liable to the company.

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## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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The Special Regulations and the Mandatory Provisions provide that a director, supervisor, manager and other senior officers of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

### **(xiv) Finance and accounting**

A company shall establish its financial and accounting systems according to the laws, administrative regulations and the regulations of the responsible financial department of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited and verified as provided by law.

A company shall make available its financial statements at the company for the inspection by the shareholders at least 20 days before the convening of the annual general meeting of shareholders. A company established by the public subscription method must publish its financial statements.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve (except where such reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profit, subject to a resolution of the shareholders' meeting or the shareholders' general meeting, the company may make an allocation to its discretionary common reserve from the after-tax profits.

If the aggregate balance of the company's statutory common reserve is not enough to make up for the losses of the company of the previous year, the current year's profits shall first be used for making up for the losses before the statutory common reserve is set aside according to the provisions of the preceding paragraph.

After the losses have been made up and statutory common reserves have been set aside, the remaining profits shall be distributed to shareholders in proportion to the number of shares held by shareholders as in the case of a joint stock limited company, except as otherwise provided in the articles of association.

The capital common reserve of a joint stock limited company is made up of the premium over the nominal value of the shares of the company on issue, and other amounts required by the financial department of the State Council to be treated as the capital common reserve.

The company's common reserves shall be used for making up losses, expanding the production and business scale or increasing the capital of the company, but the capital common reserve shall not be used for making up the company's losses. Where the statutory common reserve is converted into capital, the balance of the statutory common reserve shall not be less than 25% of the registered capital before such conversion.

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## **APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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### **(xv) Appointment and retirement of auditors**

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit the company's annual report and review and check other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next annual general meeting.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non re-appointment of auditors shall be decided by the shareholders at shareholders' general meetings and shall be filed with CSRC for record.

### **(xvi) Distribution of profits**

The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

### **(xvii) Amendments to articles of association**

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the company approval department delegated by the State Council and CSRC. In relation to matters involving the company's registration, the company shall modify its registration with the company registration authority.

### **(xviii) Dissolution and liquidation**

A company may apply for the declaration of insolvency by reason of its inability to pay debts as they fall due. After the People's Court has made a declaration of the company's insolvency, the shareholders, the relevant authorities and the relevant professionals shall form a liquidation committee to conduct the liquidation of the company.

Under the Company Law, a company shall be dissolved in any of the following events:

- (1) the term of its operations set down in the company's articles of association has expired or events of dissolution specified in the company's articles of association have occurred;

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**APPENDIX IV      SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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- (2) the shareholders in a general meeting have resolved to dissolve the company;
- (3) the company is dissolved by reason of its merger or demerger;
- (4) the company is subject to the revocation of business license, a closure order or dismissal in accordance with laws; or
- (5) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the People's Court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (1), (2), (4) and (5) above, a liquidation committee must be formed within 15 days from the date of dissolution. Members of the liquidation committee shall be appointed by the shareholders in the general meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment. The liquidation committee shall notify the company's creditors within 10 days after its establishment, and issue a public notice in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he/she did not receive any notification.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- notify creditors or issue public notices;
- deal with and settle any outstanding business of the company;
- pay any tax overdue;
- settle the company's financial claims and liabilities;
- handle the surplus assets of the company after its debts have been paid off; and
- represent the company in civil lawsuits.

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**APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them.

A company shall not engage in operating activities unrelated to the liquidation during liquidation.

If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court. Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the relevant supervisory department for verification. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of the liquidation committee is liable to indemnify the company and its creditors with respect to any loss arising from his willful or material default.

**(xix) Overseas Listing**

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue overseas listed foreign shares and domestic shares which has been approved by the Securities Commission may be implemented by the board of directors of a company by way of respective issues, within 15 months after approval is obtained from Securities Commission.

**(xx) Loss of H share certificates**

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in "Appendix V – Summary of Articles of Association").

**(xxi) Suspension and Termination of Listing**

The new and amended Company Law has deleted provisions governing suspension and termination of listing. The new Securities Law has been amended as follows:

The trading of shares of a company on a stock exchange may be suspended if so decided by the Securities Exchange under one of the following circumstances:

- (1) the total amount of shares or the shareholding distribution no longer complies with the necessary requirements for a listed company;
- (2) the company failed to make public its financial position in accordance with the requirements or there is false information in the company's financial report with the possibility of misleading investors;
- (3) the company has committed a major breach of the law;
- (4) the company has incurred losses for latest three (3) consecutive years; or
- (5) other circumstances as required by the listing rules of the relevant stock exchange(s).

Under the Securities Law, in the event that the conditions for listing are not satisfied within the period stipulated by the relevant stock exchange in the case described in (1) above, or the company has refused to rectify the situation in the case described in (2) above, or the company fails to become profitable in the next subsequent year in the case described in (4) above, the relevant stock exchange shall have the right to terminate the listing of the shares of the company.

**(xxii) Merger and demerger**

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

**Securities law and other relevant regulations**

The PRC has promulgated a number of regulations that relate to the issue and trading of Shares and disclosure of information by the Company. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for co-coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering CSRC. CSRC is the regulatory body of the Securities Committee and is responsible

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## **APPENDIX IV      SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. In 1998, the State Council dissolved the Securities Committee and assigned its function to CSRC. CSRC is also responsible for the regulation and supervision of the national stocks and futures market according to laws, regulations and authorizations.

The Securities Law took effect on July 1, 1999 and was latest revised on August 31, 2014. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that a company must obtain prior approval from the State Council's regulatory authorities to list shares outside the PRC. Article 239 of the Securities Law provides that specific measures with respect to shares of companies in the PRC that are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still mainly governed by the rules and regulations promulgated by the State Council and CSRC.

### **Arbitration and enforcement of arbitral awards**

The Arbitration Law of the People's Republic of China (the "Arbitration Law") was passed by the Standing Committee on August 31, 1994 and latest revised and became effective on August 27, 2009. It is applicable to contract disputes and other property disputes between natural person, legal person and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration rules, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in a company's Articles of Association and, in the case of the Hong Kong Listing Rules, also in contracts with each of the directors and supervisors, to the effect that whenever any disputes or claims arise between holders of H Shares and the company; holders of H Shares and the directors, supervisors, manager or other senior officers; or holders of H Shares and holders of domestic shares, with respect to any disputes or claims in relation to the companies affairs or as a result of any rights or obligations arising under its Articles of Association, the PRC Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is

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## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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necessary for the resolution of such dispute or claim, as the Company or its shareholders, directors, supervisors, managers or other senior management personnel, shall comply with the arbitration. Disputes with respect to the definition of shareholders and disputes related to a company's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its Rules or the Hong Kong International Arbitration Center in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award by a PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the request for enforcement is made.

It was declared by the Standing Committee simultaneously with the accession of the PRC that (1) the PRC will only recognize and enforce foreign arbitral awards made within the territorial jurisdiction of another party to the Convention on the principle of reciprocity and (2) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

On June 18, 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on



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## **APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958. Under the arrangement, awards made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in China.

### **2. SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW**

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

#### **Corporate existence**

Under Hong Kong company law, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain preemptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. A joint stock limited company has no minimum registered capital requirement, or otherwise be required by laws, administrative regulations or the State Council. Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

#### **Share capital**

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorized share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our general meeting and the relevant PRC governmental and regulatory authorities.

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## **APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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Under the Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure no over-valuation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

### **Restrictions on shareholding and transfer of shares**

Under PRC law, our Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on Controlling Shareholders' disposal of shares.

### **Financial assistance for acquisition of shares**

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under the Hong Kong company law.

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## **APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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### **Variation of class rights**

The PRC Company Law has no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in the appendix entitled “Appendix V – Summary of Articles of Association.”

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

### **Directors**

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors’ interests in material contracts, restrictions on directors’ authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors’ liability and prohibitions against compensation for loss of office without shareholders’ approval. The Mandatory Provisions, however, contain certain restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

### **Board of supervisors**

Under the PRC Company Law, a joint stock limited company’s directors and managers are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### **Derivative action by minority shareholders**

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and

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## **APPENDIX IV      SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court.

Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

### **Protection of minorities**

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions that a Controlling Shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

### **Notice of general meetings**

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders, and shareholders who wish to attend the meeting must reply in writing at least 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum period of notice of a general meeting, where convened for the purpose of considering ordinary resolutions, is 14 days and, where convened for the purpose of considering special resolutions, is 21 days. The notice period for an annual general meeting is 21 days.

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## **APPENDIX IV      SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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### **Quorum for general meetings**

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The PRC Company Law does not specify any quorum requirement for a general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the general meeting may be held thereafter.

### **Voting**

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

### **Financial disclosure**

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and

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## **APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

### **Information on directors and shareholders**

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

### **Receiving agent**

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

### **Corporate reorganization**

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673, Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

### **Dispute arbitration**

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

### **Mandatory deductions**

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

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## **APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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### **Remedies of the company**

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

### **Dividends**

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

### **Fiduciary duties**

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Special Regulations, directors, supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

### **Closure of register of shareholders**

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the PRC Company Law and the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a general meeting or within five days before the base date set for the purpose of distribution of dividends.

### **Hong Kong listing rules**

The Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

The compliance adviser must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the

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## **APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

### **Accountants' report**

The accountants' report must normally be drawn up in conformity with: (a) HKFRS; or (b) IFRSs; or (c) China Accounting Standards for Business Enterprises ("CASBE") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

### **Independent non-Executive directors and supervisors**

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the listed company's general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate the standard of competence commensurate with their position as supervisors.

### **Redeemable shares**

A listed company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

### **Pre-emptive rights**

Except in the circumstances mentioned below, directors are required to obtain approval by way of a special resolution of shareholders at general meeting, and the approvals by way of special resolutions of the holders of class shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with and as required by the articles of association, prior to authorizing, allotting, issuing or granting shares or securities convertible into shares, options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required under the Listing Rules to the extent that (i) the existing shareholders have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and H shares as of the date of the passing of the relevant special resolution, or (ii) such shares are issued as part of the company's plan at the time of its establishment to issue domestic shares and H shares and which plan is implemented within 15 months from the date of approval by the securities regulatory authority of the State Council.



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## **APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

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### **Supervisors**

A company listed or seeking a listing on the Hong Kong Stock Exchange is required to adopt rules governing dealings by the Supervisors in securities of our Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Hong Kong Stock Exchange. A PRC issuer is required to obtain the approval of its shareholders at a general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the listed company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires the company (or its subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year in order for it to terminate the contract.

The nomination and remuneration committee of the listed company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise shareholders on how to vote.

### **Amendment to articles of association**

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would contravene the PRC Company Law, the Mandatory Provisions or the Listing Rules.

### **Documents for inspection**

A PRC issuer is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by its shareholders at reasonable charges of the following:

- a complete duplicate register of shareholders;
- a report showing the state of its issued share capital;
- its latest audited financial statements and the reports of the directors, auditors and supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by it since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between class shares);

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## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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- copy of the latest annual return filed with the SAIC or other competent PRC authority; and
- for shareholders only, copies of minutes of general meetings.

### Receiving agents

Under Hong Kong law, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owed in respect of the H shares to be held, pending payment, in trust for the holders of such H shares.

### Statements in share certificates

A PRC issuer is required to ensure that all of its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of such shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the company and each shareholder, and it agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and its articles of association;
- agrees with the company, each shareholder, director, supervisor, manager and other senior management and it (acting both for the company and for each director, supervisor, manager and other senior management) agree with each shareholder to refer all differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration. Any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and
- authorizes the company to enter into a contract on his behalf with each director and senior management whereby such directors and senior management undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

### English translation

All notices or other documents required under the Listing Rules to be sent by a PRC issuer to the Hong Kong Stock Exchange or to holders of the H Shares are required to be in English, or accompanied by a certified English translation.

**General**

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of H shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of any company's listing.

**3. OTHER LEGAL AND REGULATORY PROVISIONS**

Upon the listing on the Hong Kong Stock Exchange, the provisions of the SFO, the Hong Kong Takeovers Code and such other relevant ordinances and regulations will apply to a PRC issuer.

**4. SECURITIES ARBITRATION RULES**

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party, or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

Set out below is a summary of the principal provisions of the Articles of Association, the main objective of which is to provide investors with an overview of the Articles of Association. As the information contained below is in summary form only, it may not contain all the information that may be important to potential investors. Copies of the full English and Chinese texts of the Articles of Association are available for inspection as mentioned in “Appendix VII – Documents Delivered to the Registrar of Companies and Available for Inspection.”

The Articles of Association were passed at the annual general meeting on July 9, 2016.

The Articles of Association and relevant amendments thereto were adopted or authorized by our shareholders at the shareholders’ general meeting in accordance with applicable laws and regulations. Junhe LLP, the PRC legal advisers of our Company, opine that the Articles of Association has complied with our Company Law of the PRC, the Securities Law of the PRC, the Special Regulations and the Mandatory Provisions.

#### **POWER OF DIRECTORS, SUPERVISORS AND OTHER SENIOR OFFICERS TO ALLOT AND ISSUE SHARES**

There is no provision in the Articles of Association empowering our Directors, supervisors or other senior officers to allot and issue shares.

Proposals to increase registered capital of our Company must be formulated by the Board and submitted for approval by an affirmative vote of at least two thirds or more of the voting rights at the shareholders’ general meeting. Any such increase is subject to the formal formalities prescribed by relevant laws and administrative regulations.

#### **POWER TO DISPOSE OF FIXED ASSETS OF OUR COMPANY**

Without the prior approval of the shareholders’ general meeting, the Board may not dispose or agree to dispose of the fixed assets where the sum of the expected value of the consideration for the proposed disposal and the value of the consideration for disposed fixed assets within four months immediately preceding the proposed disposal exceeds 33% of the value of the fixed assets shown in the last balance sheet presented at the shareholders’ general meeting.

A disposal of fixed assets referred herein shall include the transfer of certain interest in assets other than by way of providing security interest by using fixed assets as collaterals.

The validity of transactions whereby our Company disposes of fixed assets shall not be affected by the breach of above-mentioned restrictions contained in the Articles of Association.

**EMOLUMENTS, COMPENSATION OR PAYMENTS FOR LOSS OF OFFICE**

Our Company shall enter into a written contract with each Director and supervisor of our Company concerning his/her emoluments. Such contracts shall be approved by the shareholders' general meeting before they are entered into. The above-mentioned emoluments shall include:

- emoluments in respect of his/her service as a Director, supervisor or senior management member of our Company;
- emoluments in respect of his/her service as a Director, supervisor or senior management member of a subsidiary of our Company;
- other emoluments in connection with the provision of management or other services to our Company or any subsidiary thereof;
- funds as compensation for his/her loss of office or retirement to the aforementioned Directors and supervisors.

A Director or supervisor shall not sue our Company for any benefits due to him/her on the basis of the above-mentioned matters, except under a contract as mentioned above.

The contract entered into between our Company and each Director or supervisor of our Company in respect of his/her emolument should provide that in the event of a takeover of our Company, a Director or supervisor of our Company shall, subject to prior approval of the shareholders' general meeting, have the right to receive the compensation or other funds obtainable for loss of office or retirement.

The term "a takeover of our Company" in the above paragraph shall refer to any of the following circumstances:

- anyone makes a tender offer to all the shareholders;
- anyone makes a tender offer so that the offeror will become a controlling shareholder as defined in the Articles of Association.

If the relevant Director or Supervisor fails to comply with the abovementioned provisions, any fund received by him/her shall belong to those persons who have sold their shares as a result of their acceptance of the above-mentioned offer, and the expenses incurred in distribution of such fund on a pro rata basis shall be borne by the relevant Director or supervisor and may not be paid out of such fund.

**LOANS TO DIRECTORS, SUPERVISORS AND OTHER SENIOR OFFICERS**

Our Company shall not, directly or indirectly, provide a loan or loan guarantee to its Directors, supervisors, general manager or other senior officers or the Directors, supervisors, general manager or other senior officers of its parent company; and shall not provide a loan or loan guarantee to the related persons of any of the aforementioned personnel.

The above provisions shall not apply where:

- our Company provides a loan to its subsidiaries or provides a loan guarantee for the benefits of its subsidiaries;
- pursuant to the service contract upon approval of the shareholders' general meeting, our Company provides a loan, loan guarantee or other funds to any of its Directors, supervisors, general manager or other senior officers to pay any expenditures incurred or to be incurred by him/her for the purpose of our Company or for the purpose of enabling him/her to perform his/her duties properly in accordance with the terms of a service contract approved by the shareholders' general meeting, or
- our Company may provide a loan or loan guarantee to the related Directors, supervisors, general manager or other senior officers or any of their related persons on normal commercial terms and conditions should the provision of loan or loan guarantee be within the ordinary business scope of our Company.

#### **FINANCIAL ASSISTANCE FOR ACQUISITION OF OUR COMPANY'S SHARES**

Our Company or its subsidiaries shall not at any time provide any financial assistance in any form to purchasers or prospective purchasers of the shares in our Company. Such purchasers of our Company's shares referred to above shall include persons that directly or indirectly undertake obligations for the purpose of purchasing shares in our Company.

Our Company or its subsidiaries shall not at any time provide any financial assistance in any form to the above obligators in order to reduce or discharge their obligations. However, the following acts are not prohibited:

- where our Company provides the relevant financial assistance truthfully for the benefit of our Company and the main purpose of the financial assistance is not to purchase shares of our Company, or the financial assistance is an incidental part of an overall plan of our Company;
- lawful distribution of our Company's property in the form of dividends;
- distribution of dividends in the form of shares;
- a reduction of registered capital, repurchase of shares, adjustment to shareholding structure effected in accordance with these Articles of Association;
- provision of a loan by our Company within its scope of business and in the ordinary course of its business (provided that the same does not lead to a reduction in the net assets of our Company or that if the same results in a reduction, the financial assistance is paid out of our Company's distributable profits);

- the provision of funds by our Company for an employee shareholding plan (provided that the same does not lead to a reduction in the net assets of our Company or that if the same constitutes a reduction, the financial assistance is paid out of our Company's distributable profits).

For these purposes:

- “financial assistance” shall include but not be limited to:
  - gift;
  - guarantee (including undertaking of liability or provision of property by the guarantor to ensure the fulfillment of the obligation by the obligator), indemnity (not including, however, indemnity arising from our Company's own fault) and release or waiver of rights;
  - provision of a loan or conclusion of a contract under which the obligations of our Company are to be fulfilled prior to the obligation of performance by the other party to the contract, or a change in the party to such loan or contract as well as the assignment of rights under such loan or contract; and
  - financial assistance in any other form when our Company is insolvent or has no net assets or when such assistance would lead to a major reduction in our Company's net assets.
- “undertake obligations” shall include the undertaking of an obligation by the obligor by entering into a contract or making an arrangement or by changing its financial position in any other way; whether or not such contract or arrangement is enforceable and whether or not such obligation is undertaken by the obligator individually or jointly with any other person.

#### **DISCLOSURE OF CONTRACTUAL INTERESTS WITH OUR COMPANY**

In cases where a Director, a supervisor, the general manager or other senior management of our Company has directly or indirectly vested a material interest in any contract, transaction or arrangement concluded or to be concluded by our Company (except his/her service contract with our Company), he/she shall disclose the nature and extent of his/her interest to the Board at the earliest opportunity, whether or not the matter is normally subject to the approval of the Board.

Unless the interested Director, supervisor, general manager or other senior management of our Company has made such disclosure to the Board as required under the preceding paragraph hereof and the matter has been approved by the Board at a meeting in which he/she was not counted in the quorum and was abstained from voting, our Company shall have the right to revoke the contract,

transaction or arrangement, except the other party is a bona fide party acting without knowledge of the breach of obligation by the Director, supervisor, general manager or other senior management of our Company concerned.

In cases where a related person of our Company's Director, supervisor, general manager and other senior management has directly or indirectly vested an interest in any contract, transaction or arrangement, such Director, supervisor, general manager and senior management shall also be deemed as having such interest.

If a Director, a supervisor, general manager or other senior management of our Company gives a written notice to the Board before the conclusion of the contract, transaction or arrangement is first considered by our Company, stating that due to the contents of the notice, he/she has an interest in the contract, transaction or arrangement that may subsequently be made by our Company, such Director, supervisor, general manager or other senior management shall be deemed for the purposes of the above paragraphs hereof to have declared his/her interest, insofar as attributable to the scope stated in the notice.

#### **REMUNERATION**

The remuneration of Directors and supervisors shall be approved by the shareholders of our Company at the shareholders' general meeting, as referred to in “– Emoluments, Compensation or Payments for Loss of Office” above.

#### **RETIREMENT, APPOINTMENT AND REMOVAL**

Our Company shall establish a Board, which shall comprise of six to nine Directors. The Board shall have one chairman.

Directors shall be elected or replaced by the shareholders' general meeting and serve a term of office of three years. Except for independent non-executive Directors, who are limited to a maximum term of nine years, a Director may serve consecutive terms if re-elected upon the expiration of his/her term. Subject to the requirements of relevant laws and administrative regulations, the shareholders' general meeting may remove any Directors by ordinary resolution (but without prejudice to any claims for damages under any contracts) prior to the expiration of the term of such Directors.

None of the following persons may serve as a Director, supervisor, general manager or other senior management of our Company:

- persons without capacity or with limited capacity for civil acts;
- persons who have been sentenced for crimes for corruption, bribery, encroachment or embezzlement of property or disruption of the social or economic order;



- Directors, or factory Directors or managers who bear personal liability for the bankruptcy or liquidation of their companies or enterprises where three years have not lapsed of following the date of completion of such bankruptcy or liquidation;
- the legal representatives of companies or enterprises that had their business licenses revoked or that had been shut down for violation of law(s), where such representatives bear individual liability therefore and three years have not lapsed following the date of revocation of such business licenses;
- persons with relatively heavy individual debts that have not been settled upon maturity;
- persons who is under criminal investigation by the judicial authorities, and such cases have not been closed;
- persons who shall not act as leaders of enterprises by virtue of laws and administrative regulations;
- non-natural persons;
- persons convicted of violating relevant securities laws and regulations by the competent regulatory authority, and such conviction involves a finding that he or she has acted fraudulently or dishonestly, where less than five years have elapsed since the date of conviction;
- persons who hold positions other than a Director in the controlling shareholder of our Company or de facto controlling person of our Company may not serve as senior management of our Company.

The validity of an act of a Director, supervisor, general manager or other senior management of our Company on behalf of our Company towards a bona fide third party shall not be affected by any irregularity in his/her current position, election or qualifications.

Shareholders holding individually or jointly at least 3% of the shares of our Company with the right to vote shall have the right to nominate candidates for election to the Board or the Supervisory Committee (except for directorship or supervisorship representing employees) at a shareholders' general meeting by submission of a written proposal, provided that the number of the nominated candidates shall be in compliance with the Articles of Association and no more than the membership to be elected.

There is no provision in the Articles of Association regarding retirement or nonretirement of Directors under an age limit.

**DUTIES**

In addition to obligations imposed by laws or listing rules of the stock exchange(s) on which shares of our Company are listed, our Company's Directors, supervisors, general manager and other senior management members shall have the following obligations to each shareholder in the exercise of the functions and powers granted to them by our Company:

- not to cause our Company to act beyond the scope of business stipulated in its business license;
- to act honestly in the best interests of our Company;
- not to deprive our Company of its property in any way, including (but not limited to) any opportunities that are favorable to our Company; and
- not to deprive any shareholders of their individual rights or interests, including (but not limited to) rights to distributions and voting rights, unless pursuant to a restructuring plan of our Company submitted to and adopted by the shareholders' general meeting in accordance with the Articles of Association.

Our Company's Directors, supervisors, general manager and other senior management shall have an obligation, in the exercise of their rights or discharge of their obligations, to perform their acts with due care, diligence and skills as a reasonable and prudent person should do under similar circumstances.

Our Company's Directors, supervisors, general manager and other senior management must, in the exercise of their duties, abide by the principle of loyalty and shall not place themselves in a position where there is a conflict between their personal interests and their duties. This principle shall include but not (limited to) the fulfillment of the following obligations:

- to act honestly in the best interests of Company;
- to exercise powers within the scope of their functions and powers and not to act beyond such powers;
- to personally exercise the discretion vested on him/her, not to allow himself/herself to be manipulated by another person and, not to delegate the exercise of his/her discretion to another party unless permitted by laws or with the consent of the shareholders' general meeting that has been informed;
- to be impartial from shareholders of the same category and fair to shareholders of different categories;

- not to conclude a contract or enter into a transaction or arrangement with our Company except as otherwise provided in the Articles of Association or with the informed consent of the shareholders' general meeting;
- not to use our Company's property for his/her own benefit in any way without the informed consent of the shareholders' general meeting;
- not to use his/her positions and powers as a means to accept bribes or other forms of illegal income, and not to appropriate our Company's property in any way, including (but not limited to) any opportunities that are favorable to our Company;
- not to accept commissions in connection with our Company's transactions without the informed consent of the shareholders' general meeting;
- to abide by the Articles of Association, perform his/her duties faithfully, protect the interests of our Company and not to seek personal gain with his position, functions and powers in our Company;
- not to compete with our Company in any way without the informed consent of the shareholders' general meeting;
- not to embezzle our Company's funds, not to deposit our Company's assets or funds in accounts opened in his/her own or in another person's name;
- not to lend our Company's funds to others or use our Company's assets to provide security interest for the debts of our Company shareholders or other individuals in violation of the Articles of Association and in the absence of the approval by the shareholders' general meeting or the Board;
- not to use his/her connected relationship to impair the interests of our Company;
- not to disclose confidential information relating to our Company that was acquired by him/her during his/her term of office without the informed consent of the shareholders' general meeting, and not to use such information except for the interests of our Company; however, such information may be disclosed to the court or other government authorities if:
  - required by laws;
  - required in the public interest;
  - required in the own interest of such Director, supervisor, general manager or other senior management.

A Director, a supervisor, the general manager or other senior management of our Company may not procure the following persons or organizations (“Related Persons”) to do what such Director, supervisor, general manager or other senior management may not do:

- the spouse or minor children of such Director, supervisor, general manager or other senior management member of our Company;
- the trustee of a Director, supervisor, general manager or other senior management of our Company or of any person referred in the aforesaid item above;
- the partner of a Director, supervisor, general manager or other senior management of our Company or of any person referred in aforesaid two items above;
- a company in which a Director, supervisor, general manager or other senior management of our Company, individually or jointly with any person referred to in aforesaid three items above or any other Director, supervisor, general manager or other senior management of our Company, has actual control; and
- a Director, a supervisor, the general manager or other senior management of the company being controlled as referred to in aforesaid item above.

The fiduciary duty of a Director, supervisor, general manager and other senior management of our Company does not necessarily cease with the termination of his/her term of office. His/her confidentiality obligation in relation to our Company’s trade secrets shall remain upon termination of their term of office. The term for continuance of other obligations shall be decided upon in accordance with the principle of fairness, depending on the time lapse between the termination and the occurrence of the matter as well as the circumstances and conditions under which the relationship with our Company terminates.

If a Director, a supervisor, the general manager or other senior management of our Company breaches his/her obligations to our Company, our Company shall, in addition to any rights and remedies provided by laws, have a right to:

- require the relevant Director, supervisor, general manager or other senior management of our Company to compensate for the losses sustained by our Company as a consequence of his/her dereliction of duty;
- rescind any contract or transaction concluded by our Company with the relevant Director, supervisor, general manager or other senior management of our Company and contracts or with a third party (where such third party is aware or should be aware that the Director, supervisor, general manager or other senior management representing our Company was in breach of his/her obligations to our Company);

- require the relevant Director, supervisor, general manager or other senior management of our Company to surrender the gains derived from the breach of his/her obligations;
- recover any funds received by the relevant Director, supervisor, general manager or other senior management of our Company that should have been received by our Company, including (but not limited to) commissions;
- require the relevant Director, supervisor, general manager or other senior management of our Company to return the interest earned or possibly earned on the funds that should have been given to our Company; and
- recover any property obtained by the Director, supervisor, general manager, and other senior management member convicted of the breach of his duties by legal proceedings.

### **BORROWING POWERS**

The Articles of Association do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

- provisions which authorize the Board to formulate proposals for the issuance of debentures and other securities by our Company;
- provisions which provide that the issuance of debentures and other securities shall be approved by the shareholders' general meeting by a special resolution.

### **AMENDMENTS TO CONSTITUTIONAL DOCUMENTS**

Our Company may amend the Articles of Association in accordance with laws and the provisions of the Articles of Association.

An amendment to the Articles of Association in connection with the Mandatory Provisions shall be subject to approval of the relevant supervisory and regulatory authorities of the State Council or CSRC. Where an amendment in the Articles of Association shall be subject to registration, our Company shall register the amendment according to the applicable law.

### **VARIATION OF RIGHTS OF EXISTING SHAREHOLDERS OF DIFFERENT CLASSES**

Shareholders who hold different categories of shares in our Company shall be shareholders of different classes. Shareholders of different classes shall enjoy rights and assume obligations in accordance with laws, administrative regulations and the Articles of Association.

In addition to shareholders of other categories of shares, shareholders of domestic-listed shares and foreign-listed shares shall be deemed as shareholders of different classes of shares.

Upon the approval of CSRC, holders of domestic shares of our Company may list and trade their shares on overseas stock exchange. The listing of such shares in overseas stock exchange shall be in compliance with relevant supervisory regulations, rules and requirements effective at the place of listing. The listing of such shares in overseas stock exchange does not need approval from shareholders of different categories by class meetings.

Any proposal by our Company to change or abrogate the rights of any class of shareholders shall be approved by the shareholders' general meeting by a special resolution and by a separate shareholders' general meeting convened by the affected shareholders of that classes conducted in accordance with the Articles of Association.

The rights of shareholders of a class shall be deemed to have been changed or abrogated in the following conditions:

- an increase or decrease in the number of shares of a class or an increase or decrease in the voting rights, distribution rights or other privileges of shares of a class;
- conversion of all or part of the shares of a class into shares of another class, or vice versa or the grant of a right to convert;
- cancellation or reduction of rights to accrued dividends or cumulative dividends attached to shares of a class;
- cancellation or reduction of a dividend preference or property distribution preference during liquidation of our Company, attached to shares of a class;
- an addition, cancellation or reduction of share conversion rights, options, voting rights, transfer rights, preemptive rights of placing or rights to acquire securities of our Company attached to shares of a class;
- cancellation or reduction of rights to receive amounts payable by our Company in a particular currency attached to shares of a class;
- creation of a new class of shares with voting rights, distribution rights or other privileges which are equal or superior to shares of a class;
- imposition of restrictions or additional restrictions on the transfer or ownership of shares of a class;
- issue of rights to subscribe for, or convert into, shares of a class or another class;

- an increase in the rights and privileges of shares of another class;
- restructuring of our Company which causes shareholders of different classes to bear liability on a disproportionate basis during the restructuring; or
- an amendment or cancellation of “special voting procedures for shareholders of different classes” as contained in the Articles of Association.

Interested shareholders (as defined below) shall not have the right to vote at meetings of shareholders of different classes.

Resolutions of a class shareholders’ general meeting may be passed only by way of poll by two-thirds or more of the voting rights of that class represented at that meeting who are entitled to vote at that meetings.

When our Company is to convene a class shareholders’ general meeting, it shall issue a written notice 45 days (excluding the date of such meeting) prior to the meeting informing all the registered shareholders of that class of the matters to be examined at the meeting as well as the date and place of the meeting. Shareholders who intend to attend the meeting shall, within 20 days prior to the day of the meeting, deliver a written reply to our Company on meeting attendance.

If a class shareholders’ general meeting is convened by serving of notice, such notice needs to be delivered only to the shareholders who are entitled to vote thereat.

The procedures pursuant to which a class shareholders’ general meeting is held shall, to the extent possible, be identical to the procedures according to which a shareholders’ general meeting is held. Provisions of the Articles of Association in relation to procedures for the holding of a shareholders’ general meeting shall be applicable to class shareholders’ general meetings.

The special voting procedures for shareholders of different classes shall not apply in the following circumstances:

- where, as approved by way of a special resolution of the shareholders’ general meeting, our Company issues, either separately or concurrently, domestic investment shares listed within the PRC and foreign investment shares listed outside the PRC every 12 months, and the number of the domestic investment shares and foreign investment shares listed outside the PRC intended to be issued does not exceed 20% of the issued and outstanding shares of the respective categories;
- where the plan for, issuance of domestic investment shares listed within the PRC and foreign investment shares listed outside the PRC upon the incorporation of our Company is completed within 15 months since being approved by the securities regulatory authorities of the State Council;

For the purposes of the provisions of the rights of shareholders of different classes, the “interested shareholders” shall have the following meanings:

- if our Company has made a repurchase offer to all shareholders in the same proportion or has repurchased its own shares through open transactions on a stock exchange in accordance with the Articles of Association, the controlling shareholders as defined in the Articles shall be “interested shareholders”;
- if our Company has repurchased its own shares by an agreement outside a stock exchange in accordance with the Articles of Association, shareholders in relation to such an agreement shall be “interested shareholders”;
- under a restructuring proposal of our Company, shareholders who will bear liability in a proportion smaller than that of the liability borne by other shareholders of the same class, or shareholders who have an interest that is different from the interest of other shareholders of the same class shall be “interested shareholders.”

#### **RESOLUTIONS-MAJORITY REQUIRED**

Resolutions of shareholders’ general meeting are divided into ordinary resolutions and special resolutions.

Ordinary resolutions made by shareholders’ general meeting shall be adopted by more than half of voting shares represented by the shareholders attending the shareholders’ general meeting (including their proxies).

Special resolutions made by shareholders’ general meeting shall be adopted by two-thirds or more of voting shares represented by the shareholders attending the shareholders’ general meeting (including their proxies).

#### **VOTING RIGHTS (GENERALLY, THE RIGHT ON A POLL AND TO DEMAND A POLL)**

Shareholders (including their proxies) exercise voting rights according to the voting shares they hold, and each share shall have one voting right. However, the shares of our Company held by our Company shall not carry voting right and shall not be calculated into the aggregate amount of shares carrying voting right in attendance of the shareholders’ general meeting.

The matters of the shareholders’ general meeting shall be resolved by show of hands.

A poll demanded on a vote regarding the election of the chairman of the meeting or an adjournment of the meeting, shall be taken immediately. A poll demanded on any other matters shall be taken at the time as the chairman of the meeting decides and the meeting may proceed to other matters. The result of the poll shall still be a resolution of the meeting.



On a poll taken at a meeting, a shareholder (including his proxy) entitled to two or more votes need not cast all of his votes in the same way.

In case of an equality of votes, the chairman of the meeting shall be entitled to a casting vote.

### **REQUIREMENTS FOR ANNUAL SHAREHOLDERS' GENERAL MEETING**

Annual general meeting shall be held once every year within six months after the end of the last financial year.

### **ACCOUNTS AND AUDIT**

Our Company shall formulate its accounting system in compliance with laws, administrative regulations and relevant stipulations of PRC formulated by the relevant regulatory authorities.

The Board of our Company shall submit to its shareholders at every annual general meeting such financial reports as are required by the laws and regulations.

The financial statements of our Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that of the place outside China where our Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the aforesaid accounting standards, such difference shall be stated and explained in the financial statements. For the purposes of distribution of our Company's after-tax profits in a financial year, the lower of the after-tax profits as shown in the different set of financial statements shall be adopted.

The financial reports of our Company shall be made available at our Company for inspection by shareholders 20 days before the annual general meeting. Each shareholder of our Company is entitled to a copy of the financial reports.

A copy of the above financial reports shall, at least 21 days before the date of the general meeting, be delivered or sent by pre-paid post to the registered address of every holders of Foreign Shares.

The interim results or financial information that our Company announces or discloses shall be compiled according to both PRC accounting standards, laws and regulations, and international accounting standards or accounting standards of the place at which shares of our Company are listed.

Our Company shall disclose its financial reports two times in each accounting year, that is, its interim financial reports within sixty days of the end of the first six months of a financial year and its annual financial reports within ninety days of the end of its financial year.

**NOTICE OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT**

There are two types of shareholders' general meetings: the annual shareholders' general meetings and the extraordinary shareholders' general meetings.

The extraordinary shareholders' general meeting shall be convened within two months upon the occurrence of any of the following events:

- the number of Directors is less than the number stipulated by PRC Company Law or less than two-thirds of the number required by the Articles of Association;
- the outstanding balance of our Company's loss that had not been made-up reaches one-third of our Company's total paid-in share capital;
- shareholders holding severally or jointly 10% or more of our Company's shares presents a written request to convene an extraordinary shareholders' general meeting (the percentage of shareholding shall be calculated in accordance with the shareholdings on the date of the presence of such request);
- the Board deems it as necessary or the Supervisory Committee proposes that the meeting be convened;
- two or more independent non-executive Directors propose in written that the meeting be convened; and
- other situations, as stipulated in laws and the Articles.

Any shareholders who hold, jointly or severally with others, 3% or more voting shares of our Company shall have the right to propose and submit in writing to the persons who convene shareholders' general meeting special proposals ten days prior to the convening of shareholders' general meeting. The convening persons shall issue a supplementary notice with the contents of the special proposals within two days of receipt of such proposals and submit the special proposals to the shareholders' general meeting for discussion. The special proposals shall fall within the scope of duties of the shareholders' general meeting and include specific subject and particular matters to be resolved.

When our Company is to convene a shareholders' general meeting, it shall issue a written notice 45 days prior to the meeting (excluding the date of the meeting), informing all the registered shareholders of the matters to be examined at the meeting as well as the date and place of the meeting. Shareholders who intend to attend the shareholders' general meeting shall, within 20 days prior to the meeting, deliver a written reply to our Company on the meeting attendance.

The notice of a shareholders' general meeting shall be delivered to the shareholders (whether or not entitled to vote on the shareholders' general meeting) by courier or per-paid mail to the recipient's

address shown in the register of shareholders or by public announcement. The public announcement referred to in the preceding paragraph shall be published in one or more newspapers or periodicals designated by the securities regulatory authorities of the State Council as well as the website of our Company and the stock exchange during the period between 45 and 50 days before the meeting is held. Once the announcement is made, all shareholders of domestic shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

For shareholders of foreign shares, notice of the shareholders' general meeting, shareholders' circulars and relevant documents may be issued on the website of our Company and the website of the Hong Kong Stock Exchange provided that the requirements of laws, administrative regulations, and the listing rules of the jurisdictions where the shares of our Company are listed as well as the Articles of Association are complied with.

A meeting and the resolutions adopted to thereof shall not be invalidated as a result of accidental omission to give notice of the meeting to, or the failure of receiving such notice by, a person entitled to receive such notice.

The notice of a shareholders' general meeting shall meet the following requirements:

- it shall be made in writing;
- it shall specify the time, place and period of the meeting;
- it shall describe the matters to be discussed at the meeting;
- it shall provide necessary information and explanations to the shareholders so as to enable them fully understand the matters to be discussed and make decisions accordingly. This principle shall apply (but not limited to) when our Company proposes a merger, repurchase of shares, reorganization of share capital or other restructuring, it shall provide the specific conditions and contracts (if any) of the transaction under discussions and earnestly explain the cause and result of the transaction;
- it shall disclose the nature and extent of material interests, if any, of any Director, supervisor, general manager or other senior management of our Company in any matter to be discussed; and provide an explanation of the differences, if any, between the way in which the matter to be discussed would affect such Director, supervisor, general manager or other senior management of our Company in his/her capacity as shareholders and the way in which such matter would affect other shareholders of the same class;
- it shall contain the full text of any special resolutions proposed to be voted at the meeting;
- it shall contain a conspicuous statement that the shareholders are entitled to be attend and vote have the right to appoint one or more proxies to attend and vote on their behalf and that such proxy is not required to be a shareholder;

- it shall state the time and place for the delivery of the meeting's proxy forms.

Based on the written replies received 20 days prior to a shareholders' general meeting, our Company shall calculate the number of votes represented by the shareholders intending to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is half or more of the total number of our Company's voting shares, our Company may convene the shareholders' general meeting. Otherwise, our Company shall within five days inform the shareholders once again of the matters to be examined at the meeting as well as the date and place of the meeting in the form of a public announcement. Upon notification by public announcement, our Company may convene the shareholders' general meeting.

Without the prior approval of the shareholders' meeting by special resolutions, our Company shall not enter into any contract with any party other than the Directors, supervisors, general manager or other senior management members pursuant to which such party shall be responsible for managing the whole or any substantial part of our Company's business.

Resolutions on the following items shall be adopted in the form of ordinary resolutions by a shareholders' general meeting:

- working report of the Board and the Supervisory Committee;
- plans made by the Board on profit distribution and loss make-up;
- election and removal of members of the Board and the shareholder representative supervisors and their remunerations and methods of payment;
- annual budget and final accounts plans;
- annual reports of our Company;
- matters other than those stipulated by laws, administrative regulations or the Articles of Association to be adopted by special resolutions.

The following items shall be adopted in the form of special resolutions:

- increase or reduction of our Company's registered capital or issuance of any class of shares, warrants of share subscription or other similar securities;
- issuance of bonds;
- division, merger, dissolution, liquidation or change of organizational form of our Company;

- amendment to the Articles of Association;
- purchase or sale of material assets or provision of security interest with an amount of more than 30% of our Company's audited total assets value for the most recent period within one year;
- share option incentive plans;
- other matters stipulated by laws, administrative regulations or the Articles of Association, and other matters decided in ordinary resolutions adopted by the shareholders' general meeting as having significant impact on our Company and requiring adoption by way of special resolutions.

### **TRANSFER OF SHARES**

Upon obtaining the approval from the State Council's securities regulatory authority, our domestic share shareholders may list and trade their shares in an overseas stock exchange. The listing and trading of such transferred shares shall comply with the procedures, regulations and requirements prescribed by the relevant overseas stock market. No class shareholder voting is required for such listing and trading of shares on an overseas stock exchange.

Unless otherwise provided by laws and administrative regulations, our Company's shares may be transferred free of any encumbrances, provided that Hong Kong Stock Exchange shall be registered at the share registration institution in Hong Kong entrusted by our Company.

Any changes to or correction of any parts of the register of shareholders shall be conducted in accordance with the laws of the place where such parts of the register of shareholders are kept.

No changes resulting from share transfers may be made to the register of shareholders within 30 days prior to a shareholders' general meeting or five days prior to the record date set by our Company for the purpose of distribution of dividends.

### **POWER OF OUR COMPANY TO REPURCHASE ITS OWN SHARES**

After being approved under the procedures stipulated by laws and the Articles of Association and obtaining approvals from administrative authorities authorized by the State Council, our Company may repurchase shares of our Company in the following circumstances:

- to cancel the shares for the purpose of reducing the registered capital of our Company;
- to merge with other companies holding the shares of our Company;
- to give the shares to employees as awards;

- to be requested to repurchase the shares held by the shareholders who object to the resolutions adopted at the shareholders' general meeting concerning consolidation and division of our Company;
- other circumstances where laws and administrative regulations so permit.

The repurchase of our Company's shares, upon the approval by the relevant competent governmental authorities, may be conducted in any of the following manners:

- making a repurchase offer pro rata to all shareholders;
- repurchase through open transactions in a stock exchange;
- repurchase through contractual arrangements outside a stock exchange;
- other means approved by laws, administrative regulations or administrative departments authorized by the State Council.

When our Company is to repurchase shares through contractual arrangements outside a stock exchange, prior approval shall be obtained from the shareholders' general meeting in accordance with the Articles of Association. Upon prior approval of the shareholders' general meeting obtained in the same manner, our Company may rescind or change contracts concluded in the manner set forth above or waive any of its rights under such contracts.

- for the purposes of the above paragraph, contracts for the repurchase of shares shall include (but not limited to) agreements whereby repurchase obligations are undertaken and repurchase rights are acquired.
- our Company may not assign contracts for the repurchase of its own shares or any of its rights thereunder.
- our Company shall apply to the Hohhot Administration for Industry and Commerce for the change of the registered capital registration in the event that the repurchased shares are canceled due to the repurchase thereof.
- the amount of our Company's registered capital shall be reduced by the total par value of the shares so canceled.

Unless our Company has already entered the liquidation stage, it must comply with the following provisions in buying back its issued and outstanding shares:

- where our Company buys back shares at their par value, the amount thereof shall be deducted from the book balance of distributable profit and from the proceeds of a new share issuance made to repurchase the old shares;

- where our Company buy backs shares at a price higher than their par value, the portion corresponding to their par value shall be deducted from the book balance of distributable profit and from the proceeds of a new share issuance made to buy back the old shares. The portion in excess of the par value shall be handled according to the following methods:

where the shares bought back were issued at their par value, the amount shall be deducted from the book balance of distributable profit;

where the shares bought back were issued at a price higher than their par value, the amount shall be deducted from the book balance of distributable profit and from the proceeds of a new share issuance made to buy back the old shares; however, the amount deducted from the proceeds of the new share issuance may not exceed the total premium obtained at the time of issuance of the old shares nor may it exceed the amount in our Company's share premium account (or capital reserve funds account) (including the premiums from the new share issuance) at the time of buy-back;

- the amount paid by our Company for the purposes set forth below shall be paid out of our Company's distributable profits:

acquisition of the right to repurchase its own shares;

modification of any contract for repurchase of its own shares;

release from any of its obligations under any repurchase contracts.

- after the par value of the canceled shares has been deducted from the registered capital of our Company in accordance with relevant regulations, that portion of the amount deducted from the distributable profit and used to buy back shares at the par value shall be included in our Company's share premium account (or capital reserve account).

#### **POWER OF OUR COMPANY'S SUBSIDIARIES TO OWN SHARES OF OUR COMPANY**

There are no provisions in the Articles of Association restricting the ownership of shares of our Company by any of our Company's subsidiaries.

#### **DIVIDENDS AND OTHER METHODS OF PROFITS DISTRIBUTION**

Our Company may distribute the dividends in the form of cash or shares.

Our Company shall appoint recipient agents for shareholders of foreign investment shares listed outside the PRC. The recipient agents shall collect on behalf of the relevant shareholders the dividends distributed and other funds payable in respect of foreign investment shares listed outside the PRC, and to keep such amounts for the future payment to the relevant shareholders.

The recipient agents appointed by our Company for shareholders of foreign investment shares listed in Hong Kong shall be a company which is registered as a trust company under the “Trustee Ordinance” of Hong Kong.

After complying with PRC laws, our Company may expropriate dividends no one claimed for, but such right of expropriation shall only be exercised upon the expiration of the applicable statutory limitation.

## **PROXIES**

Any shareholders entitled to attend and vote at a shareholders’ general meeting shall have the right to appoint one or more persons (who need not be shareholders) as his/her proxies to attend and vote on his/her behalf. Such proxy may exercise the following rights according to his/her entrustment by the shareholder:

- the shareholder’s right to speak at the shareholders’ general meeting;
- the exercise of voting right by ballot.

Shareholders shall entrust the proxy in writing, and the proxy shall be signed by the appointer or the agent authorized by the shareholders in writing. If the appointer is a legal person, the instrument shall be sealed with the legal person’s stamp or signed by its Director or formally authorized agent.

Legal person shareholders shall be represented by its legal representative or proxy entrusted by its legal representative to attend the meeting. When a proxy is entrusted to attend the meeting, he/she shall present his/her identification card and written proxy or authorization letter signed by the legal person shareholder or legal representative of the legal person shareholder. Legal representative attending the meeting shall present his/her identification card and effective proof to his/her qualification as a legal representative appointed by the board of the legal person or other authority of the legal person or any effective proof permitted by our Company.

The proxy letter issued by a shareholder to entrust proxy to attend shareholders’ general meeting shall contain the following contents:

- name of the principal and the proxy;
- the number of shares held by the principal;
- proxy’s voting right;
- instructions on each item to be discussed on the agenda of shareholders’ general meeting, stating whether the shareholder agrees to, object to or abstain from voting the resolution respectively;



- instructions on the voting right in respect of the special proposals to be discussed on the agenda of shareholders' general meeting, including detailed instructions on the exercise of such voting right, if any;
- the issuing date of proxy letter and its effective period;
- signature or seal of the appointer; if the appointer is a legal person, the proxy letter shall be sealed by it.

Any form issued by the Board of our Company to the shareholders for the appointment of proxies shall give the shareholders free choice to instruct their proxies to cast an affirmative, negative or abstention vote and enable the shareholders to give separate instructions on each matter to be voted during discussions at the meeting. The proxy letter shall specify that in the absence of instructions from the shareholder, the proxy may vote as he/she thinks fit.

If, before voting, the appointer has passed away, lost his/her ability to act, withdrawn the appointment, withdrawn the authorization to sign the proxy form, or transferred all his/her shares, the vote cast by the proxy in accordance with the proxy form shall remain valid so long as our Company has not received the written notice regarding such matters before the commencement of relevant meeting.

#### **CALLS ON SHARES AND FORFEITURE OF SHARES**

Shareholders are entitled to the interests of any payment for shares prior to the making of calls on such shares, but cannot claim any dividend in respect of such shares that is declared after that prepayment.

Our Company has right to sell the foreign investment shares listed outside the PRC, the holders of which are unable to get into contact with for a prescribed period of time subject to satisfaction of the following conditions:

- our Company has declared dividend in respect of such shares of at least three times within 12 years, but such dividend has never been collected by any person during that period; and
- after the expiration of the 12 year period, our Company shall publish an announcement in one or more magazines of the jurisdiction where our Company is listed, stating its intention to sell such shares, and notify the securities regulatory authorities of the jurisdiction where our Company is listed.

#### **RIGHTS OF SHAREHOLDERS (INCLUDING INSPECTION OF REGISTER)**

Shareholders of ordinary shares of our Company shall enjoy rights pursuant to the applicable laws and the Articles of Association as follows:

- collect dividends and other kinds of interests distributed based on the number of shares held by them;

- request for convention of, convene, preside over, attend or entrust a proxy to attend shareholders' meetings and exercise relevant voting right in accordance with the applicable laws;
- supervise and administrate the business operation of our Company, and make suggestions and enquiries accordingly;
- transfer, donate or pledge shares held by the shareholders in compliance with laws, administrative regulations, relevant requirements of securities regulatory authorities in the places where the shares are listed and the Articles of Association;
- obtain relevant information in accordance with the Articles of Association, including:
  - the right to obtain the Articles of Association, subject to payment of costs;
  - the right to inspect the following documents for free and make copies of the documents subject to payment of costs:
    1. all parts of the register of shareholders;
    2. personal materials of a Director, supervisor, general manager and other senior management of our Company;
    3. status of share capital of our Company;
    4. latest audited financial statements of our Company and the Reports of the Directors, auditors and Supervisory Committee;
    5. extraordinary general meeting of our Company;
    6. reports of the aggregate par value, number of shares, and highest and lowest prices of each class of shares repurchased by our Company since the last accounting year as well as all the expenses paid by our Company therefor;
    7. copy of the latest annual report filed with the PRC State Administration for Industry and Commerce or other competent PRC authority;
    8. minutes of shareholders' general meetings.
- participate in the distribution of our Company's remaining assets based on the number of shares held by the shareholders when our Company is terminated or liquidated;

- request our Company to purchase its shares if they object to the resolutions adopted by the shareholders' general meeting on merger or separation;
- Any shareholders who hold, separately or in the aggregate, 3% or more voting shares of our Company shall have the right to propose and submit in writing the special proposals to the Board ten days prior to a shareholders' general meeting;
- other rights conferred by laws, administrative regulations and the Articles of Association.

### **QUORUM FOR SHAREHOLDERS' GENERAL MEETINGS AND SHAREHOLDERS' CLASS MEETINGS**

Based on the written replies received 20 days prior to a shareholders' general meeting, our Company shall calculate the number of voting shares represented by the shareholders intending to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of our Company's voting shares, our Company may convene the shareholders' general meeting. Otherwise, our Company shall within five days inform the shareholders once again of the matters to be examined at the meeting as well as the date and place of the meeting in the form of a public announcement. Upon notification by public announcement, our Company may convene the shareholders' general meeting.

If the number of voting shares of a class of shareholders represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that class carrying the right to vote at the meeting, our Company may hold the meeting of shareholders of that class. Otherwise, our Company shall within five days inform the shareholders once again of the matters to be examined at the meeting and the date and place of the meeting in the form of a public announcement. Upon notification by public announcement, our Company may hold the meeting of shareholders of that class.

### **RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION**

In addition to obligations imposed by laws, administrative regulations or the listing rules of the stock exchange(s) on which the shares of our Company are listed, while exercising shareholder's rights, the controlling shareholders shall not make such decisions by exercising their voting rights to the detriment of all or part of the shareholders' interests as below:

- relieving a Director or supervisor of the responsibility to act honestly in the best interest of our Company;
- approving a Director or a supervisor for his/her own or other person's benefit to deprive our Company of its property in any form, including (but not limited to) any opportunities that are favorable to our Company; or

- approving a Director or a supervisor for his/her own or other person's benefit to deprive other shareholders of their rights or interests, including (but not limited to) rights to distributions and voting rights, unless pursuant to a restructuring of our Company submitted to and adopted by the shareholders' general meeting in accordance with the Articles of Association.

The term "controlling shareholder(s)" in the Articles of Association shall refer to the person(s) satisfying any of the following conditions:

- acting alone or in concert with others, has the power to elect half or more number of the Directors;
- acting alone or in concert with others, has the power to exercise or control the exercise of 30% or more of our Company's voting rights;
- acting alone or in concert with others, hold 30% or more of shares of our Company;
- acting alone or in concert with others, can obtain actual control of our Company in any other manner.

### **PROCEDURES ON LIQUIDATION**

Should any of the following circumstances occur, our Company shall be dissolved and liquidated pursuant to law:

- if the shareholders' general meeting resolves to dissolve our Company;
- if a dissolution is necessary as a result of the merger or division of our Company;
- if our Company is lawfully declared to be closed because it violates laws and administrative regulations;
- if our Company's business license is lawfully suspended, or our Company is lawfully declared to be closed or revoked;
- if no other solutions can be pursued when our Company has significant difficulties in its operation and management, and its continued existence will cause great loss to the shareholders' interests, shareholders with 10% or more of all the voting rights of our Company may file a lawsuit with the court to dissolve our Company.

If the Board decides that our Company should be liquidated (except the liquidation as a result of our Company's declaration of insolvency), the notice of the shareholders' general meeting convened

for such purpose shall include a statement to the effect that the Board has made full investigation into the position of our Company and that the Board holds the opinion that our Company can pay its debts in full within 12 months after the announcement of liquidation.

The functions and powers of the Board shall terminate immediately after the general shareholders' general meeting has adopted a resolution regarding liquidation.

During the period of liquidation, our Company still exists but shall not engage in any business activities irrelevant to such liquidation.

Upon completion of liquidation, the liquidation committee shall prepare a liquidation report, an income and expenditure statement and financial account for the period of liquidation and, after they are certified by a PRC certified public accountant, submit to the Shareholders' general meeting or the people's court for confirmation.

## **OTHER PROVISIONS MATERIAL TO OUR COMPANY OR ITS SHAREHOLDERS**

### **General provisions**

Our Company is a joint stock limited company having perpetual existence. From the date on which the Articles of Association came into effect, the Articles of Association constitute a legally binding public document regulating our organization and activities, and the rights and obligations between our Company and each shareholder and among the shareholders themselves.

In light of the demands of operation and business development and based on relevant laws and regulations, after obtaining separate resolutions of the shareholders' general meeting, our Company may increase its capital through the following ways:

- offering new shares to the public;
- private placing of shares;
- allotment of new shares to existing shareholders;
- transferring capital reserve funds;
- other methods provided by laws and administrative regulations or permitted by the administrative authorities authorized by the State Council.

Our Company's issuance of new shares shall be handled in accordance with the procedures provided for in relevant State laws and administrative regulations after having been approved in accordance with the Articles of Association.

Our Company may reduce its registered capital in accordance with the provisions of the Articles of Association. The reduction of registered capital shall follow the procedures set forth in the PRC Company Law and other regulations and provisions of the Articles of Association.

When our Company is to reduce its registered capital, it must prepare a balance sheet and an inventory of assets.

Our Company shall notify its creditors within 10 days of adopting the resolution to reduce its registered capital and shall publish an announcement about the resolution in the newspapers designated by the relevant regulatory authorities in the jurisdiction where our Company is listed within 30 days and on the website of our Company and the relevant stock exchange. Creditors shall, within 30 days since receiving a written notice or within 90 days since the date of the public announcement for those who have not received a written notice, be entitled to require our Company to pay off its debts in full or to provide a corresponding guarantee for repayment.

The reduced registered capital of our Company may not be less than the statutory minimum.

Shareholders of ordinary shares of our Company shall undertake the following obligations:

- abide by laws, administrative regulations and the Articles of Association;
- contribute share capital according to the number of shares subscribed by them and the methods of capital contribution;
- the liability of the Shareholders to our Company is limited to the extent of the shares subscribed by them;
- unless otherwise stipulated by laws and administrative regulations, shareholders shall not withdraw their share capital;
- other obligations imposed by laws and the Articles of Association.

#### **SECRETARY OF THE BOARD**

The Board has a secretary who shall be appointed and dismissed by the Board. The secretary of the Board is a member of senior management of our Company.

The major duties of the secretary of the Board shall include:

- to ensure the Company keep the relevant documents and records of our organization and activities;
- to keep and administrate the relevant documents of shareholders;

- to assist the routine of the Board for the directors;
- to organize and prepare for the Board meetings and shareholders' general meetings, take minutes of the meetings and take care of the documents and minutes of the meetings;
- to organize, prepare and submit the reports and documents required by the relevant supervisory and regulatory authorities and to be responsible for all relevant task from regulatory authorities as the contact person between the Company and the relevant supervisory and regulatory authorities of the State Council or CSRC;
- to ensure the Company set up the register of shareholders. to ensure the persons entitled to access to the relevant documents and records are furnished with such documents and records without delay;
- to be responsible for the information disclosure of our Company, attending all the relevant meetings, and timely acquisition of information on material operation decisions and relevant materials;
- to be responsible for the confidentiality of information sensitive to share price and to formulate a feasible confidentiality system and confidentiality measures; when the information sensitive to share price is leaked for any reasons, to take necessary remedies, make explanations and clarifications in time, and notify the regulatory authorities in the jurisdiction where our Company is listed;
- to coordinate with visits and reception work, maintain relationship with the media, coordinate public relationship;
- to assist Directors and the general manager to abide by domestic and foreign laws, regulations, the Articles of Association and other relevant provisions during their performance of duties, and upon knowing our Company passing or likely to pass a resolution in violation of relevant provisions, to be obliged to give timely remind and have the right to faithfully report to the regulatory bodies so as to reflect the actual situation;
- to exercise other powers conferred by the Board and other powers as may be required or provided for under laws of the places where our Company's shares are listed.

### **SUPERVISORY COMMITTEE**

Our Company shall have a Supervisory Committee, which shall comprise three to five supervisors, one of whom shall be elected as the chairman of the Supervisory Committee. The chairman of the Supervisory Committee shall be elected and replaced by two-thirds or more of all the supervisors. The term of office of each supervisor shall be 3 years. A supervisor may serve consecutive terms if re-elected upon the expiration of his/her term. Directors, general manager and other senior management members of our Company may not serve as supervisors concurrently.

The Supervisory Committee shall perform the following duties:

- to supervise the financial activities of our Company;
- to exam the financial reports, operating reports, profit distribution plans and other financial documents which the Board intend to submit to the shareholders' general meeting, and to entrust certified accountant or certified auditor on behalf of our Company to review these relevant financial documents in case of any doubt;
- to supervise the performance of duties by the Directors, the general manager and senior management members of our Company, and dismissal of the Directors and senior management of our Company who violate laws, the Articles of Association or resolutions of the shareholders' general meeting;
- to require the Directors, the general manager, and other senior management of our Company to correct any act that is harmful to our Company's interests;
- to propose to hold an extraordinary shareholders' general meeting, and to convene and preside over a shareholders' general meeting when the Board fails to perform its duty of convening and presiding over such meeting pursuant to the laws;
- to make proposals to the shareholders' general meetings;
- to propose to hold an extraordinary Board meeting;
- to bring legal proceedings against the Directors, the senior management members in accordance with laws;
- Other authority prescribed by laws, administrative regulations and the Articles of Association.

A supervisor can attend the Board meetings as a non-voting attendee.

A supervisor shall abide by laws and the Articles of Association, and perform his/her supervising responsibilities honestly and diligently.

#### **GENERAL MANAGER OF OUR COMPANY**

The general manager of our Company shall be accountable to the Board and shall have the right to exercise the following powers:

- be in charge of business operation and management, report to the Board;



- organize the implementation of annual operation and investment plans;
- formulate the resolutions of the Board meetings, internal management establishment structure of our Company;
- formulate the draft of the basic administrative system;
- formulate the basic regulations of our Company;
- propose to the Board for the appointment or dismissal of the deputy general manager and the chief accountants;
- appoint or dismiss other management or ordinary employees that shall not be appointed or dismissed by the Board;
- determine the investments, acquisitions, sales, financings and others excepting the projects shall be determined by the Board or shareholders' general meeting;
- other duties and powers authorized by the Articles of Association and the Board.

The general manager shall abide by laws and the Articles of Association and perform his duties faithfully, honestly and diligently.

## **BOARD**

The Board shall be responsible to the shareholders' general meetings and exercise the following functions and powers:

- convening shareholders' general meetings and reporting on its performance to shareholders at such meetings;
- executing the resolutions of the shareholders' general meetings;
- determining business plans and investment proposals;
- formulating proposed annual budgets and final accounts;
- formulating profit distribution plans and plans for recovery of losses;
- formulating proposals for increases in or reductions of registered share capital, and proposals for issuance of bonds or other marketable securities and listing plans;

- formulating proposals for material acquisition, repurchase of shares, merger, separation, dissolution, liquidation or change of the nature of our Company;
- determining proposals for external investment, acquisition and disposal of asset, assets mortgage, guarantee for third party liabilities, debt financing, entrusted finance and connected transactions within the scope authorized at shareholders' general meetings;
- formulating proposals for any amendment to Articles of Association;
- appointing or dismissing our Company's general manager and secretary of the Board, appointing or dismissing the senior management members including deputy general managers based on the nomination of our general manager, and deciding on matters relating to their emoluments and on the imposition of any disciplinary measures or rewards;
- deciding on the establishment of internal management system;
- formulating the basic administrative rules and managing disclosure of information of our Company;
- deciding the establishment of special committees and their compositions;
- other authorities conferred by shareholders' general meetings or prescribed by the laws or the Articles of Association.

At least four regular meetings of the Board shall be held each year. Board meetings shall be convened by the chairman of the Board. The notice of a regular Board meeting and a special Board meeting shall be served in writing to all the Directors, supervisors and the general manager 14 days and 5 days respectively before such meetings are convened. The chairman of the Board shall convene and preside a special Board meeting within 5 days under one of the following circumstances:

- shareholders individually or collectively representing one tenth or more voting rights propose;
- the Supervisory Committee proposes;
- the chairman of the Board considers necessary;
- one third or more of the Directors propose jointly;
- two or more independent non-executive Directors propose;
- the general manager of our Company proposes.

Meetings of the Board may be held only if more than half of the Directors (including proxies) attend. Resolutions of the Board shall be adopted by the affirmative votes of more than half of all the Directors except for the following matters where an affirmative vote of at least two thirds or more of all the Directors will be required:

- formulating proposals for increases in or reductions of registered share capital, and proposals for issuance of bonds or other marketable securities and listing plans;
- formulating proposals for material acquisition, repurchase of shares, merger, separation, dissolution, liquidation or change of the nature of our Company;
- formulating proposals for any amendment to the Articles of Association.

Each Director shall have one vote. If the number of dissenting votes is equal to that of affirmative votes, the chairman of the Board shall have a casting vote.

The special committees set up under the Board include without limitation: Nomination Committee, Audit Committee and Compensation and Discipline Committee.

#### **ENGAGEMENT OF AN ACCOUNTING FIRM**

Our Company shall engage an independent accounting firm that complies with relevant State regulations to audit the annual financial reports and other financial reports of our Company. The term of engagement of an accounting firm engaged by our Company shall be between the end of the annual shareholders' general meeting of our Company and the end of the next annual shareholders' general meeting.

The shareholders' general meeting may, by means of an ordinary resolution, dismiss any accounting firm prior to the expiration of its term of engagement, notwithstanding any provisions in the engagement contract between the accounting firm and our Company, without prejudice to such accounting firm's right, if any, to claim damages from our Company in respect of such dismissal.

The engagement, dismissal or refusal of the renewal of the engagement of an accounting firm shall be decided upon by the shareholders' general meeting and reported to the securities regulatory authorities of the State Council.

#### **DISPUTE RESOLUTION**

If any disputes or claims related to our Company's business based on the rights or obligations provided in the Articles of Association, the PRC Company Law and other relevant laws arise between the shareholders of foreign investment shares listed outside the PRC and our Company, between the shareholders of foreign investment shares listed outside the PRC and the Directors, supervisors, the general manager and other senior management members of our Company or between the shareholders of foreign investment shares listed outside the PRC and other shareholders of domestic investment shares, the parties concerned may submit such dispute or claim for arbitration.

When such disputes or claims as described above are submitted for arbitration, such disputes or claims shall be submitted in their entirety, and all persons that have a cause of action due to the same events or whose participation is necessary for the settlement of such disputes or claims, and if such persons being our Company or Shareholders, Directors, supervisors, the general manager or other senior management members of our Company, shall abide by arbitration.

Disputes concerning the definition of shareholders and the register of shareholders shall not be required to be settled by means of arbitration.

A dispute or claim submitted for arbitration may be arbitrated, at the option of the arbitration applicant, by either the China International Economic or Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. After the arbitration applicant has submitted the dispute or claim for arbitration, the other party must carry out arbitration in the arbitration institution selected by the applicant.

If the arbitration applicant opts for arbitration by the Hong Kong International Arbitration Centre, either party may request arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

Unless otherwise provided by laws or administrative regulations, the laws of the PRC shall apply to the settlement by means of arbitration of disputes or claims referred in the above paragraph.

The award of the arbitration institution shall be final and binding upon each party.

The said arbitration agreement is reached between the Directors or senior executives and our Company, with our Company representing both itself and its Shareholders.

Any arbitration submitted shall be deemed as authorizing the arbitration tribunal to conduct public hearing and announce the arbitration award.

## 1. FURTHER INFORMATION ABOUT OUR COMPANY

### A. Incorporation

On March 24, 2016, the predecessor of our Company, IM Keyi Company, was established as a limited liability company in the PRC. On May 31, 2016, IM Keyi Company was converted into a joint stock company with limited liability, and its name was changed to Inner Mongolia Energy Engineering Co., Ltd. (內蒙古能源建設投資股份有限公司), with the promoters being IM Energy Group and IM Sulige Company.

We have established a place of business in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, and have been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on August 16, 2016. Mr. Wong Yat Tung has been appointed as our agent for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As we are incorporated in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices IV and V to this prospectus.

### B. Changes in the Share Capital of Our Company

On March 24, 2016, IM Keyi Company, our predecessor, was established as a limited liability company in the PRC with a registered capital of RMB500,000,000.

On May 31, 2016, IM Keyi Company was converted into a joint stock company with limited liability, and our registered share capital was RMB2,100,000,000, consisting of 2,100,000,000 Domestic Shares of nominal value of RMB1.00 each.

Upon completion of the Global Offering, without taking into account any H Shares which may be issued pursuant to the Over-allotment Option, our registered share capital will be increased to RMB2,800,000,000, comprising 2,030,000,000 Domestic Shares, 770,000,000 H Shares to be issued and sold under the Global Offering, representing 72.5% and 27.5% of our registered capital, respectively.

Save as aforesaid, there has been no alteration in our share capital since our establishment.

### C. Written Resolutions Passed by Our Shareholders

On July 9, 2016, the Shareholders of our Company passed, among other things, the following resolutions:

- (a) the issue by our Company of H Shares of nominal value of RMB1.00 each up to 900,000,000 H Shares in total (without taking into account the H Shares which may be

issued upon the exercise of the Over-allotment Option) and subsequent listing of such H Shares on the Stock Exchange;

- (b) the granting of the Over-allotment Option in respect of no more than 15% of the number of H Shares issued as mentioned above;
- (c) subject to the completion of the Global Offering, the Articles of Association have been approved and adopted, which shall only become effective from the Listing Date, and the Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and
- (d) approving the Board to handle all matters relating to, among other things, the issue of H Shares and the listing of H Shares on the Stock Exchange.

#### **D. Our Reorganization**

In preparation of the Global Offering, we underwent our Reorganization, details of which are set out in “History and Corporate Structure.” Our PRC legal advisers, JunHe LLP, has confirmed that the Reorganization was legally and duly completed, and that we have obtained all necessary approvals from relevant PRC regulatory authorities required for the Reorganization.

#### **E. Changes in Share Capital of Our Subsidiaries**

Our principal subsidiaries (for the purpose of the Listing Rules) as of the date of this prospectus are set out under the financial information in the Accountants’ Report as included in Appendix I to this prospectus.

Save as disclosed below, there has been no alteration in the share capital of our principal subsidiaries within the two years preceding the date of this prospectus:

- (a) the registered capital of IM No. 1 Power Company was increased from RMB77,000,000 to RMB400,000,000 on August 31, 2015, then decreased from RMB400,000,000 to RMB77,000,000 on January 12, 2016, and increased from RMB77,000,000 to RMB400,000,000 on January 20, 2016;
- (b) the registered capital of IM No. 3 Power company was increased from RMB70,610,000 to RMB400,000,000 on July 14, 2016;

- (c) the registered capital of IM Products Company was increased from RMB100,000,000 to RMB550,000,000 on July 25, 2016;
- (d) the registered capital of IM Transition & transformation company was increased from 77,880,000 to 500,000,000 on January 5, 2017;
- (e) the registered capital of IM Planning Design Institute was increased from RMB3,000,000 to RMB100,000,000 on February 6, 2017; and
- (f) the registered capital of IM Survey & Design Institute was increased from RMB125,000,000 to RMB500,000,000 on May 23, 2017.

## 2. FURTHER INFORMATION ABOUT OUR BUSINESS

### A. Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this prospectus which are or may be material:

- (a) the state-owned equity transfer agreement entered into between IM Energy Group and IM Keyi Company (the predecessor of our Company) dated April 25, 2016, pursuant to which IM Energy Group injected into IM Keyi Company its principal business primarily relating to survey, design and consultancy, construction contracting, trading and power project operation and other business by way of transfer of equity interests in 26 companies without consideration;
- (b) the reorganization agreement entered into between IM Energy Group and IM Keyi Company (the predecessor of our Company) dated April 25, 2016, pursuant to which IM Energy Group and IM Keyi Company agreed on the scope of the reorganization, primarily including the business, assets, debts and staff to be injected by IM Energy Group without consideration;
- (c) the agreement entered into between Inner Mongolia Mengxing Products Co., Ltd. (內蒙古蒙興物產有限公司) (“**IM Mengxing**”), Zhang Dong (張東), IM Products Company, our Company and IM Energy Group dated May 22, 2017, as detailed in the sub-section headed “Business — Trading Business — Entering into and subsequent transfer of coal underwriting arrangement — Transfer of amended coal underwriting agreements to IM Energy Group and provision of custodial services” in this prospectus, pursuant to which (i) IM Products Company shall transfer all of its rights and obligations under the Coal Underwriting Agreements and the Supplemental Coal Underwriting Agreement entered into between IM Mengxing and IM Products Company dated October 6, 2016 and March 19, 2017, respectively, (together with the Coal Underwriting Agreements, the “**Amended**



**Coal Underwriting Agreements”**) to IM Energy Group; and (ii) IM Mengxing agrees to supply coal to IM Energy Group in accordance with the terms of the Amended Coal Underwriting Agreements, and insofar as allowed under applicable laws, rules and regulations (including but not limited to the Listing Rules), IM Energy Group undertakes to appoint IM Products Company as a custodian for an initial period of three years commencing the date on which our Company successfully passed the hearing by the Listing Committee (i.e. June 20, 2017) in relation to management of the Amended Coal Underwriting Agreements and IM Products Company shall receive from IM Energy Group a custodian fee equivalent to 0.7% of the revenue generated from the sale of coal managed by IM Products Company;

- (d) the Non-competition Undertaking as detailed in the sub-section headed “Relationship with the Controlling Shareholder – Non-Competition Undertaking” in this prospectus;
- (e) the cornerstone investment agreement dated June 22, 2017, entered into between our Company, China South Industries Assets Management Co., Ltd. (南方工業資產管理有限責任公司) and China International Capital Corporation Hong Kong Securities Limited, pursuant to which China South Industries Assets Management Co., Ltd. (南方工業資產管理有限責任公司) agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) as may be purchased with an aggregate amount of US\$30 million or the Hong Kong dollars equivalent of US\$30 million (inclusive of relevant brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) at the Offer Price; and
- (f) the Hong Kong Underwriting Agreement.



**B. Our Intellectual Property Rights****(a) Trademarks**

As of the Latest Practicable Date, we have registered the following trademarks which we consider to be material to our businesses:

Trademark	Registrant	Registration number	Place of registration	Duration	Class
	Inner Mongolia Hengxin Iron Tower Co., Ltd. (內蒙古恒鑫鐵塔有限責任公司)	11270753	PRC	December 21, 2013- December 20, 2023	9
	Inner Mongolia Hengxin Iron Tower Co., Ltd. (內蒙古恒鑫鐵塔有限責任公司)	11270643	PRC	December 21, 2013- December 20, 2023	39
	Inner Mongolia Hengxin Iron Tower Co., Ltd. (內蒙古恒鑫鐵塔有限責任公司)	11270924	PRC	December 21, 2013- December 20, 2023	6
	Our Company	303872593	Hong Kong	August 16, 2016- August 15, 2026	1, 2, 4, 6, 7, 19, 39, 40
	Our Company	303872557	Hong Kong	August 16, 2016- August 15, 2026	1, 2, 6, 19, 39, 40
	Our Company	303872584	Hong Kong	August 16, 2016- August 15, 2026	1, 2, 4, 6, 7, 19, 39, 40, 42

**(b) Patents**

As of the Latest Practicable Date, we have been granted the following patents in the PRC which we consider to be material to our businesses:

<b>Patents</b>	<b>Type</b>	<b>Patentee</b>	<b>Patent number</b>	<b>Application date</b>	<b>Grant date</b>
Wind farm designer system (風電場設計家系統)	Invention	IM Survey & Design Institute	ZL201110174182.0	June 27, 2011	May 1, 2013
SVG room temperature control system (SVG 室溫控系統)	Invention	IM Survey & Design Institute	ZL201110175168.2	June 27, 2011	July 24, 2013
Discrimination of ground fault line in multilevel common battery system (多級共電網路系統中的接地故障線的判別)	Invention	IM Survey & Design Institute	ZL201110176899.9	June 28, 2011	June 12, 2013
A method of wind data modification and correction (對測風資料進行補缺修正的方法)	Invention	IM Planning Design Institute	ZL201110180388.4	June 30, 2011	April 2, 2014

Patents	Type	Patentee	Patent number	Application date	Grant date
A method of the conversion of topographic map data format into overhead line format (一種將地形圖資料格式轉換為架空線路格式的方法)	Invention	IM Survey & Design Institute	ZL201110180390.1	June 30, 2011	April 24, 2013
Ultra short period wind farm power generation forecasting system (超短期風電場發電功率預測系統)	Invention	IM Survey & Design Institute	ZL201110180401.6	June 30, 2011	April 3, 2013
A calculation and simulation method of wind resource in no wind record areas (無測風記錄區風資源類比推算方法)	Invention	IM Survey & Design Institute	ZL201110180404.X	June 30, 2011	August 14, 2013
Method for optimizing the regular layout of wind turbine in flat terrain (平坦地形風機規則佈置優化方法)	Invention	IM Survey & Design Institute	ZL201110180405.4	June 30, 2011	January 16, 2013

Patents	Type	Patentee	Patent number	Application date	Grant date
Method for optimizing the layout of wind generator set in flat terrain (平坦地形風力發電機組優化佈置方法)	Invention	IM Survey & Design Institute	ZL201110180419.6	June 30, 2011	February 13, 2013
Wind speed prediction method for wind farm (風電場風速預測方法)	Invention	IM Survey & Design Institute	ZL201110180420.9	June 30, 2011	June 26, 2013
Method and device for calculating cooling tower by using general program ANSYS (利用通用程式計算冷卻塔的方式和裝置)	Invention	IM Survey & Design Institute	ZL201110180434.0	June 30, 2011	April 22, 2015
Method for automatic drawing of power system design for power supply system of thermal power plant (火電廠電源系統設計自動成圖的方法)	Invention	IM Survey & Design Institute	ZL201110180441.0	June 30, 2011	April 17, 2013

Patents	Type	Patentee	Patent number	Application date	Grant date
Method and system of processing the relations of data in electric power design (電力設計中處理資料關係的方法和系統)	Invention	IM Survey & Design Institute	ZL201110180442.5	June 30, 2011	April 2, 2014
Planning method for wind field in flat area (平坦地區風場規劃方法)	Invention	IM Survey & Design Institute	ZL201110180452.9	June 30, 2011	April 3, 2013
Method of optimizing wind turbine layout for improving the utilization of wind energy (提高風能利用的風機佈置優化方法)	Invention	IM Survey & Design Institute	ZL201110180454.8	June 30, 2011	May 1, 2013
Method for improving the utilization of wind energy in complex terrain (複雜地形下提高風能利用的方法)	Invention	IM Survey & Design Institute	ZL201110180455.2	June 30, 2011	March 6, 2013

Patents	Type	Patentee	Patent number	Application date	Grant date
Reinforced buried pipe of concrete component (混凝土構件加固埋管)	Utility model	IM Survey & Design Institute	ZL201120188540.9	May 28, 2011	November 30, 2011
New concrete block (新型砌塊)	Utility model	IM Survey & Design Institute	ZL201120188552.1	May 28, 2011	December 14, 2011
Medium speed coal grinding sealing wind system (中速磨煤機密封風系統)	Utility model	IM Survey & Design Institute	ZL201120188554.0	May 28, 2011	December 28, 2011
Non-thrusting smoke and wind pipe compensation device (無推力的煙、風管道補償裝置)	Utility model	IM Survey & Design Institute	ZL201120188566.3	May 28, 2011	November 30, 2011

(c) *Software Copyrights*

As of the Latest Practicable Date, we have registered the following software copyrights which we consider to be material to our businesses:

Software	Proprietor	Registration certificate number	Registration date
CAD Vectogram management system V1.0 (CAD 向量圖管理系 V1.0)	IM Survey & Design Institute	2010SR070409	December 20, 2010
Optimized design system for solar trough power station 1.0 (槽式太陽能電站設計優化系統1.0)	IM Survey & Design Institute	2015SR054871	March 27, 2015

<b>Software</b>	<b>Proprietor</b>	<b>Registration certificate number</b>	<b>Registration date</b>
Prediction system for ultra short period wind power rate V1.0 (超短期風電功率預測系統 V1.0)	IM Survey & Design Institute	2010SR060504	November 12, 2010
Three-dimensional digital information management system for power plant V1.0 (電廠三維數位化資訊管理系統V1.0)	IM Survey & Design Institute	2010SR061222	November 16, 2010
Power design intelligent collaborative management system V1.0 (電力設計智慧化協同管理系統V1.0)	IM Survey & Design Institute	2010SR035007	July 16, 2010
Standard management system for power generation engineering design V1.0 (發電工程設計標準化管理系統V1.0)	IM Survey & Design Institute	2010SR061172	November 16, 2010
Optimize design software for micro-location selection of wind power plant (風電場微觀選址優化設計軟體)	IM Survey & Design Institute	2014SR126139	August 22, 2014
Wind power design expert system 1.0.4 (風電設計專家系統 1.0.4)	IM Survey & Design Institute	2015SR054863	March 27, 2015
Engineering design archives whole process management system V1.0 (工程設計檔案全過程管理系統V1.0)	IM Survey & Design Institute	2014SR114769	August 7, 2014
Software for photovoltaic power station design1.1 (光伏電站設計軟體1.1)	IM Survey & Design Institute	2015SR173452	September 8, 2015
Planning and operation management system V1.0 (計畫經營管理系統V1.0)	IM Survey & Design Institute	2013SR068703	July 19, 2013
Full life circle computer equipment asset management system V1.0 (計算機設備資產全生命週期管理系統V1.0)	IM Survey & Design Institute	2013SR069657	July 20, 2013

<b>Software</b>	<b>Proprietor</b>	<b>Registration certificate number</b>	<b>Registration date</b>
Budget software for overhead transmission line engineering V1.0 (架空輸電線路工程概預算軟體 V1.0)	IM Survey & Design Institute	2015SR016838	January 29, 2015
Survey equipment management system V1.0 (勘測設備管理系統 V1.0)	IM Survey & Design Institute	2015SR223926	November 16, 2015
Human resources dynamics management system V1.0 (人力資源動態管理系統 V1.0)	IM Survey & Design Institute	2010SR061321	November 16, 2010
Three-dimensional collaborative design system V1.0 (三維協同設計管理系統 V1.0)	IM Survey & Design Institute	2010SR061265	November 16, 2010
Whole process (from product design to finished products) management system V1.0 (設計成品全過程管理系統 V1.0)	IM Survey & Design Institute	2013SR069631	July 20, 2013
Collaborative office management system V1.0 (協同辦公管理系統 V1.0)	IM Survey & Design Institute	2013SR069584	July 20, 2013
Expert review and test management system V1.0 (專家評審考核管理系統 V1.0)	IM Survey & Design Institute	2013SR069718	July 20, 2013
Three-piece Integration Design Software of Heating System Based on PDMS (基於PDMS的採暖系統三維一體化設計軟體)	IM Survey & Design Institute	2016SR327579	November 11, 2016
Energy Simple Terrain Fan Arrangement Software V1.0 (能源簡單地形風機排布軟體 V1.0)	IM Planning Design Institute	2017SR159764	May 5, 2017
Energy Resistivity Curve Service Software V1.0 (能源電阻率曲線服務軟體 V1.0)	IM Planning Design Institute	2017SR160070	May 5, 2017



<b>Software</b>	<b>Proprietor</b>	<b>Registration certificate number</b>	<b>Registration date</b>
Energy Project Management System V1.0 (能源工程項目管理系統V1.0)	IM Planning Design Institute	2017SR161091	May 5, 2017
Energy and Photovoltaic Field Design Management Software V1.0 (能源光伏場區設計管理軟體V1.0)	IM Planning Design Institute	2017SR163389	May 8, 2017
Energy and Wind Farm Design Software V1.0 (能源風電場設計軟體V1.0)	IM Planning Design Institute	2017SR163440	May 8, 2017
Energy Foundation Treatment Scheme Design Software V1.0 (能源地基處理方案設計軟體V1.0)	IM Planning Design Institute	2017SR163890	May 8, 2017
Energy and Power Engineering Cost Management System V1.0 (能源電力工程造價管理系統V1.0)	IM Planning Design Institute	2017SR163915	May 8, 2017
Energy Static Uniaxial Test Software V1.0 (能源靜力單軸測試軟體V1.0)	IM Planning Design Institute	2017SR164428	May 8, 2017
Energy High Density Test Software V1.0 (能源高密度測試軟體V1.0)	IM Planning Design Institute	2017SR164549	May 8, 2017
Energy Field Road Design Software V1.0 (能源場區道路公路設計軟體V1.0)	IM Planning Design Institute	2017SR165011	May 8, 2017
Energy Line Automatic Monitoring System V1.0 (能源線路自動監測系統V1.0)	IM Planning Design Institute	2017SR184983	May 17, 2017
Energy Security Monitoring and Management System V1.0 (能源安防監控管理系統V1.0)	IM Planning Design Institute	2017SR185037	May 17, 2017

<b>Software</b>	<b>Proprietor</b>	<b>Registration certificate number</b>	<b>Registration date</b>
Energy Construction Project Budget System Software V1.0 (能源建設工程概算系統軟體V1.0)	IM Planning Design Institute	2017SR185049	May 17, 2017
Energy-saving Data Management Software V1.0 (能源節能資料管理軟體V1.0)	IM Planning Design Institute	2017SR185141	May 17, 2017
Wind Energy Source Analysis Software V1.0 (能源風資來源資料分析軟體V1.0)	IM Planning Design Institute	2017SR191037	May 19, 2017
Energy Dispatching Transmission Line Integrated Management Software V1.0 (能源調度輸電線路綜合管理軟體V1.0)	IM Planning Design Institute	2017SR193778	May 22, 2017
Energy Transmission Line Design Software V1.0 (能源送電線路設計軟體V1.0)	IM Planning Design Institute	2017SR197037	May 23, 2017
Energy Hydrological Meteorological Data Monitoring and Management Software V1.0 (能源水文氣象資料監測管理軟體V1.0)	IM Planning Design Institute	2017SR197042	May 23, 2017
Energy Planning Account Reconciliation Management System V1.0 (能源規劃賬務對賬管理系統V1.0)	IM Planning Design Institute	2017SR197897	May 23, 2017
Energy Equipment Regulatory Platform Software V1.0 (能源設備監管平台軟體V1.0)	IM Planning Design Institute	2017SR197900	May 23, 2017

### 3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

#### A. Particulars of Directors' and Supervisors' Contracts

Each of our executive Directors and independent non-executive Directors entered into a service contract with our Company on June 22, 2017. The principal particulars of these service contracts comprise (i) a term of three years commencing from the Listing Date, and (ii) termination provisions in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of our Directors and Supervisors entered into a contract with our Company on June 22, 2017 in respect of, among other things, (i) the compliance of relevant laws and regulations, (ii) compliance with the Articles of Association, and (iii) the provision on arbitration.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

#### **B. Directors' and Supervisors' Remuneration**

For each of the year ended December 31, 2014, 2015 and 2016, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by our Company to our Directors and Supervisors were nil, nil and approximately RMB1,722,000, respectively.

Save as disclosed under Note 14 to the financial information in the Accountants' Report set out in Appendix I, no Director or Supervisor received other remuneration or benefits in kind from the Company in respect of the Track Record Period.

In accordance with the existing arrangements, the aggregate remuneration payable by our Company to our Directors and Supervisors for the year ending December 31, 2017 is approximately RMB2.0 million.

There is no arrangement under which any Director or Supervisor has waived or agreed to waive any remuneration or benefits in kind during the Track Record Period.

### **4. DISCLOSURE OF INTERESTS**

#### **A. Disclosure of Interests of Directors and Supervisors**

Immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, none of the Directors, Supervisors and chief executive of our Company has any interest and/or short position in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to us and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors).

#### **B. Disclosure of Substantial Shareholders**

Save as disclosed in "Substantial Shareholders" in this prospectus, the Directors, Supervisors and chief executive of our Company are not aware of any other person, not being a Director, Supervisor or chief executive of our Company, who has an interest or short position in the Shares and

underlying Shares of our Company which, once our H Shares are listed, would have to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

### C. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors, Supervisors or chief executive of our Company has any interests and short positions in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to us and the Stock Exchange, in each case once our H Shares are listed. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;
- (b) none of our Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once our H Shares are listed on the Stock Exchange;
- (c) none of our Directors or Supervisors nor any of the parties listed in “– 5. Other Information – G. Qualification of Experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (d) none of our Directors or Supervisors nor any of the parties listed in “– 5. Other Information – G. Qualification of Experts” of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;
- (e) none of the parties listed in “– 5. Other Information – G. Qualification of Experts” of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities; and
- (f) none of our Directors or Supervisors or their respective associates or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

**5. OTHER INFORMATION****A. Estate Duty**

We have been advised that no material liability for estate duty under PRC law is likely to fall upon our Company or any member of our Group.

**B. Litigation**

As of the Latest Practicable Date, save as disclosed in this prospectus, we are not involved in any material litigation, arbitration or administrative proceedings, and so far as our Directors are aware, no such material litigation, arbitration or administrative proceedings are pending or threatened against any member of our Group.

**C. Sole Sponsor**

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our H Shares, including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

We have entered into an engagement agreement with the Sole Sponsor, pursuant to which we agreed to pay a total amount of USD1 million to the Sole Sponsor to act as the sponsor to our Company in the Global Offering.

**D. Compliance Adviser**

We have appointed GF Capital (Hong Kong) Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

**E. Preliminary Expenses**

Our estimated preliminary expenses are approximately RMB1,890,000 and are payable by us.

**F. Promoters**

The promoters of our Company are IM Energy Group and IM Sulige Company.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other interest have been paid, allotted or given to the above promoters in connections with the Global Offering or related transactions in this prospectus.

**G. Qualification of Experts**

The qualifications of the experts, as defined under the Listing Rules, who have given their opinions or advice in this prospectus, are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct Type 1 (Dealing in securities), Type 2 (Dealing in futures contracts), Type 4 (Advising on securities), Type 5 (Advising on futures contracts) and Type 6 (Advising on corporate finance) of the regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
JunHe LLP	PRC legal advisers
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

**H. Consents of Experts**

Each of the experts as referred to in “– 5. Other Information – G. Qualification of Experts” of this Appendix has given, and has not withdrawn, its respective written consents to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

Save as disclosed in this prospectus, none of the experts named above has any shareholding interests in any member of our Group or the right (other than the penal provisions) of sections 44A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**I. Taxation of Holders of H Shares**

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is a total of HK\$2.00 for every HK\$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see “Appendix III – Taxation and Foreign Exchange.”

**J. No Material Adverse Change**

Save as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in our financial or operational position since December 31, 2016.

**K. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**L. Related Party Transactions**

Within the two years immediately preceding the date of this prospectus, we have entered into the related party transactions as described in Note 40 to the financial information in the Accountants' Report set out in Appendix I.

**M. Agency Fees or Commissions Paid or Payable**

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

**N. Miscellaneous**

Save as disclosed in this prospectus,

- (a) within the two years immediately preceding the date of this prospectus, we have not issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Group, if any, is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued or agreed to issue any founder shares, management shares or deferred shares;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) within the two years immediately preceding the date of this prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of our Company;
- (f) there is no arrangement under which future dividends are waived or agreed to be waived;
- (g) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months; and

- (h) none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- (i) we currently do not intend to apply for the status of a Sino-foreign investment joint stock limited company and do not expect to be subject to the Sino-foreign Joint Venture Law of the PRC.

### O. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

### P. Particulars of the Selling Shareholders

Certain particulars of the Selling Shareholders are set out as follows:

<b>Name</b>	<b>Description</b>	<b>Address</b>	<b>Number of Sales Shares (assuming the Over-allotment Option is not exercised)</b>	<b>Number of Sales Shares (assuming the Over-allotment Option is exercised in full)</b>
Inner Mongolia Energy Engineering (Group) Co., Ltd. (內蒙古能源建設投資(集團)有限公司)	Its business scope mainly includes general contracting, project management, planning, surveying, engineering designing, construction contracting, overhauling, production, investment and operation in the power industry.	Harbor Building 29 Midwest Lane Ordos East Street Saihan District Hohhot Inner Mongolia PRC (中國內蒙古自治區呼和浩特市賽罕區鄂爾多斯東街中西巷29號港灣大廈)	34,825,000	40,048,750
Inner Mongolia Sulige Gas Power Generation Co., Ltd. (內蒙古蘇里格燃氣發電有限責任公司)	Its business scope mainly includes licensed gas-fired power generation.	6km West from Galutu Town Uxin Banner Ordos Inner Mongolia PRC (中國內蒙古自治區鄂爾多斯市烏審旗魯魯圖鎮西6公里處)	175,000	201,250



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**APPENDIX VII                      DOCUMENTS DELIVERED TO THE REGISTRAR OF  
COMPANIES AND AVAILABLE FOR INSPECTION**

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**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the WHITE, YELLOW and GREEN Application Forms;
- (b) a copy of each of material contracts referred to in the section headed “2. Further Information about Our Business – A. Summary of Our Material Contracts” in Appendix VI to this prospectus;
- (c) a copy of each the written consents referred to in section headed “5. Other information – H. Consents of Experts” in Appendix VI to this prospectus; and
- (d) the statement of particulars of the Selling Shareholders.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Clifford Chance at 27/F, Jardine House, One Connaught Place, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Articles of Association of our Company;
- (b) the Accountants’ Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the consolidated audited financial statements of our Group for the three years ended December 31, 2016;
- (d) the report from Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the material contracts referred to in the section headed “2. Further Information About Our Business – A. Summary of Our Material Contracts” in Appendix VI to this prospectus;
- (f) the written consents referred to in the section headed “5. Other information – H. Consents of Experts” in Appendix VI to this prospectus;
- (g) the contracts referred to in the section headed “3. Further Information about Our Directors and Supervisors – A. Particulars of Directors’ and Supervisors’ Contracts” in Appendix VI to this prospectus;

- (h) the legal opinion issued by JunHe LLP, our legal advisers as to PRC law, in respect of our general matters and property interests;
- (i) the industry report issued by Frost & Sullivan;
- (j) the particulars of the Selling Shareholders; and
- (k) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations.

**內蒙古能源建設投資股份有限公司**  
**Inner Mongolia Energy Engineering Co., Ltd.**