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IMPORTANT NOTICE

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

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

Confirmation of Your Representation: This Offering Circular is being sent to you at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to represent to Wenzhou Lucheng District State-owned Holding Group Co., Ltd.(温州市鹿城区国有控股集团有限公司) (the “**Issuer**”), China Galaxy International Securities (Hong Kong) Co., Limited and [●] (collectively, the “**Joint Lead Managers**”) that (1) you and any customers you represent are not, and the e-mail address that you gave us and to which this e-mail has been delivered is not, located in the United States, its territories or possessions, (2) you consent to delivery of this Offering Circular and any amendments or supplements thereto by electronic transmission, and (3) to the extent you purchase the securities described in this Offering Circular (the “**Securities**”), you will be doing so in an offshore transaction pursuant to Regulation S.

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

Restrictions: This Offering Circular is in preliminary form and is being furnished in connection with an offering in offshore transactions in compliance with Regulation S under the Securities Act of 1933, as amended (the “**Securities Act**”) solely for the purpose of enabling a prospective investor to consider the purchase of the Securities described in this Offering Circular. You are reminded that the information in the attached Offering Circular is not complete and may be changed.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION OF THE UNITED STATES AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”).

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer or the Joint Lead Managers to subscribe for or purchase any of the Securities described therein in any place where offers or solicitation are not permitted by law, and access has been limited so that it shall not constitute, in the United States or elsewhere or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the Issuer in such jurisdiction. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere.

You are reminded that you have accessed this Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the Securities described in the Offering Circular.

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

Singapore SFA Product Classification — In connection with Section 309B of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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

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

The information contained in this Preliminary Offering Circular is not complete and may be changed. This Preliminary Offering Circular is not an offer to sell securities and is not soliciting an offer to buy securities in any jurisdiction where such offer or sale is not permitted. No offer or invitation shall be made or received, and no agreement shall be made, on the basis of this Preliminary Offering Circular, to purchase or subscribe for any securities.

SUBJECT TO COMPLETION
PRELIMINARY OFFERING CIRCULAR DATED [●] 2024

STRICTLY CONFIDENTIAL



WENZHOU LUCHENG DISTRICT STATE-OWNED HOLDING GROUP CO., LTD.
(溫州市鹿城區國有控股集團有限公司)
(incorporated with limited liability in the People's Republic of China)

CNY[●] [●] per cent. Bonds due [●]
Issue Price: [●] per cent.

Wenzhou Lucheng District State-owned Holding Group Co., Ltd. (溫州市鹿城區國有控股集團有限公司) (the “**Issuer**”) proposes to issue the CNY[●] [●] per cent. bonds due [●] (the “**Bonds**”).

The Bonds will bear interest from and including [●] (the “**Issue Date**”) at the rate of [●] per cent. per annum. Interests on the Bonds will be payable semi-annually in arrear on, or nearest to, [●] and [●] in each year (each an “**Interest Payment Date**”), commencing on, or nearest to, [●]. Payments on the Bonds will be made free and clear of, and without set-off or counterclaim and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law to the extent described under “*Terms and Conditions of the Bonds — Taxation*”. *[To track the T&Cs]*

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on, or nearest to, [●]. The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable) and in writing to the Trustee (each as defined in the terms and conditions of the Bonds (the “**Terms and Conditions**”)) and the CMU Lodging and Paying Agent (as defined in the Terms and Conditions)), at their principal amount together with accrued but unpaid interest up to but excluding, the date fixed for redemption as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), as further described in Condition 7(b) of the Terms and Conditions. See “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons*.” At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions), the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all but not some only of that holder’s Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at their principal amount, together with accrued and unpaid interest up to but excluding such Put Settlement Date. See “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Relevant Events*.” *[To track the T&Cs]*

The Bonds will constitute direct, general, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. *[To track the T&Cs]*

Pursuant to the Administrative Measures for the Examination and Registration of Medium and Long-term Foreign Debts of Enterprises (《企業中長期外債審核登記管理辦法》(中華人民共和國國家發展和改革委員會令第五十六號)) (the “**Order 56**”) issued by National Development and Reform Commission of the PRC (the “**NDRC**”) on 5 January 2023 which came into effect on 10 February 2023, the Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on [●] *[Note: Issuer to provide]* (the “**NDRC Certificate**”) evidencing such registration and which remains in full force and effect and the Issuer will (i) file or cause to be filed with NDRC the requisite information and documents within the relevant prescribed timeframes after the Issue Date; and (ii) file or cause to be filed with the NDRC other requisite information and documents in connection with the Bonds from time to time within the relevant prescribed timeframes in accordance with the Order 56. The Issuer undertakes that it will within 10 PRC Business Days (as defined in the Terms and Conditions) after the Issue Date file or cause to be filed with NDRC the requisite information and documents in accordance with the Order 56 and any implementation rules as issued by the NDRC from time to time (the “**NDRC Post-Issue Filing**”). For consequences of non-registration, see “*Risk Factors — Risks Relating to the Bonds — Any failure to complete the relevant filings under the Order 56 and the relevant registration under SAFE within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds*”. *[To track the T&Cs]*

The Issuer undertakes that it will (i) within 15 PRC Business Days after the Issue Date, register or cause to be registered with State Administration of Foreign Exchange or its competent local branches (“**SAFE**”) the Bonds pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) issued by SAFE which came into effect on 13 May 2013 and as amended on 4 May 2015 and its operating guidelines (外債登記管理操作指引) and if applicable, the Circular on Macro-Prudential Management Policy of Overall Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (the “**Cross-Border Financing Circular**”) issued by the People’s Bank of China (the “**PBOC**”) and which came into effect on 12 January 2017 and as amended on 4 February 2021 and if applicable, the SAFE Operating Guidelines for Foreign Exchange Business under the Capital Account (2024 Version) (資本項目外匯業務指引(2024年版)), and any implementation rules, reports, certificates or guidelines as issued by SAFE or the PBOC, as the case may be and from time to time (the “**Foreign Debt Registration**”), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record or filing evidence from SAFE on or before the Registration Deadline (being the day falling 90 PRC Business Days after the Issue Date), and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds. *[To track the T&Cs]*

The Bonds are issued in the specified denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof.

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

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

[Listing venue to be confirmed]

[The Bonds will not be rated.] [To be confirmed]

Upon issue, the Bonds will be represented by a global certificate (the “**Global Certificate**”) registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator (the “**Operator**”) of the Central Moneymarkets Unit Service (the “**CMU**” or the “**Clearing System**”). Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, records maintained by the CMU. Except as described herein, individual certificates for Bonds will not be issued in exchange for interests in the Global Certificate. See “*Summary of Provisions relating to the Bonds in Global Form*” beginning on page [●].

Sole Global Coordinator, Joint Lead Manager and Joint Bookrunner

China Galaxy International

Joint Lead Managers and Joint Bookrunners

[●]

[●]

[●]

[●]

Offering Circular dated [●] 2024

IMPORTANT NOTICE

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

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

In addition, the Issuer confirms, having made all reasonable enquiries, that [(i) this Offering Circular contains all information with respect to the Issuer, the Group and to the Bonds which is material in the context of the issue and offering of the Bonds (including all information which, is required by applicable laws and which, according to the particular nature of the Issuer, the Group and the Bonds, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Group and the rights attaching to the Bonds), (ii) the statements relating to the Issuer, the Group and the Bonds contained in this Offering Circular any other material approved by the Issuer for use in connection with the offering of the Bonds, are in every material particular true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and to the Group are honestly and reasonably held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, the Group and the Bonds the omission of which would, in the context of the issue and offering of the Bonds make any statement, opinion or intention expressed in this Offering Circular misleading in any material respect, (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular, (vi) this Offering Circular does not include an untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect, and (vii) the statistical, industry and market-related data and forward-looking statements, each of which are included in this Offering Circular, are based on or derived or extracted from sources which the Issuer believes to be accurate and reliable in all material respects.] *[To track the SA]*

The Issuer has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer to sell or the solicitation of an offer of, or an invitation by or on behalf of China Galaxy International Securities (Hong Kong) Co., Limited, [●] and [●] (together, the “**Joint Lead Managers**”) or the Issuer to subscribe for or buy any Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer, sale or delivery of Bonds may be restricted by law in certain jurisdictions. Persons into whose possession this Offering Circular comes must inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. In particular, there are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the People’s Republic of China, Hong Kong, Singapore and Japan and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of Bonds and distribution of this Offering Circular, see “*Subscription and Sale*”. By purchasing the Bonds, investors are deemed to have represented and agreed to all of those provisions contained in

that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, is deemed to have agreed to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

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

This Offering Circular is being furnished by the Issuer in connection with the offering of the Bonds and is exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Bonds. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than the consideration of an investment in the Bonds offered by this Offering Circular is prohibited. By accepting delivery of this Offering Circular, each investor is deemed to have agreed to these restrictions.

Any information available from public sources that are referenced in this Offering Circular but is not separately included in this Offering Circular shall not be deemed to be incorporated by reference to this Offering Circular. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them has independently verified the information contained herein. Accordingly, no representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them that any recipient of this Offering Circular should purchase Bonds. Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each potential purchaser of Bonds should determine for

itself the relevance of the information contained in this Offering Circular and its purchase of Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

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

IN CONNECTION WITH THIS OFFERING, ANY JOINT LEAD MANAGER APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE “STABILISATION MANAGER”) OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A HIGHER LEVEL THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. These entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

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

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them accepts any responsibility for the contents of this Offering Circular or for any statement made or purported to be made in connection with the Issuer, the Group or the issue and offering of Bonds. Each of the Joint Lead Managers, the Trustee and the Agents and each of their respective directors, officers, employees, agents, advisers, representatives and affiliates and any person who controls any of them accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might

otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer or the Group for so long as any Bonds remain outstanding nor to advise any investor or potential investor of the Bonds of any information coming to the attention of any of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them.

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

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of the offering of the Bonds, including certain Joint Lead Managers, are “capital market intermediaries” (together, the “CMI”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “SFC Code”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (together, the “OC”) for the offering and are subject to additional requirements under the SFC Code.

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

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). [A rebate of [●] bps is being offered by the Issuer to all private banks for orders they place (other than in relation to the Bonds subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Bonds distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.] **[Note: Managers to confirm]** If a prospective investor is an asset management arm affiliated with any Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Joint Lead Manager or its group company has more than 50 per cent. interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to the offering. Prospective investors who

do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any Joint Lead Manager, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Joint Lead Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to the offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to the offering.

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

[Note: MiFID/UK MiFIR/PRIIPs/UK PRIIPs language to be included if applicable]

WARNING

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

INDUSTRY AND MARKET DATA

Market data and certain information and statistics included in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer believes the information to be reliable, it has not been independently verified by the Issuer, the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them and none of the Issuer, the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them makes any representation as to the accuracy or completeness of such information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of the Issuer or the Group and the terms of the offering and the Bonds, including the merits and risks involved. Where information has been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information to be inaccurate or misleading.

CERTAIN DEFINITIONS AND CONVENTIONS AND CURRENCY PRESENTATION

This Offering Circular has been prepared using a number of conventions, which investors should consider when reading the information contained herein. All non-company specific statistics and data relating to the Issuer's industry or the economies of pertinent jurisdictions, such as the PRC, have been extracted or derived from publicly available information and various government sources. The Issuer believes that the sources of this information are appropriate for such information and the Issuer has taken reasonable care in extracting and reproducing such information. The Issuer has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, such information has not been independently verified by the Issuer, the Joint Lead Managers, the Trustee, the Agents or by their respective affiliates, officers, employees, directors, advisors, representatives and agents or any person who controls any of them and none of the Issuer, the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, officers, employees, directors, advisors, representatives, and agents or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of such information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

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

Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all.

In this Offering Circular, unless otherwise specified or the context requires otherwise: *[Note: to be updated]*

All references to (i) the “**Issuer**” are to Wenzhou Lucheng District State-owned Holding Group Co., Ltd (溫州市鹿城區國有控股集團有限公司) and (ii) the “**Group**” are to the Issuer and its subsidiaries taken as a whole.

All references to the “**PRC**”, “**China**” and “**mainland China**” are to the People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan), all references to “**PRC Government**” and the “**State**” means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them, all references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the PRC and all references to “**CNY**”, “**Renminbi**” and “**RMB**” are to the lawful currency of the PRC.

- References to “**CSRC**” are to China Securities Regulatory Commission (中國證券監督管理委員會), acting as the main regulator of the securities industry in the PRC.
- References to the “**EIT**” are to the PRC enterprise income tax.
- References to the “**GDP**” are to the gross domestic products.
- References to the “**Lucheng District Government**” are to the People's Government of Lucheng District of Wenzhou City (溫州市鹿城區人民政府) or local government entities, and instrumentalities thereof, or where the context requires, any of them.

- References to the “**Lucheng District SASAO**” are to the State-owned Assets Supervision and Administration Office of Lucheng District Government (溫州市鹿城區人民政府國有資產監督管理辦公室).
- References to the “**IIT**” are to the individual income tax.
- References to the “**MOF**” are to the Ministry of Finance of the PRC.
- References to the “**MOFCOM**” are to the Ministry of Commerce of the PRC.
- References to “**NDRC**” are to the National Development and Reform Commission of the PRC or its local counterparts.
- References to “**PBOC**” are to the People’s Bank of China, the central bank of the PRC.
- References to “**PRC Government**” are to the central government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them.
- References to “**SAFE**” are to the State Administration of Foreign Exchange of the PRC or its competent local counterparts.
- References to “**SAT**” are to the State Administration of Taxation of the PRC.
- References to “**State Council**” are to the State Council of the PRC.
- References to “**VAT**” are to the value-added tax.
- References to the “**Wenzhou Municipal Government**” are to the People’s Government of Wenzhou City (溫州市人民政府) or local government entities, and instrumentalities thereof, or where the context requires, any of them.

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

PRESENTATION OF FINANCIAL INFORMATION

FINANCIAL INFORMATION OF THE ISSUER [*Auditor team to review*]

This Offering Circular contains the audited consolidated financial information of the Issuer as at and for the years ended 31 December 2021, 2022 and 2023, which are derived from the Issuer's audited consolidated financial statements for the year ended 31 December 2022 and 2023 (the “**Audited Financial Statements**”), which were prepared and presented in accordance with the Accounting Standards for Business Enterprises (the “**China Accounting Standards**” or “**PRC GAAP**”). The Issuer's Audited Financial Statements have been audited by Zhongxingcai Guanghai Certified Public Accountants LLP (中興財光華會計師事務所(特殊普通合夥)) (“Zhongxingcai CPA”) [*Auditor to confirm*], the independent auditor of the Issuer, in accordance with the China Auditing Standards issued by the Chinese Institute of Certified Public Accountants.

The China Accounting Standards or PRC GAAP differs in certain material respects from the International Financial Reporting Standards (the “**IFRS**”). For a discussion of certain differences between PRC GAAP and IFRS, please see the section entitled “*Description of Certain Differences between PRC GAAP and IFRS*”.

ROUNDING

Certain monetary amounts included in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the individual items and actual numbers may differ from those contained herein due to rounding.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes “forward-looking statements”. All statements other than statements of historical facts contained in this Offering Circular constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms, such as “anticipate”, “target”, “believe”, “can”, “would”, “could”, “estimate”, “expect”, “aim”, “intend”, “may”, “plan”, “will”, “would” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include, but are not limited to, statements as to the business strategy, revenue, profitability, planned projects and other matters as they relate to the Issuer and/or the Group discussed in this Offering Circular regarding matters that are not historical facts.

The factors that could cause the actual results, performances and achievements of the Issuer or the Group or any member of the Group to be materially different include, among others: *[Issuer to confirm]*

- general economic, political and business conditions and competitive environment, including those related to the PRC and globally;
- ability to successfully implement business plans and strategies;
- capital expenditure plans and ability to carry out those plans;
- ability of the Group to control its costs;
- the continued availability of capital and financing;
- interest rates and foreign exchange rates, taxes and duties;
- the actions and developments of the Group’s competitors;
- financial condition and performance;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions in which the Group operates and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group’s business;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- various business opportunities that the Group may pursue;
- macroeconomic measures taken by the PRC Government to manage economic growth;
- natural disasters, industrial action, terrorist attacks and other events beyond the Group’s control;
- other risks associated with industries in which the Group operates; and
- other factors, including those discussed in “*Risk Factors*” below.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in “*Risk Factors*” below and elsewhere in this Offering Circular. The Issuer cautions investors not to place undue reliance on these forward-looking statements

which reflect its managements' view only as at the date of this Offering Circular. The Issuer does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

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SUMMARY

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

[●] [N.B. To be inserted when finalised.]

SUMMARY OF THE BONDS

The following is a summary of the terms of the offering and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Unless otherwise defined in this Offering Circular, words and expressions defined in the Terms Conditions shall have the same meanings in this summary.

[To track the T&Cs]

Issuer	Wenzhou Lucheng District State-owned Holding Group Co., Ltd. (溫州市鹿城區國有控股集團有限公司)
The Bonds	CNY[●] per cent. bonds due [●].
Issue Price	[●] per cent.
Issue Date	[●]
Maturity Date	On the Interest Payment Date failing on, or nearest to, [●].
Status of the Bonds	The Bonds will constitute direct, general, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Events of Default	The Bonds will contain certain events of default provisions as further described in Condition 10 of the Terms and Conditions. If an Event of Default occurs, the Trustee at its absolute discretion may, and if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (as defined in the Terms and Conditions), shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are due and payable. Upon any such notice being given to the Issuer, the Bonds shall immediately become due and payable at their principal amount together (if applicable) with any accrued but unpaid interest with further action or formality.

Taxation	All payments of principal premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without set-off or counterclaim and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 9 of the Terms and Conditions. In such event, the Issuer will, subject to the limited exceptions specified in the Terms and Conditions, increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable, by them had no such withholding or deduction been required.
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed in whole, but not in part at their principal amount on the Maturity Date.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) and in writing to the Trustee and the <u>CMU Lodging</u> Paying Agent, at their principal amount, together with any accrued but unpaid interest up to, but excluding, the date fixed for redemption as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), as further described in Condition 7(b) of the Terms and Conditions.
Redemption for Relevant Events .	At any time following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at their principal amount, together with accrued interest up to but excluding such Put Settlement Date. See Condition 7(c) of the Terms and Conditions.
Further Issues	The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for completing the NDRC Post-Issue Filing and the Foreign Debt Registration and the giving of (consequent notice thereof) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. See Condition 16 of the Terms and Conditions

Currency and Denomination	The Bonds are issued in the denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof.
Clearing Systems	<u>The Bonds will be represented by beneficial interests in the Global Certificate in registered form, which will be registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator of the CMU. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by the CMU. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.</u>
Governing Law	English law.
Jurisdiction	The exclusive jurisdiction of Hong Kong courts.
Trustee	[China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)].
<u>CMU Lodging Paying Agent</u>	[China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)].
Registrar and Transfer Agent . . .	[China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)].
Listing	[●]
Use of Proceeds	See section entitled “ <i>Use of Proceeds</i> ”.
Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “ <i>Subscription and Sale</i> ”.
ISIN	[●]
Common Code	[●]
<u>CMU Instrument Number</u>	[●]
Legal Entity Identifier	655600M62U2N965S1M52.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

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

The summary audited consolidated financial information of the Group as at and for the years ended 31 December 2021, 2022 and 2023, set forth below, are derived from the Audited Financial Statements, which are included elsewhere in this Offering Circular. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, such Audited Financial Statements. The Group's Audited Financial Statements were prepared in accordance with the PRC GAAP and have been audited by Zhongxingcai Guanghua Certified Public Accountants LLP (Special General Partnership), the independent auditor of the Issuer.

The China Accounting Standards or PRC GAAP differs in certain material respects from the IFRS. For a discussion of certain differences between PRC GAAP and IFRS, please see the section entitled "Description of Certain Differences between PRC GAAP and IFRS".

SUMMARY CONSOLIDATED BALANCE SHEET DATA

	For the year ended 31 December		
	2021	2022	2023
	(CNY) (Audited)	(CNY) (Audited)	(CNY) (Audited)
Current assets:			
Cash and cash equivalents	3,074,283,737.49	2,167,413,366.38	1,318,990,844.20
Notes receivable	—	—	—
Accounts receivable	122,779,600.91	134,328,892.57	127,209,719.84
Prepayments	2,802,823,298.31	14,465,235,055.70	25,055,213,903.30
Other receivables	4,634,688,331.19	7,403,934,004.28	9,064,661,193.12
Including: interest receivable	—	—	—
Dividends receivable	—	—	—
Inventories	41,768,921,929.78	44,476,261,755.79	43,839,623,334.75
Contract assets	—	—	—
Non-current assets due within one year	—	—	—
Other current assets	174,889,416.96	162,599,788.91	257,683,417.54
Total current assets	52,578,386,314.64	68,809,772,863.63	79,663,382,412.75
Non-current assets:			
Long-term accounts receivables	—	991,320,000.00	1,718,258,341.00
Long-term equity investments	81,620,338.67	80,567,249.55	67,176,579.86
Other equity instrument investments	153,676,515.38	174,110,315.38	174,110,315.38
Other non-current financial assets	20,000,000.00	—	—
Investment properties	1,303,684,873.88	2,120,168,787.00	2,201,010,493.40
Fixed assets	24,530,323.77	30,813,922.05	52,985,143.44
Construction in progress	242,602,342.50	128,847,141.99	2,005,296,504.89
Productive biological assets	—	—	—
Right-of-use assets	—	—	214,934,456.31
Intangible assets	5,224,818.75	5,149,279.47	407,511,080.25
Development expenditure	—	—	—
Goodwill	—	—	—
Long-term deferred expenses	48,426,827.22	53,175,965.27	797,800,558.78
Deferred income tax assets	—	—	50,761,646.32
Other non-current assets	—	5,613,819,480.91	7,649,565,862.33
Total non-current assets	1,879,766,040.17	9,197,972,141.62	15,339,410,981.96
Total assets	54,458,152,354.81	78,007,745,005.25	95,002,793,394.71

	For the year ended 31 December		
	2021	2022	2023
	(CNY)	(CNY)	(CNY)
	(Audited)	(Audited)	(Audited)
Current liabilities:			
Short-term loans	918,982,251.44	400,671,000.00	30,044,916.67
Accounts payable	261,774,867.96	247,324,178.89	196,556,380.48
Advance from customers	19,287,869.17	12,441,187.29	19,644,129.53
Contractual liabilities	1,251,842,266.12	1,454,913,222.43	1,154,251,437.16
Payroll and employee benefits payable	23,276,606.60	27,222,436.07	20,140,732.80
Taxes payable	659,964,879.52	659,121,468.35	663,087,581.51
Other payables	13,621,829,080.50	18,367,039,494.67	23,041,731,523.96
Including: Interest payable	—	—	—
Dividends payable	2,447,936.11	2,731,283.78	1,844,314.54
Non-current liabilities maturing within one year	1,873,070,240.00	3,134,719,312.41	4,788,629,922.79
Other current liabilities	545,942,688.63	1,040,858,196.27	716,111,156.89
Total current liabilities	19,175,970,749.94	25,344,310,496.38	30,630,197,781.79
Non-current liabilities:			
Long-term loans	6,033,510,778.16	17,805,375,967.60	26,601,041,174.03
Bonds payable	4,548,583,543.98	5,424,070,808.82	6,454,637,343.80
Lease liabilities	—	—	171,370,971.26
Long-term payables	4,157,420,117.29	5,556,770,801.21	5,958,381,481.21
Deferred income	324,160,000.00	243,120,000.00	162,080,000.00
Deferred tax liabilities	29,575,614.12	44,989,203.46	106,824,445.45
Other non-current liabilities	—	—	1,017,048,175.10
Total non-current liabilities	15,093,250,053.55	29,074,326,781.09	40,471,383,590.85
Total liabilities	34,269,220,803.49	54,418,637,277.47	71,101,581,372.64
Owners' equity:			
Paid-up capital	829,269,260.91	1,006,079,260.91	1,432,329,260.91
Other equity instruments	998,100,000.00	1,249,700,000.00	727,700,000.00
Capital reserve	17,981,477,441.67	20,707,393,846.28	21,084,561,562.04
Other comprehensive income	(36,013,484.62)	(36,013,484.62)	(65,059.28)
Special reserve	—	—	—
Surplus reserve	570,226.43	570,226.43	570,226.43
General risk preparation	—	—	—
Undistributed profit	330,454,789.85	331,419,319.89	346,339,037.69
Total owner's equity attributable to the parent company	20,103,858,234.24	23,259,149,168.89	23,591,435,027.79
Minority interests	85,073,317.08	329,958,558.89	309,776,994.28
Total equity	20,188,931,551.32	23,589,107,727.78	23,901,212,022.07
Total liabilities and owners' equity	54,458,152,354.81	78,007,745,005.25	95,002,793,394.71

SUMMARY CONSOLIDATED INCOME STATEMENT DATA

	For the year ended 31 December		
	2021	2022	2023
	(CNY) (Audited)	(CNY) (Audited)	(CNY) (Audited)
I. Operating Income	1,792,419,026.80	1,439,116,193.65	1,540,307,635.45
Less: Operating costs	1,678,019,096.07	1,284,005,637.99	1,348,028,153.89
Taxes and surcharges	62,375,738.80	30,479,233.24	42,993,182.71
Selling expenses	231,123.48	230,898.06	400,184.25
Administrative expenses	46,632,986.57	114,638,995.30	128,767,522.22
<u>Research and development</u> expenses	—	—	—
Financial expenses	16,420,548.65	45,474,663.71	16,183,234.47
Including: Interest expenses	24,877,488.84	62,744,240.57	35,245,536.11
Interest income	8,477,627.94	17,298,244.60	19,202,625.44
Plus: Other earnings	82,213,038.68	112,570,333.58	83,071,092.41
Investment income/(loss)	363,184.12	(1,543,089.12)	(3,433,890.88)
Including: Share of profits or loss of associates and joint ventures	(112,690.05)	(1,543,089.12)	(3,433,890.88)
Gain/(loss) on the changes in fair value	108,076,641.01	55,525,120.35	48,761,564.08
Impairment of credit	(10,639,680.31)	9,234,239.71	(27,875,327.38)
Assets impairment losses	—	—	—
Gain/(loss) from disposal of assets	—	3,555.60	—
II. Operating Profits	168,752,716.73	140,076,925.47	104,458,796.14
Plus: Non-operating income	687,243.31	3,536,605.17	10,392,410.05
Less: Non-operating expenses	1,086,947.38	960,397.02	3,049,625.81
III. Total Profits	168,353,012.66	142,653,133.62	111,801,580.38
Less: Income tax expenses	53,461,055.32	36,105,382.55	28,564,395.94
IV. Net Profits	114,891,957.34	106,547,751.07	83,237,184.44
(I) Classification by operation continuity	114,891,957.34	106,547,751.07	83,237,184.44
1. Net profits from continued operation	114,891,957.34	106,547,751.07	83,237,184.44
(II) Classification by ownership	114,891,957.34	106,547,751.07	83,237,184.44
1. Net profits attributable to shareholders of the parent company	108,311,931.87	100,860,251.48	77,053,747.31
2. Net profits attributable to non-controlling interests	6,580,025.47	5,687,499.59	6,183,437.13
V. Other Comprehensive Income, net of tax	(36,013,484.62)	—	35,948,425.34
Other comprehensive income, net of tax, attributable to owners of the parent	(36,013,484.62)	—	35,948,425.34
(1) Other comprehensive income that cannot be subsequently reclassified to profit or loss	(36,013,484.62)	—	30,514,225.52
(iii) Changes in fair value of other equity instrument investments	(36,013,484.62)	—	30,514,225.52
Other comprehensive income, net of tax, attributable to owners of non-controlling interests	—	—	—
VI. Total Comprehensive Income	78,878,472.72	106,547,751.07	119,185,609.78
(1) Total comprehensive income attributable to owners of the parent	72,298,447.25	100,860,251.48	113,002,172.65
(2) Total comprehensive income attributable to <u>minority</u> interests	6,580,025.47	5,687,499.59	6,183,437.13

SUMMARY CONSOLIDATED CASH FLOW STATEMENT DATA

	For the year ended 31 December		
	2021	2022	2023
	(CNY)	(CNY)	(CNY)
	(Audited)	(Audited)	(Audited)
<u>Total</u> cash inflows from operating activities	5,281,605,432.16	6,983,645,389.12	<u>7,479,886,906.76</u>
Sub-total of cash outflows from operating activities . . .	15,270,290,901.80	18,722,265,774.91	<u>13,529,316,306.94</u>
Net cash flows from operating activities	(9,988,685,469.64)	(11,738,620,385.79)	<u>(6,049,429,400.18)</u>
Sub-total of cash inflows from investing activities	160,688.39	64,540.00	<u>29,597,064.90</u>
<u>Total</u> cash outflows from investing activities	393,476,932.65	5,859,230,778.70	<u>3,930,411,823.07</u>
Net cash flows from investing activities	(393,316,244.26)	(5,859,166,238.70)	<u>(3,900,814,758.17)</u>
Sub-total of cash inflows from financing activities	15,557,261,734.92	23,706,421,924.80	<u>20,569,104,851.67</u>
Sub-total of cash outflows from financing activities . . .	3,537,672,946.49	7,015,505,671.41	<u>11,476,001,255.50</u>
Net cash flows from financing activities	12,019,588,788.43	16,690,916,253.39	<u>9,093,103,596.17</u>
Net increase/(decrease) in cash and cash equivalents	1,637,587,074.53	(906,870,371.11)	<u>(857,140,562.18)</u>
<u>Add: beginning balance of cash and cash equivalents . .</u>	<u>1,436,696,662.96</u>	<u>3,074,283,737.49</u>	<u>2,167,413,366.38</u>
<u>Ending balance of cash and cash equivalents</u>	<u>3,074,283,737.49</u>	<u>2,167,413,366.38</u>	<u>1,310,272,804.20</u>

RISK FACTORS

In addition to other information in this Offering Circular, you should carefully consider the following risk factors, together with all other information contained in this Offering Circular (including the financial statements and the bonds thereto), before purchasing the Bonds. The risks and uncertainties described below may not be the only ones that the Issuer faces. Additional risks and uncertainties that the Issuer is not aware of or that the Issuer currently believes are immaterial may also adversely affect its business, financial condition or results of operations. If any of the possible events described below occur, the Issuer's business, financial condition or results of operations could be materially and adversely affected, the trading price of the Bonds could decline and investors may lose all or part of their investment.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Issuer's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE GROUP AND ITS BUSINESS

The Group's business, financial condition, results of operations and prospects are heavily dependent on the level of economic development in Wenzhou City, in particular Lucheng District, and the PRC.

The Group's businesses and assets are highly concentrated in Lucheng District of Wenzhou City, Zhejiang Province, focusing mainly on urban development activities including development of resettlement housing, agent construction, parking service, municipal management service, public housing operation service and property leasing. Therefore, its business, financial condition, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development in Wenzhou City, in particular Lucheng District, and the PRC in general.

The PRC's economy has experienced rapid growth in the past 40 years, however, in recent years there has been a slowdown in the growth rate since the second half of 2013. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP slowed down from 7.8 per cent. in 2013 to 2.2 per cent. in 2020. Wenzhou City and Lucheng District have similarly experienced steady but slowing economic growth in recent years. Although the GDP growth rate rebounded to 8.1 per cent. in 2021, mainly due to the national internal economic circulation policy and the effective control of the novel coronavirus disease ("COVID-19"), the overall development speed slowed down. In 2022, the PRC government imposed a number of measures in an effort to contain another wave of **space?** cities which resulted in decrease in the GDP growth rate to 3.0 per cent. in 2022. The slowdown in PRC overall economy may hinder the economic growth of Wenzhou City. In essence, the annual growth rate of GDP in Wenzhou City slowed down from 7.7 per cent. in 2021 to 3.7 per cent. in 2022. In 2023, China's GDP reached to RMB126,058.2 billion with an annual growth rate of 5.2 percent. In the same year, the GDP in Wenzhou city was RMB87.306 billion with an annual growth rate of 6.9 percent. There is no sign that the level of economic development in Wenzhou City and the PRC **will turn from recession to growth** in recent years. Any slowdown in the economic development in Wenzhou City and the PRC may affect their development plans, which may decrease the demand for the Group's business and adversely affect the Group's business, financial condition, results of operations and prospects, given that the Group's business and prospects depend, to a large extent, upon the public spending on urban development and construction in Wenzhou City and the PRC. **pls consider**

The Issuer is a state-owned enterprise controlled by the Lucheng District SASAO. The Lucheng District Government is responsible for implementing urban development plans of the Lucheng District Government, and the prospects are affected by the budget and spending of the Lucheng District Government in particular the estimated investment amounts for such infrastructure projects. Lucheng District is one of the districts of Wenzhou and has actually

development of resettlement housing business conducted by the Group is generally relating to plan on government-supported residential housing led by the Lucheng District Government. There are many factors affecting the amount, timing and priority of the Lucheng District Government's budget and spending on development of government-supported residential housing, such as national and regional policies affecting the development of different industries as well as fiscal and monetary policies. Government budget and spending are also affected by government revenue, which in turn is affected by the general economic conditions. Any slowdown in the economic growth in the PRC or, in particular, Wenzhou City and Lucheng District may adversely affect the financial condition and fiscal revenue of the Lucheng District Government, which may in turn cause the Lucheng District Government to reduce its budget and spending on government-supported residential housing projects. In such case, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

PRC regulations on the administration of the financing platforms and local government debt will have a material impact on the Group's financing and business models.

The PRC government has in recent years issued multiple regulations intended to restrict the ability of local governments to use state-owned enterprises to incur debt that should be directly incurred by government bodies. These regulations include the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (Guo Fa [2014] No. 43) (關於加強地方政府性債務管理的意見(國發[2014]43號)) ("Circular 43") in September 2014 released by the State Council, the Circular on Further Regulating the Debt Financing Behaviours of Local Government (Cai Yu [2017] No. 50) (關於進一步規範地方政府舉債融資行為的通知(財預[2017]50號)) ("Circular 50") jointly issued by the MOF, the NDRC, the Ministry of Justice of the PRC, the PBOC, the CBRC and the China Securities Regulatory Commission in April 2017, the Circular on Firmly Curbing Local Governments' Illegal Financing Activities in the Name of Government Procurement of Services (Cai Yu [2017] No. 87) (關於堅決制止地方以政府購買服務名義違法違規融資的通知(財預[2017]87號)) ("Circular 87") issued by the MOF in May 2017, the Notice of the Ministry of Finance on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (Cai Jin [2018] No. 23) (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知(財金[2018]23號)) ("Circular 23") in March 2018, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (Fa Gai Wai Zi [2018] No. 706) (國家發展改革委、財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知(發改外資[2018]706號)) ("Circular 706") jointly issued by the NDRC and the MOF on 11 May 2018, the Guiding Opinion on Strengthening the Asset and Liability Constraints of State-Owned Enterprises (中共中央辦公廳、國務院辦公廳《關於加強國有企業資產負債約束的指導意見》) jointly issued by the General Office of the Central Committee of the Communist Party of China and the State Council in September 2018 (the "Joint Opinion") and the Circular on Filing Requirements with respect to Application for Foreign Debt Issuance by Local State-owned Enterprises (Fa Gai Ban Wai Zi [2019] No. 666) (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知(發改辦外資[2019]666號)) issued by the General Office of NDRC in June 2019 ("Circular 666") and the Guidelines for Banking and Insurance Institutions to Further Prevent and Defuse the Risks of Implicit Local Government Debt (Yin Bao Jian Fa [2021] No. 15) ((銀行保險機構進一步做好地方政府隱性債務風險防範化解工作的指導意見) (銀保監發[2021]15號)) issued by the China Banking and Insurance Regulatory Commission ("Circular 15") (Circular 43, Circular 50, Circular 87, Circular 23, Circular 706, the Joint Opinion, Circular 666 and Circular 15, together, the "Debt Control Circulars").

Circular 50 reaffirmed the Circular 43 policy that local governments are not permitted to use any means other than bonds for debt financing and are prohibited from requesting or ordering enterprises to issue debt on their behalf. Circular 87 required local governments and their departments shall not take advantage of or make up a contract for the government procurement of services in such a manner that conceals an underlying objective of raising funds for any construction project, or get finance from

financial institutions or non-financial institutions through government procurement of services, and shall not make up a contract for accounts payable (receivable) by any means or enter into such a contract beyond their respective authority in an attempt to help financing platforms and other types of enterprises raise funds. Circular 23 and Circular 706 established policies for foreign debt issuance including exclusions on public assets being listed as enterprise assets and restrictions on making disclosure in offering circulars that imply government endorsement of the issuance or an association with the government's credit. The Joint Opinion, consistent with Circular 43 and Circular 50, bans local governments from engaging in "disguised" borrowing by using state-owned enterprises to issue corporate debt on their behalf. In July 2021, the China Banking and Insurance Regulatory Commission issued the Circular 15, which provides that the banks and insurance institutions shall not increase any new local government implicit debt in any form. Circular 15 also provides that, the financing provided by banks and insurance institutions shall meet the following requirements: (i) it is not allowed to provide financing which actually will be repaid by government fiscal funds, or guaranteed by the government; (ii) the banks and insurance institutions shall not require or accept guarantee documents issued by local government or their departments; (iii) the banks and insurance institutions shall not require or accept any guarantee using the state-owned assets of local government, public institution or social organisation as guaranty; (iv) the banks and insurance institutions shall not require or accept any guarantee with government reserve land or expected land sale income as guaranty; (v) in PPP projects or government investment fund projects, the banks and insurance institutions shall not stipulate or require local government to repurchase the investment principal, bear the loss of the investment principal or guarantee the minimum return; (vi) financing services provided by banks and insurance institutions shall not be included in government purchase services; (vii) existing local government financing shall be rectified in accordance with relevant regulations; and (viii) it is not allowed to increase any implicit local government debt in any form.

The Group believes that the PRC government will continue to implement the Debt Control Circulars to control local government debts. Accordingly, the Group should rely on the cash flow generated from its operations and external borrowings for financing its operating activities and to satisfy its cash needs for servicing its outstanding indebtedness. Pursuant to the terms of the Bonds and as required by the Debt Control Circulars, neither the Lucheng District SASAO, the Lucheng District Government nor any other PRC governmental entity has any obligation to repay any amount under the Bonds and will not provide a guarantee of any kind for the Bonds. The Bonds are solely to be repaid by the Group, and the obligations of the Group under the Bonds or the Trust Deed shall solely be fulfilled by the Group as independent legal persons. The liability of the Lucheng District SASAO and the Lucheng District Government is limited to its equity contribution in the Group. If the Group does not fulfil its obligations under the Bonds and the Trust Deed, the Bondholders will only have recourse against the Group, but not the Lucheng District SASAO, the Lucheng District Government or any other PRC governmental entities.

The PRC government may continue to release new policies to control the increase in local governmental debts in China. There is no material impact on the Group's financing and business model and also its indebtedness will not be materially affected by future changes in the regulatory regime concerning the financing platforms of local governments in response to such regulations.

should be bold as
it's a new RF
paragraph

Lucheng District SASAO and the Lucheng District Government may exert significant influence on the Group, and could cause the Group to make decisions or modify the scope of its operations, or impose new obligations on the Group, which may not be in the Group's best interests or may not maximise the Group's profits.

The Issuer is controlled by the Lucheng District SASAO. As its controlling shareholder, Lucheng District SASAO participates in and closely monitors the Group's decision-making process for key projects, reviews the Group's development strategy, operating performances and investment plans and appoints and conducts annual appraisals on the directors, supervisors and senior management of the Issuer. Due to

the involvement of Lucheng District SASAO in the affairs of the Issuer as its controlling shareholder, there can be no assurance that Lucheng District SASAO will not interfere with the business and operations of the Issuer, and any such interference may have a material adverse effect on the Group's business, financial position, results of operations, financial performance and prospects.

In addition, Lucheng District SASAO and the Lucheng District Government may also exert significant influence on the Group's major business decisions and strategies, including the scope of its operations, investment decisions and dividend policy. There is no assurance that Lucheng District SASAO and Lucheng District Government would always make decisions in the Group's best interests or with the aim of maximising the Group's profits. For example, Lucheng District SASAO may influence the Group's business and strategy in a manner beneficial to Lucheng District as a whole but not necessarily in the Group's best interests. The Lucheng District Government could also change its policies, plans, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the PRC's economic, political and social environment and its projections of population and employment growth. Any such change may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

A reduction or discontinuance of government support could materially and adversely affect the Group's business, financial condition and results of operations.

As the Issuer is a state-owned enterprise owned by the Lucheng District SASAO, the Group has received financial support (excluding credit support) and certain preferential treatments from the Lucheng District Government. These supports come in various forms, such as favourable policies, government subsidies and capital injection. For the years ended 31 December 2021, 2022 and 2023, the Group had received government grants of approximately RMB81.1 million, RMB110.3 million and RMB81.6 million, respectively. However, there is no assurance that the Lucheng District SASAO and the Lucheng District Government will continue to provide such support to the Group or that the existing or other types of government support will not be adjusted or terminated due to any change in government policies or otherwise. If any favourable incentive or government support which is currently available to the Group is reduced or discontinued in the future, the Group's business, financial condition, results of operations and prospects would be materially and adversely affected. In addition, the ownership or controlling relationship between the Group and the Lucheng District SASAO, does not necessarily correlate to, or provide any assurance as to the Issuer's or the Group's financial conditions. The repayment obligations under the Bonds remain the sole obligation of the Issuer and/or the Group.

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

The Group has significant exposure to short-term debt and relies on being able to roll over such debt when it matures, making the Group vulnerable to liquidity shocks and rollover risk. As at 31 December 2023, the short term loans of the Group were RMB30.0 million and the Group had non-current liabilities due within one year of approximately RMB4.8 billion, which together accounted for 6.7 per cent. of the total liabilities of the Group. The Group continually reviews its current and expected future funding requirements and evaluates and engages in discussions with financial institutions and other market participants, from time to time, on proposals regarding different sources of funding. If any member of the Group incurs additional short-term debt, the risks that the Group faces as a result of its already substantial short-term indebtedness and leverage could intensify.

Significant indebtedness may restrict the Group's business activities and increase the Group's exposure to various operational risks.

The Group relies on bank loans and proceeds from bond issuances to satisfy a portion of its capital requirements and the Group has had an amount of outstanding indebtedness. As at 31 December 2023, the Group's total indebtedness (comprising short-term loans, non-current liabilities due within one year, long-term loans, other current liabilities, bonds payable and long-term payable) was approximately RMB44.5 billion, of which RMB[●] billion would become due within 12 months. In addition, as at 31 December 2023, the total current liabilities of the Group amounted to approximately RMB30.6 billion, accounting for 43.1 per cent. of the Group's total liabilities, and the Group also maintained a liability-to-asset ratio of 74.8 per cent. The size of indebtedness may pose negative effects on the repayment capabilities of the Group in the long run. Therefore, if the Group cannot obtain sufficient funds on commercially acceptable terms in the future, it may be under the repayment pressure, which may negatively affect the liquidity and operation of the Group.

In addition to the above, substantial indebtedness could impact the Group's businesses in a number of ways, including:

- requiring the Group to dedicate part of its operating cash flow to service its indebtedness;
- increasing the Group's finance costs, thus affecting the overall profits of the Group;
- limiting the Group's flexibility in planning for or responding to changes in the Group's businesses and the industries in which it operates;
- limiting, together with financial and other restrictive covenants of the Group's indebtedness, among other things, the Group's ability to raise additional funds; and
- increasing the Group's vulnerability to adverse general economic and industry conditions.

As the Group's business scale continues to grow, its capital requirement and its reliance on external financing may continue to increase. The Group relies on bank loans and proceeds from bond issuances to satisfy a portion of its capital requirements. The Group is subject to financing cost and repayment pressure of principal and interests. Such cost and pressure may increase in the future. The Group's financial performance and operating results may be materially and adversely affected if its cash flows and capital resources are insufficient to fund its debt service obligations. Failure to service the Group's debt could result in the imposition of penalties, including increases in rates of interest that the Group pays on its debts, legal actions against the Group by its creditors, or even bankruptcy.

The Group's borrowings may be secured.

Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operational efficiency. As at 31 December 2023, the total amount of the secured indebtedness of the Group amounted to RMB[●] million and the Group has no restricted assets. If the Group is unable to service and repay their debts under such loan facilities on a timely basis, the assets provided as security for such bank loans may be subject to foreclosure, which may adversely affect the Group's business, prospects and financial condition.

Failure to obtain sufficient capital on acceptable terms or in a timely manner may adversely affect the Group's business and growth prospects.

The Group's business requires and will continue to require substantial capital expenditure. The Group has historically satisfied its capital requirements with cash flows generated from its operating activities, bank loans and other borrowings and equity contributions from its shareholder.

The ability of the Group to generate sufficient operating cash flow is affected by a number of factors, such as the Group's ability to manage and implement its business activities, changes in general market conditions, the regulatory environment, governmental policies and the competition in certain sectors in which the Group operates. Any material adverse change in these factors may cause the Group to experience a capital shortfall. The Group has historically experienced negative net operating cash flows. For the year ended 31 December 2023, the Group experienced net cash outflow from operating activities with the amounts of approximately RMB6.0 billion, and there is no assurance whether this will occur again in the future, and whether the Group's operations are or will be able to generate sufficient cash flow to satisfy its liquidity needs at all times, if at all. Please also see "*Risk Factors — The Group has historically experienced net cash outflow from operating activities*".

Insufficient cash flow generated from the Group's operating activities will increase the reliance on external financing. As at 31 December 2023, the Group had total credit facilities of approximately RMB[●] billion, of which approximately RMB[●] billion had not been utilised. The Group's ability to access and raise sufficient capital through different sources depends upon a number of factors, such as the PRC's economic condition, relationships with key commercial banks, prevailing conditions in capital markets, regulatory requirements and the Group's financial condition. There is no assurance that the Group will be able to obtain external financing in a timely manner or to obtain external financing on commercially reasonable terms. The Group may not be able to fund the capital expenditure and other business expansion strategies, which may in turn have a material and adverse effect on the Group's financial condition, results of operations and prospects.

Pls consider to beef up the disclosure by:

reflecting Group's net cash outflow from operating activities in three consecutive years from 2021-2023, and specifying the reason according to the FDDQ response.

The Group has historically experienced net cash outflow from operating activities.

For the year ended 31 December 2023, the Group recorded net cash outflow from operating activities with the amounts of approximately RMB6.0 billion. The Group's net cash outflow from operating activities was largely attributable to the increase in the amount of expenditure for the development of resettlement housing business during the year ended 31 December 2023 due to the acquisition of resettlement housing and the development and construction costs. There is no assurance whether the Group will record net cash outflows from its operating activities again in the future, and any such negative cash outflows may have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

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

remove the space

As at 31 December 2021, 2022 and 2023, the Group's other receivables amounted to approximately RMB4.6 billion, RMB7.4 billion and RMB9.1 billion, respectively, representing 8.5 per cent., 9.5 per cent. and 9.5 per cent., respectively, of the Group's total assets. These other receivables are mainly outstanding amounts owed by local state-owned enterprises to the Group. According to the Group's accounting policies, the Group will make provisions for overdue receivables in its balance sheet as a reserve against the future recognition of certain accounts receivable or as bad debt. As at 31 December 2023, the Group had made provisions of approximately RMB27.7 million for the Group's other receivables.

There are inherent risks associated with ability and willingness of the Group's customers and the local government to make timely payments, and their failure to make timely payments could materially and adversely affect the Group's liquidity and in turn affect its business, financial condition or results of operations.

please consider beef up the disclosure on the reason for this inherent risk according to response to Q6 of MDDQ

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

The Group's inventory level is affected by a number of factors, such as Lucheng District Government's commitment, ability and priority to pay for its funds and the Group's ability to execute the development of its projects according to its business plans. These factors may in turn be affected by the controlling measures of the PRC Government on urban development and the PRC Government's macroeconomic and monetary policies.

As at 31 December 2021, 2022 and 2023, the Group's inventories amounted to approximately RMB41.8 billion, RMB44.5 billion and RMB43.8 billion, respectively, representing 76.7 per cent., 57.0 per cent., and 46.1 per cent. of the Group's total assets, respectively. The Group's inventories mainly comprise development costs for municipal construction, resettlement housing and land consolidation. Such development costs booked as inventories on the Group's consolidated balance sheet are illiquid assets and may not be sold for cash in an efficient manner. This may limit the Group's ability to respond to changing economic, financial and investment conditions. There is no assurance that it will be able to sell any of these construction and housing projects to other third parties for a price or on the terms satisfactory to the Group. Any failure to effectively manage the Group's inventory level will have a material impact on the Group's cash flow and adversely affect its ability to carry on ordinary business activities and to serve its outstanding indebtedness, such as the Bonds, which in turn could materially and adversely affect the Group's business, financial condition, results of operations or prospects.

Most of the Group's businesses are operated in a single geographical region.

Substantially all of the Group's current and anticipated businesses are operated in Lucheng District and Wenzhou City. Any material region-wide adverse events may negatively impact the demand for projects conducted or services provided by the Group in Lucheng District and Wenzhou City, which would in turn affect the revenue and profitability of the Group. Such adverse events include, but not limited to, changes in economic conditions and the regulatory environment, changes in the government's development plans and policies, slowdown in the resettlement housing and the agent construction sectors, decrease in investor confidence within the region, significant natural disasters and man-made incidents. Due to the limited geographical coverage of its operations, the Group may not be able to effectively manage any potential losses arising from these adverse events, which may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group faces risks associated with contracting with public bodies.

As the Issuer is a state-owned enterprise owned by the Lucheng District SASAO mainly undertaking the development of resettlement housing and agent construction in Lucheng District, the Group collaborates with various governmental authorities and their controlled entities in Lucheng District. Although the Issuer believes that the Group currently maintains close working relationships with those governmental authorities and entities relevant to its business, there is no assurance that these close working relationships will sustain in the future. Local governments and their controlled entities may have economic or business interests or considerations that are inconsistent with the Group's, take actions contrary to the Group's requests, strategies or objectives, be unable or unwilling to fulfil their obligations, encounter financial difficulties, or have disputes with the Group as to contractual or other matters. Those governmental authorities and entities may not honour their contractual obligations in a timely manner, if at all, or may, without prior notice or consent from the Group, change existing policies and project plans in Lucheng District for a number of reasons, such as government budgeting and government policies.

Failure by relevant governmental authorities to fulfil its obligations under these projects or any adverse change to the policies or business plans may require the Group to adjust its development plans which could adversely affect its operating results. There is no assurance that the Group will be able to

successfully resolve any material disagreement with the local government or any of its controlled entities in a timely manner, or at all. Disputes with public bodies may last for considerably longer periods of time than those with private sector counterparties, and payments from public bodies with which the Group has such disputes may be delayed as a result. Any of these eventualities may materially and adversely affect the business relationships between the Group and the local governments and governmental entities, which may in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's operating income and results of operations for the period.

Pls consider beef up the reason as we noted the Group recorded a significant net loss in 20241H - please refer to the company's response to follow up FDDQ

The Group's operating income and results of operations may fluctuate from period to period as a result of a number of factors, such as general economic conditions, local market conditions and demands, government policies and incentives measures in business areas where the Group operates, adjustment of the Group's primary business activities, the Group's ability to develop and complete projects on time, as well as its accounting policies for revenue recognition. In addition, the Group's operating income and results of operations are also affected by the Group's ability to develop and complete resettlement housing and agent construction projects on time, as well as its accounting policies for revenue recognition.

As a result, the Group's operating income and results of operations may fluctuate significantly from period to period. The Group's operating income and results of operations for any period may not be directly comparable with other periods and therefore may not be a useful indicator of its performance in the future.

Restrictive covenants contained in credit facilities may limit the Group's ability to incur additional indebtedness and restrict its future operations, and failure to comply with these restrictive covenants may adversely affect its liquidity, financial condition and results of operations.

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

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

subsidiaries would be able to find alternative financing. Even if the Issuer and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or, as the case may be, its subsidiaries.

The Group operates its businesses through a number of subsidiaries, and this business structure exposes the Group to challenges not faced by companies with a single or small number of businesses.

The Issuer has a number of subsidiaries operating in different industries. Through these subsidiaries, the Group engages in businesses including development of resettlement housing, agent construction, parking service, municipal management service, public housing operation service and property leasing, within Lucheng District primarily. As such, the Group is exposed to risks associated with conducting multiple businesses and operating through a large number of subsidiaries.

Furthermore, given the Issuer's reliance on its subsidiaries, it is critical to ensure that the Issuer's subsidiaries have sufficient working capital for their operations. The capital contributions by the Issuer or other members of the Group to some major subsidiaries of the Issuer may be made in non-cash forms, such as land use rights, intellectual properties and equipment, the fair value of which might not have been accurately assessed or were even overpriced at the time such capital contribution was made. This may result in such subsidiaries receiving assets that worth less than their registered capital, and as a result adversely and materially affect the ability of such subsidiaries to carry out business operations or to meet their obligations under financing agreements.

In addition, successful operation of the Issuer's subsidiaries requires an effective management system. As the Group continues to grow its businesses and expand into various industries, the Group's operations may become more complex, which would increase the difficulty of implementing its management system.

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

The Group's business operations are subject to extensive regulation at various levels of government, and any failure to comply with applicable laws, rules and regulations, including obtaining any necessary qualifications, permits or approvals for its operations, may adversely affect the Group.

Certain business activities of the Group, such as development of resettlement housing and agent construction, are extensively regulated in the PRC. The operation of these business activities requires a number of approvals, licences and permits from different governmental authorities. It takes time to obtain all of these approvals and certificates. Governmental authorities in the PRC have broad discretion in implementing and enforcing applicable laws and regulations and in granting approvals, licences, permits and certificates necessary for the Group to conduct its business. As at the date of this Offering Circular, the Group has not obtained certain approvals, licences and permits from the relevant PRC governmental authorities for some of the projects under construction. Failure to obtain the necessary approvals, licences or permits in a timely manner could result in delay or suspension of business operations, and a failure to obtain the necessary approvals, licences or permits may subject the relevant entities to regulatory or administrative penalties.

Governmental authorities may also adjust existing regulations or promulgate new regulations from time to time. The Group may encounter problems in obtaining or renewing the permits, licences, certificates

and government authorisations necessary to conduct its business and may be unable to comply with new laws, regulations or policies. In addition, to ensure the restrictions and conditions of relevant business permits, licences and certificates are fulfilled, governmental authorities normally conduct regular or special inspections, investigations and inquiries. If any significant non-compliance is found by the governmental authorities, the Group's permits, licences and certificates may be suspended or revoked, and it may receive fines or other forms of penalties, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's results of operations may be susceptible to material fluctuations of interest rates.

The Group has substantial indebtedness outstanding. Some of the Group's indebtedness bears interest that accrues at interest rates linked to loan prime rates published by the PBOC. Any material fluctuation in the benchmark lending rate may have a material impact on the Group's interest expenses and payables under its bank loans and in turn affect its results of operations. The PRC government from time to time adjusted interest rates as implementation of the PRC government's economic and monetary policies. Since the outbreak of the global financial crisis in 2008, the PRC government has repeatedly lowered benchmark lending rates to encourage borrowing and stimulate the recovery of the country's economy. Beginning in 2008, the PBOC decreased the benchmark one-year lending rate five times, from 7.47 per cent. to 5.31 per cent. in December 2008, which remained unchanged until September 2010. Since then, the one-year lending rate was gradually increased to 6.56 per cent. on 7 July 2011 and onwards. In recent years, a perceivable slowdown in the growth of China's economy again caused the PRC government to adopt more liberal monetary policies with an aim to stimulate its economic development. Since 2012, the PBOC reduced the benchmark one-year lending rate a number of times to 4.35 per cent. as at 24 October 2015 and onwards. In August 2019, the PBOC adopted measures to increase the influence of the loan prime rate (the "LPR") as part of its broader market-based reforms of the PRC's interest rate market and financial institutions would not be allowed to sign floating interest rate contracts based on former benchmark lending rates with effective from 1 January 2020. The LPR serves as the benchmark for market interest rates in the PRC. As at the date of this Offering Circular, the one-year LPR is at 3.35 per cent. Although the Group's business and financial condition may benefit from the low prevailing interest rates in the market, there is no assurance that this low-interest environment will continue. Any increase in LPRs by the PBOC in the future will increase the Group's financing costs and adversely affect the Group's profitability, financial condition and results of operations.

The Group may not successfully expand its businesses and implement its growth strategies.

The Group may from time to time expand its businesses to new industries and markets in which it has limited operating experience. Such expansion may require the Group to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its business. The Group's ability to successfully develop its new businesses and implement this strategy depends on its ability to identify attractive projects, obtain required approvals from relevant regulatory authorities, obtain sufficient capital on acceptable terms in a timely manner and maintain working relationships with various governmental authorities and agencies. The success of negotiations with respect to any particular project cannot be assured. There can be no assurance that the Group will be able to successfully expand its businesses, implement its growth strategy, manage or integrate newly-acquired operations with the Group's existing operations. Failure to develop new businesses or implement the Group's growth strategy could have a material adverse impact on its business, financial condition and results of operations.

Fluctuations in the price of construction materials could adversely affect the Group's business and financial performance.

The cost of construction materials, such as steel and cement, which constitute a significant portion of the Group's payments to its suppliers, may fluctuate. Any increase in the cost of construction materials may

result in additional costs to the Group and may lead to increases in construction contract costs in the future. Construction material costs have fluctuated in recent years. Any increase in the cost of any significant construction materials will adversely impact the Group's overall construction costs, which may pose an adverse effect on the profitability of the Group.

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

The Group engages third-party contractors for its businesses, for example property leasing and the Group generally selects independent contractors through an open tender process. However, there is no assurance that the services rendered by any of these independent contractors or subcontractors will always be satisfactory or meet the Group's quality and safety standards. If the performance of any independent contractor is not satisfactory, the Group may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of its projects. Further, the completion of its projects may be delayed, and the Group may incur additional costs in some cases due to a contractor's financial or other difficulties. In addition, the Group may be requested on short notice to undertake additional development projects such as construction of resettlement houses and agent construction, and there may be a shortage of contractors that meet the Group's quality requirements. Contractors may undertake projects for other companies and developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for the Group on time or within budget. Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may face delays and cost overruns during the construction and development of its projects, which may adversely affect its results of operations.

Projects that the Group undertakes typically require substantial capital expenditures, especially under the private funding method for agent construction project during the construction. These projects can take a substantial period of time to complete. The time taken and the cost of completing these projects can be adversely affected by many factors, including shortages of materials, equipment and labour costs, adverse weather conditions, natural disasters, terrorism, labour disputes, disputes with sub-contractors, accidents, changes in governmental priorities and other unforeseen circumstances, many of which are out of the Group's control. Any of these could give rise to delays in the completion of the Group's projects and may result in liabilities, reduced efficiency and lower financial returns, which may in turn materially and adversely affect the Group's business, financial condition and results of operations. In addition, the Group may also be required to take extra precautionary safety and health measures, and thus incur additional cost for the construction and development of its projects. Under such circumstances, the Group may be required to make additional investment, incur additional expenditures, or experience liabilities, reduced efficiency and lower financial returns, which may in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Some of the Group's businesses are highly labour intensive and the Group relies on a stable supply of labour to provide its services; Overestimation of the necessary manpower for new contracts may also adversely affect the Group's business, results of operations and financial condition.

Some of the Group's business operations are labour intensive. For example, it relies heavily on human resources for engaging in the development of resettlement housing and agent construction businesses. The Group cannot ensure that there will be a stable supply of labour in the future. If there is a shortage of labour, particularly of personnel with specialised qualifications, the Group's business operations may be negatively affected. In addition, if the Group is unable to retain existing employees and/or recruit sufficient employees to meet the demands of its existing contracts at the current wage level, the Group may have to pay a premium to attract employees. If the Group experiences any labour shortage, it may be unable to deliver satisfactory services to its clients or otherwise meet its contractual obligations, or it may face penalties for such shortage. Furthermore, certain business conducted by the Group may require the

employees with requisite qualifications or experience, and if the Group cannot recruit such employees in a timely manner, it may be unable to enter into new contracts with prospective or existing clients and/or deliver satisfactory services to them due to insufficient manpower. In such cases, the Group's business, financial condition and results of operations may be adversely affected.

An overestimation of the necessary manpower for new contracts may also adversely affect the Group's business, results of operations and financial condition. The Group may not be able to estimate the manpower necessary for new contracts accurately. If there is a significant overestimation, the Group may have to incur substantial cost to terminate the employment with the redundant staff, which could have a material adverse effect on the Group's business, results of operations and financial condition. Even if the Group terminates employment in accordance with the employment contracts and all relevant laws and regulations, such termination may still expose the Group to negative media coverage, see our comment on page 19 the relationships with the Group's clients may be adversely affected and it may be difficult to secure new contracts. Any such negative media coverage may have a material adverse effect on the Group's reputation, business, financial position and results of operations.

Labour shortages, labour disputes or increases in labour costs of any third-party contractors engaged for the Group's projects as well as implementation of PRC employment regulations could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group relies on third-party contractors to carry out development of property leasing. Increasing awareness of labour protection as well as increasing minimum wages is likely to increase the labour costs of PRC enterprises in general, including the Group or the contractors participating in the Group's projects.

The PRC Labour Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 and was amended on 28 December 2012, which became effective on 1 July 2013. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the average monthly wage of the employee 12 months before the termination of the employment contract multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law.

In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms. In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from five to fifteen days, depending on the length of the employees' working experience. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived.

Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or decrease the Group's workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires.

As such, labour shortages, labour disputes or increases in labour costs of the Group or third-party contractors could directly or indirectly prevent or hinder the construction progress, and, if not resolved in a timely manner, could lead to delays in completing the Group's projects which could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group is required to comply with extensive environmental, safety and health laws and regulations and quality control standards and the compliance of which may be onerous or expensive.

The Group is required to comply with extensive environmental, health and safety laws and regulations promulgated by the PRC government and the governments of other overseas jurisdictions in which it operates, as well as quality control standards. 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. If the Group fails to comply with these laws and regulations and industry standards applicable to its operations, it could be subject to suspension of its operations, failed evaluation when the project is delivered for review, substantial penalties, fines, suspension or revocation of its licences or permits to conduct business, termination of government contracts, administrative proceedings or litigation. Such events could have a material and adverse impact on its business, results of operations, financial condition and reputation. 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 the Group has operations will not impose additional or more onerous laws or regulations (such as broadening such regulations to second and third tier cities in the PRC), compliance with which may cause the Group to incur significantly increased costs, which the Group may not be able to pass on to its customers. In addition, some of the new overseas markets that the Group is seeking to enter may have more onerous environmental, safety and health regulations than in the PRC, compliance with which may be costly and could hinder its endeavours to enter these new overseas markets.

The Group may face unexpected difficulties in expanding into new industries and markets.

To improve the Group's profitability and to diversify potential risks, the Group has been growing its operations in industries and markets with potential for deriving favourable returns, including municipal management service, public housing operation service and property leasing. Expansion in these industries and markets carries with it many associated risks, including risks related to the lack of operating experience in such industries and markets, and lack of experienced management and employees to staff such expansion. Expansion may also place excessive pressure on the Group's financial, human and management resources that are otherwise available for the Group's current businesses. In addition, there might be many established incumbent players in these new markets who already enjoy significant market shares and competitive market positions, and it may be difficult for the Group to win market share from them. Some of the overseas markets that the Group is targeting may have high barriers of entry to foreign players. There can be no assurance that the Group's expansion plans will be successful.

The insurance coverage of the Group may not adequately protect it against all operational risks or any potential liabilities or losses.

The Group faces various operational risks in connection with its business, including but not limited to:

- operating limitations imposed by environmental or other regulatory requirements;
- defective quality of the housing properties it develops;
- work-related personal injuries;
- on-site production accidents;

- construction interruptions caused by operational errors, electricity outages, raw material shortages, equipment failure and other production risks;
- credit risks relating to the performance of customers or other contractual third parties;
- disruption in the global capital markets and the economy in general;
- loss on investments;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters.

The Group maintains limited insurance policies, but in the construction projects, the Group usually requires the contractors to maintain insurance coverage for the projects, which the Group believes to be consistent with the relevant law and industry and business practice in the PRC. However, some of the above-mentioned operational risks may not be covered and even if covered by the insurance policies maintained by the contractors of the Group, claims under these insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover the costs incurred in the Group's operations related to the above-mentioned operational risks. There are also certain types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability) that generally are not insured because they are either uninsurable or not economically insurable. To the extent that the Issuer or any of its subsidiaries suffers loss or damage covered by insurance or that exceeds the limit of the insurance coverage, the Group's results of operations and cash flow may be materially and adversely affected.

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The Group's success depends on the continuing service of its management team and qualified employees and any failure to attract and retain competent personnel may adversely affect the Group's business.

The success of the Group's business has been, and will continue to be, heavily dependent upon the continuing service of the directors of the Issuer and members of its senior management. If the Group loses the services of any of the Group's key executives and cannot replace them in a timely manner, the Group's business may be materially and adversely affected.

In addition, the Group's success depends on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of the industries in which the Group invests or operates. These key personnel include members of the Group's senior management, experienced finance professionals, project development and management personnel, and other operation personnel. Competition for attracting and retaining these individuals is intensive. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's financial condition and results of operations. As a result, the Group may be unable to attract or retain these personnel to achieve its business objectives and the failure to do so could severely disrupt its business and prospects. For example, the Group may not be able to hire enough qualified personnel to support its new investment projects or business expansion. As the Group expands its business or hires new employees, such new employees may take time to get accustomed to any new standard procedures and consequently may not comply with the standard procedures of such new business in an accurate and timely manner. The occurrence of any of the events discussed above could lead to unexpected loss to the Group and adversely affect its revenue and financial condition.

The Group may not be able to detect and prevent fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties.

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

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

The Group's internal control procedures are designed to monitor its operations but may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner, if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective. There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity on the Group as a result and have a material adverse effect on its reputation and business.

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

The Group relies on its quality control systems to ensure the safety and quality of its projects. Therefore, it needs to maintain an effective quality control system. The effectiveness of the Group's quality control system depends significantly on a number of factors, including a timely update of the quality control system to suit the ever-changing business needs, the availability of related training programmes as well as its ability to ensure that the Group's and the contractors' employees adhere to its quality control policies and guidelines. There is no assurance that the quality of the Group's projects will always meet the required standard. Any failure or deterioration of the Group's quality control systems could result in defects in its projects, which in turn may subject the Group to contractual, product liability and other claims. Any such claims, regardless of whether they have any merit, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations. Furthermore, if any of such claims are ultimately successful, the Group could be required to pay

substantial monetary damages or penalties. Although the Group believes that its quality control systems have functioned properly, there is no assurance that failures in its quality control systems will not occur in the future, and any such failure could have an adverse effect on the Group's business and operations.

The Group may not effectively implement risk management and internal control policies and procedures to manage its financial risks.

Financial risks are inherent in the Group's businesses. Although systems and procedures are in place to identify and report on a timely basis the liquidity, foreign exchange, interest rate and credit risks arising from the activities of its businesses, there is no assurance that these systems and procedures will prevent any loss that affects the Group's financial conditions. In addition, many of the current systems have a significant manual component. There are additional risks inherent in any manual risk management system, including human error. The reliability of the systems and the information generated from them depends on, *inter alia*, the configuration and design of the systems, the built-in system control features and the internal control measures surrounding them. Any failure of internal controls could have a material adverse effect on the Group's businesses, results of operations and financial conditions.

The Group may be involved in disputes, legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result.

The Group may from time to time be involved in disputes with various parties involved in its business, including contractors, tenants, suppliers and purchasers. Such disputes may lead to legal or other proceedings and they may damage the Group's reputation, increase the Group's costs of operations and divert the Group's management's attention from daily business operations. [Note: To be updated.]

In addition, where regulatory bodies or governmental authorities disagree with the Group's conduct in respect of its operations, the Group may be subject to administrative proceedings and unfavourable decrees that could result in liabilities and delays to its projects. There can be no assurance that the Group will not be so involved in any major legal or other proceedings in the future which may subject the Group to significant liabilities and may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The historical financial information of the Group included in this Offering Circular is not indicative of its future financial results. This financial information is based on the historical financial information of the Group and does not take into account the operations of any future periods. The Group's future growth does not follow the historical financial information, such as changes in economic conditions, competitive landscape of the industry, results of operations of the Group in the future, which may include an operating loss in the future, which may include the Bonds.

We noted the scope of consolidation of the Group, and the accounting policies of the financial statements have been changed from time to time according to the MDDQ response and the financial report, please consider adding a new RF about the presentation of certain accounting items of the Group's audited consolidated financial statements as at and for the years ended 31 December 2022 and 2023 may not be comparable to the financial information in their respective consolidated financial statements for the previous periods.

Also, the historical financial information of the Group may not be indicative of its future financial results due to subsequent changes in accounting standards, the accounting policies and/or applicable laws and regulations with retrospective impact on the Group's financial reporting or to reflect the comments provided by the Group's independent auditors during the course of their audit or review in subsequent financial periods. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date contained in the Group's historical financial statements and that contained in its future financial statements.

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

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

Investors should not place any reliance on the financial information which is unreviewed or unaudited.

The Issuer publishes annual, semi-annual and/or quarterly consolidated financial information in the PRC to satisfy its continuing disclosure obligations relating to its debt securities issued in the PRC according to applicable PRC regulations and rules of the stock exchanges on which the relevant securities are listed. The semi-annual and/or quarterly consolidated financial information of the Issuer is derived from the Group's management accounts and normally unaudited or unreviewed by independent auditors. Unless specifically included in this Offering Circular, such financial information does not form part of this Offering Circular and should not be referred to or relied upon by potential investors to provide the same quality of information associated with any audited or reviewed financial information. The Issuer is not responsible to holders of the Bonds for the financial information from time to time published in the PRC and therefore investors should not place any reliance on any such financial information. The Issuer's published financial information in the PRC may be adjusted or restated by the Issuer to address retrospective impacts of subsequent changes in applicable accounting standards, the Issuer's accounting policies and/or applicable laws and regulations affecting the Group's financial reporting, to reflect the subsequent comments given by the independent auditors during the course of their audit or review or to correct errors in its published financial statements. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date published in the past on the one hand and the financial information with respect to the same period or date subsequently published in the PRC or the relevant financial information (if any) contained in this Offering Circular on the other hand.

Public corporate disclosure about the Issuer may be limited.

As the Issuer's equity securities are not listed on any stock exchange, the information about it publicly available than is regularly made available by listed companies.

Consider to beef up the disclosure - we will share with you the ADDQ response once available

Zhongxingcai Guanghua has been subject to regulatory warnings and administrative measures imposed by CSRC.

Zhongxingcai Guanghua and certain of its auditors have previously received warning letters issued by CSRC. CSRC regulatory warnings focused on issues in relation to the internal management of Zhongxingcai Guanghua that are unrelated to the Group. If Zhongxingcai Guanghua is found to be deficient in performing its auditors' tasks, it could affect investors' confidence in the financial statements contained in this Offering Circular which were audited by Zhongxingcai Guanghua as well as its other procedures performed in relation to the issue and offering of the Bonds. There can be no assurance that there would not be any further investigations, or any indication of what the results or impact of the investigations will be. Zhongxingcai Guanghua has confirmed that the auditors who participate in the audit of the Group's historical financial statements were not the subject of, or involved in, the abovementioned CSRC regulatory matters and are qualified to provide audit services under applicable PRC laws, rules and guidelines. Zhongxingcai Guanghua has further confirmed that its auditing work for

the Group, including in respect of the financial statements included elsewhere in this Offering Circular, its registration as an accounting firm, its ability to provide comfort letters and the qualification of the auditors participating in this offering, are not affected by the abovementioned administrative measures.

The PRC Government shall under no circumstances have any obligation arising out of or in connection with the Bonds or the transaction documents in relation to the Bonds, which are solely to be fulfilled by the Issuer.

Notwithstanding the Group's extensive relationships with the People's Government of Lucheng District of Wenzhou Municipality and the Issuer is not part of the PRC government. The PRC Government of Lucheng District of Wenzhou Municipality and the other entities shall under no circumstances have any obligation arising out of or in connection with the Bonds or the transaction documents in relation to the Bonds in lieu of the Issuer.

pleases align the definition of the rules which have been defined in the risk factor "PRC regulations on the administration of the financing platforms and local government debt will have a material impact on the Group's financing and business models."

This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知 (財金[2018]23號)) (the "MOF Circular") promulgated on 28 March 2018 and took effect on the same day, and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知 (發改外資[2018]706號)) (the "Joint Circular") promulgated on 11 May 2018 and took effect on the same day. Both the MOF Circular and the Joint Circular do not, however, restrict the PRC Government from providing relevant support to the Issuer, provided that such support is granted in compliance with relevant PRC Laws. The detailed description of the relationships between the Issuer and People's Government of Lucheng District of Wenzhou Municipality in this Offering Circular does not imply in any way any explicit or implicit credit support of the People's Government of Lucheng District of Wenzhou Municipality in respect of the Bonds, the repayment of which remains the sole responsibilities of the Issuer.

The PRC Government as the ultimate shareholder of the Issuer only has limited liability in the form of its equity contribution in the Issuer. As such, the PRC Government does not have any payment obligations under the Bonds, or the transaction documents in relation to the Bonds. The Bonds are solely to be repaid by the Issuer, each as an obligor under the relevant transaction documents and as an independent legal person. The Bondholders do not have any recourse against the PRC Government in respect of any obligation arising out of or in connection with the Bonds or the transaction documents.

RISKS RELATING TO THE PRC

Changes in the PRC's economic, political and social conditions as well as governmental policies may materially and adversely affect the Group's business, financial condition and results of operations.

All of the Group's revenue is derived from the PRC and the growth of the Group's businesses depends significantly on the continuation of economic development and growth in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including the structure of the economy, level of government involvement, level of development, growth rate, control of capital investment, control of foreign exchange and allocation of resources. The PRC's economy has been transitioning from a planned economy to a more market-oriented economy. For the past four decades, the PRC Government has implemented economic reform measures to emphasise the utilisation of market forces in economic development. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, the Group may not continue to benefit from all, or any, of these measures. In addition, the Group cannot

predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on the Group's current or future businesses, financial condition and results of operations.

The economy of the PRC experienced rapid growth over the past 40 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. In March 2016, Moody's changed the PRC Government's credit rating outlook to "negative" from "stable", which highlighted the country's surging debt burden and questioned the government's ability to enact reforms. In May 2017, Moody's downgraded the sovereign credit rating of the PRC from Aa3 to A1 and changed its outlook to "stable" from "negative", reflecting Moody's expectation that economy-wide debt in the PRC will continue to rise as potential growth slows. In June 2024, Standard & Poor's Global Ratings affirmed its unsolicited 'A+' long-term sovereign credit ratings of PRC. The outlook on the long-term rating is stable.

The future performance of the PRC's economy is not only affected by the economic and monetary policies of the PRC Government, but has been, and in the future will continue to be, materially affected by geo-political, economic and market conditions, including factors such as the liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, currency and commodities prices, investor sentiment, inflation, and the availability and cost of capital and credit. While the International Monetary Fund expects global economic growth to strengthen in 2021 as compared to 2020, there are a number of uncertainties ahead. For example, the ongoing trade dispute between the PRC and the United States and the increase in tariffs that the United States plans to impose on Chinese imports have contributed to increased market volatility, weakened business and consumer confidence and diminished expectations for economic growth around the world. In Europe, the United Kingdom's exit from the European Union took place on 31 January 2020, where the United Kingdom legally revoked its membership in the 28-nation European Union, and the transition period formally ended on 31 December 2020. There is also substantial uncertainty relating to the impact of the United Kingdom's withdrawal from the European Union on the economic conditions of other part of the world, such as the PRC's, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. In addition, the conflict that broke out between Russia and Ukraine in February 2022 and the sanctions imposed by governments in response and the Israel-Hamas war that began in October 2023 has also resulted in market volatility.

The implications for the world and the Group are significant. First, a rise in global trade protectionism will negatively impact the trade-dependent economies in Asia. Second, the interplay of U.S. fiscal and monetary policies, and aggressive quantitative easing programmes in Japan and Europe may lead to more volatile global capital flows, which could in turn impact global growth. Third, financial market volatility and increased uncertainty may have a broader global economic impact that may in turn have a material adverse effect on the Group's businesses, financial condition and results of operations.

Economic growth in the PRC has also historically been accompanied by periods of high inflation. Increasing inflation rates were caused by many factors beyond the Group's control, such as rising production and labour costs, high lending levels, changes in national and international governmental policies and regulations as well as movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. If inflation rates rise beyond the Group's expectations, the Group may be unable to increase the price of its services and products in amounts that are sufficient to cover its increasing operating costs. Further inflationary pressures within the PRC may have a material adverse effect on the Group's businesses, financial condition or results of operations.

Recently, concerns have arisen over deflationary pressures in the PRC as a result of weak domestic demand and a slowing economy. Inflation rates within the PRC have been on a downward trend in recent

years. A prolonged period of deflation may result in falling profits, closure of plants and shrinking employment and incomes by companies and individuals, any of which could adversely affect the Group's businesses, financial condition or results of operations.

To the extent uncertainty regarding the economic outlook negatively impacts consumer confidence and consumer credit factors globally, the Group's businesses and results of operations could be materially and adversely affected.

The Group is subject to restrictions on the remittance of Renminbi into and out of the PRC and governmental controls on currency conversion and may be affected by the risks relating to fluctuations in exchange rates in the future.

The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of the PRC. All of the Group's operating revenue is denominated in Renminbi, a portion of which may need to be converted into other currencies in order to meet the Group's foreign currency obligations, such as payments of dividends, overseas acquisitions, and payments of principal and interests under the Bonds or other foreign currency denominated debt, if any.

Under existing PRC laws and regulations on foreign exchange, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE provided that certain procedural requirements are complied with. Approval from, or registration, with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. More restrictions and extensive vetting processes have been put in place by SAFE to regulate cross-border transactions under the capital account, such as the Notice of the SAFE on Further Promoting the Reform of Foreign Exchange Administration and Improving Authenticity and Compliance Review (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知). The PRC Government may, at its discretion, take measures to restrict access to foreign currencies for current account and capital account transactions under certain circumstances. If the foreign exchange control system prevents the Group from obtaining sufficient foreign currencies to satisfy the Group's foreign currency demands, the Group may not be able to make interest payments and/or principal repayment to the holders of the Bonds or other foreign currency denominated debt, if any. In addition, there can be no assurance that new laws or regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of the PRC.

~~The proceeds from the offering of the Bonds will be received in Renminbi~~

Less relevant to a CNY-deno bonds issued by a Wenzhou local LGFV, please consider to remove or shorten the disclosure

~~The value of Renminbi against the U.S. dollar and other foreign currencies, the PRC's policies, as well as international economic and political developments, the PRC Government adopted a more flexible managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. From 21 July 2005 to 17 March 2014, the floating band of interbank spot foreign exchange market trading price of Renminbi against the U.S. dollar was gradually widened from 0.3 per cent. to 2 per cent. On 11 August 2015, the PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. On 11 December 2015, the China Foreign Exchange Trade System ("CFETS"), a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs Renminbi against 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. The PBOC has further authorised the CFETS to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. In January and February 2016, the Renminbi~~

~~experienced further fluctuations in value against the U.S. dollar. From 1 January 2017, according to the sampling rule of “CNY versus FX currency pair listed on CFETS”, CFETS will add 11 currencies newly listed on CFETS in 2016, and the number of basket currencies will increase from 13 to 24. The International Monetary Fund announced on 30 September 2016 that, effective on 1 October 2016, the Renminbi was added to its Special Drawing Rights currency basket.~~

~~Further to the PBOC’s adjustment on 11 August 2015, the value of Renminbi depreciated significantly against the U.S. dollar. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. On 5 August 2019, the PBOC set the Renminbi’s daily reference rate above RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. With the development of the foreign exchange market and progress towards interest rate liberalisation and Renminbi internationalisation, the PRC Government may in the future announce further changes to the exchange rate system. There can be no assurance that Renminbi will not experience significant depreciation or appreciation against the U.S. dollar or against any other currency in the future. There remains significant international pressure on the PRC Government to adopt more flexible currency policies. In the event of material fluctuations in the exchange rates of the U.S. dollar against Renminbi, the Group’s ability to pay dividends in foreign currencies may be materially and adversely affected.~~

~~Such fluctuations may also cause the Group to incur foreign exchange losses and affect the relative value of any dividends distributed by its PRC subsidiaries. In addition, appreciation or depreciation in the value of Renminbi relative to the U.S. dollar may affect the Group’s financial results in U.S. dollars without giving effect to any underlying change in its businesses or results of operations. Fluctuations in the value of the Renminbi could adversely affect the value of the Group’s foreign currency denominated revenue and assets and could materially and adversely affect the Group’s business, financial condition, results of operations and prospects.~~

The operations of the Issuer may be adversely affected by rising inflation rates in the PRC.

Inflation rates in the PRC have been on a sharp uptrend in recent years. The PRC Government has undertaken numerous contractionary policies, including raising interest rates and reserve requirement ratios, and curbing bank lending, to slow down excessive economic growth and control price hikes. Increases in inflation rates are due to many factors beyond the Issuer’s control, such as rising food prices, rising production and labour costs, high lending levels, changes in the PRC and foreign governmental policy and regulations, and movements in exchange rates and interest rates. In 2014, the inflation rates fluctuated with two peaks in May and July 2014. In 2015, the inflation rates fluctuated, reaching a peak of 2.0 per cent. in August 2015. In 2016, the inflation rates fluctuated, peaking at 2.3 per cent. in February, March, April and November 2016. The national consumer price index was 2.6 per cent. in 2013, equal to that of 2012. The national consumer price index was 2.1 per cent., 1.4 per cent. and 2.0 per cent. in 2014, 2015 and 2016, respectively. ~~The Issuer can give no assurance that inflation rates will not continue to increase in the future. If inflation rates rise beyond the Issuer’s expectations, the costs of its business operations, including wages and employee benefits, may become significantly higher than it has anticipated, and it may be unable to pass on such higher costs to consumers to cover those increased operating costs. Furthermore, the PRC Government has issued laws, regulations and regulations to enhance labour protection in recent years, such as the Labor Dispute Mediation and Conciliation Law, the Labor Dispute Mediation and Conciliation Law, and the Social Insurance Law. As the interpretation and implementation of these laws and regulations are still evolving, the Issuer’s employment practice may not be at all times be deemed in compliance with the new laws and regulations, and the Issuer may incur significant compliance costs in the future. As a result, further inflationary pressures and the possibility of incurring significant compliance costs and labour dispute liabilities within the PRC may have a material adverse effect on the Issuer’s business, financial condition and results of operations, as well as its liquidity and profitability.~~

Pls consider update to 2023 CPI of PRC, which is 0.2%. Pleaes also consider if this RF is applicable according to the current PRC economy.

Uncertainties embodied in the PRC legal system may limit certain legal protection available to investors.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, decided legal cases have little precedential value. In 1979, the PRC Government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. Legislation over the past 20 years has significantly enhanced the protection afforded to foreign investors in China. However, the interpretation and enforcement of some of these laws, and regulations involve uncertainties that may limit the legal protection available to investors. Such uncertainties are expected to continue to exist as the legal system in the PRC continues to evolve. In addition, the PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited authority as precedents.

The PRC has not developed a fully integrated legal system and certain recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. The Issuer cannot predict the effect of future legal development in the PRC, including promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or inconsistencies between the local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to the Issuer and investors of the Bonds. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Issuer may not be aware of any violations until sometime after the violation has occurred. This may also limit the remedies available to investors of the Bonds and to the Issuer in the event of any claims or disputes with third parties.

The PRC legal system is continuously evolving and has uncertainties and the legal protections available to the Bondholders may be limited.

Most companies in the Group are incorporated in the PRC and most of the Group's businesses are conducted in the PRC. Hence, the Group's 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 a reference. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade with a view to developing a comprehensive system of commercial laws.

On 1 January 2006, substantial amendments to the PRC Company Law (中華人民共和國公司法) and the PRC Securities Law (中華人民共和國證券法) came into effect. Since then, the PRC Company Law was further amended on 28 December 2013 (and came into effect on 1 March 2014) and on 26 October 2018 (and came into effect on the same day) and the PRC Securities Law was further amended on 29 June 2013, 31 August 2014 and 28 December 2019 (and came into effect on 1 March 2020). As a result, the State Council and the China Securities Regulatory Commission (CSRC) may revise existing special regulations and mandatory provisions, and adopt new rules and regulations to implement and reflect the amendments to the PRC Company Law, which were passed on 29 December 2023 (and came into effect on 1 July 2024) and the PRC Securities Law. There is no assurance that any revision of the current rules and regulations or the adoption of new rules and regulations by the State Council and the CSRC will not have an adverse effect on the rights of the Bondholders.

It may be difficult to effect service of process or to enforce any judgments obtained from non-PRC courts against the Group or its management residing in the PRC.

The Terms and Conditions and the transaction documents are governed by English law and the Issuer has submitted to the exclusive jurisdiction of the Hong Kong courts. However, most companies in the Group

are incorporated in the PRC and all of the Group's assets and companies are located in the PRC. Therefore, investors may encounter difficulties in effecting service of process from outside PRC upon the Group or its management.

Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which the Group is subject are also relatively undeveloped and untested. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts in most other jurisdictions. Therefore, it may not be possible for investors to effect service of process upon the Group or its management in the PRC.

On 18 January 2019, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "2019 Arrangement"). The 2019 Arrangement has been implemented in Hong Kong by the Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (Cap. 645), which became effective on 29 January 2024. In the Mainland, the Supreme People's Court promulgated a judicial interpretation to implement the 2019 Arrangement on 26 January 2024 (the "Judicial Interpretation"). The 2019 Arrangement applies to judgments made on or after 29 January 2024.

Unlike other bonds issued in the international capital markets where holders of such bonds would typically not be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts. Thus, the Bondholders' ability to initiate a claim outside Hong Kong will be limited.

In addition, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgment given by a Hong Kong court and governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area.

Any occurrence of force majeure events, natural disasters, contagious disease outbreaks or other adverse incidents in the PRC may materially and adversely affect the Group's businesses, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, may materially and adversely affect the Group's businesses and results of operations. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect the Group's businesses. For example, the COVID-19 pandemic has spread all over the world and was declared a pandemic on 11 March 2020 by the World Health Organisation. The COVID-19 pandemic has resulted in a number of countries declaring a state of emergency and a number of countries, including the PRC, Japan, the United States, members of the European Union and the United Kingdom, imposing extensive business and travel restrictions with a view to containing the pandemic. Since December 2022, the PRC government had gradually lifted the strict COVID-19 restrictions for travel in and out of the country, which has led to increases of COVID-19 cases in the PRC. It is uncertain as to whether there will be any further waves of COVID-19 outbreaks in the PRC or any other part of the world and when the COVID-19 pandemic will be contained globally. Given the high uncertainties associated with COVID-19 at the moment, it is difficult to predict whether any further containment measures or other measures will be imposed on the markets or regions that the Group operates, or how long such measures will last. The full extent to which COVID-19 impacts the Group's results will depend on future developments. In the event that the COVID-19 pandemic is not effectively controlled, the Group's business operations and

financial condition may be materially and adversely affected as a result of the changes in the market outlook, any slowdown in economic growth, negative business sentiment or other factors that the Group cannot foresee. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. As the Group's businesses are dependent on economic conditions in the PRC as a whole, any future occurrence of severe natural disasters in the PRC may adversely affect its economy and, in turn, the Group's businesses and results of operations. There is no assurance that any future occurrence of natural disasters or outbreak of avian influenza, severe acute respiratory syndrome, swine influenza or other epidemics or the measures taken by the PRC Government or other countries in response to such events will not seriously disrupt the Group's operations or those of the Group's business partners or prospective investors in the Group's, which may have results of operations.

The Group's labour costs may increase for various reasons, including the implementation of PRC Labour Contract Law or inflation in the PRC.

Consider to combine with RF "Labour shortages, labour disputes or increases in labour costs of any third-party contractors engaged for the Group's projects as well as implementation of PRC employment regulations could materially and adversely affect the Group's business, financial condition, results of operations and prospects."

The PRC Labour Contract Law (中華人民共和國勞動合同法) became effective in the PRC and was amended on 28 December 2012 and became effective. The Law imposes stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make a compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees' service. Employees who consent to waive such annual leave at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each day being waived. Under the National Leisure and Tourism Outline 2013-2020 (國民旅遊休閒綱要2013-2020) which became effective on 2 February 2013, regulations on paid annual leave of employees shall have been implemented on a general basis by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013- 2020, the Group's labour costs (inclusive of those incurred by contractors) may increase. Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or decrease its workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which could result in an adverse impact on the Group's businesses, financial condition and results of operations.

Further, if there is a shortage of labour or for any reason the labour cost in the PRC rises significantly, the costs of production of the Group's products is likely to increase. This may in turn affect the selling prices of products, which may then affect the demand of such products and thereby adversely affect the Group's sales and financial condition. Increase in costs of other components required for production of the products may cause similar adverse effects, particularly if the Group is unable to identify and employ other appropriate means to reduce the costs of production. In such circumstances, the profit margin may decrease and the financial results may be adversely affected.

In addition, inflation in the PRC has increased in recent years. According to the National Bureau of Statistics of the PRC, consumer price inflation in the PRC was 2.1 per cent., 2.9 per cent. and 2.5 per cent. in 2018, 2019 and 2020, respectively. Inflation in the PRC increases the costs of labour and the costs of raw materials the Group must purchase for production. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's PRC-based operations and therefore negatively impact the Group's profitability.

Gains on the transfer of the Bonds and interest payable by the Issuer to overseas Bondholders may be subject to income tax and value-added tax under PRC tax laws.

Under the Enterprise Income Tax Law of the PRC which took effect on 1 January 2008 and was amended on 24 February 2017 and 29 December 2018 (together with its implementation rules, the “**EIT Law**”), any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (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) which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

Pursuant to the EIT Law, the PRC Individual Income Tax Law (the “**IIT Law**”) which was last amended on 31 August 2018, and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprises and 20 per cent. for non-resident individual Bondholders (or a lower treaty rate).

add Chinese translation for the name of the rule?

On 23 March 2016, MOF and the SAT issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (Caishui [2016] No. 36) (“**Circular 36**”), which introduced a new VAT from 1 May 2016. VAT is applicable where entities or individuals provide services within the PRC. The Issuer will be obligated to withhold VAT of 6 per cent. and certain surcharges (as described below) on VAT for payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

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

PRC regulations on the administration of financing platform of local governments will have a material impact on the Group's business model and sources of financing.

In accordance with the Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy (中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見) issued jointly by the PBOC and CBRC on 18 March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise notes and medium-term notes. To strengthen the management of financing platforms and effectively prevent fiscal financial risks, the State Council issued the Notice on Strengthening Management of Financing Platform of Local Government (國務院關於加強地方政府融資平台公司管理有關問題的通知) ("Circular 19") in June 2010 and the General Office of the NDRC issued the Notice on Further Regulating Issuance of Bonds by Financing Platform of Local Government (國家發展改革委辦公廳關於進一步規範地方政府投融資平台公司發行債券行為有關問題的通知) ("Circular 2881") in November 2010. According to Circular 19, all levels of local governments shall settle the existing debts of their respective financing platforms. According to Circular 2881, the level of indebtedness of local governments will impact a financing platform's issuance of enterprise bonds. Such requirements may have a significant impact on the Group's access to financing and operations.

In addition, the PRC Government may issue more stringent policies that could affect the financing platforms of local governments in the PRC in the future. It is unclear whether a financing platform would be deemed to be a local financing platform under Circular 19 or Circular 2881. If the Group is not recognised as a local financing platform, there can be no assurance that the Group will be able to continue to carry out its business activities under the current business model in the future, which in turn may have a material adverse effect on the Group's business model, sources of financing and results of operations.

has been defined on page 10, please check globally to avoid repetitive defining

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

In September 2014, the State Council released the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (國務院關於加強地方政府性債務管理的意見 (國發[2014]43號)) ("Circular 43"). According to Circular 43, financing platform companies are no longer permitted to function as the financing arm of the local government or incur new government debts and should carry on its operations and financing in accordance with market-oriented principles. Local governments should instead finance the development of public interest projects via the issuance of government bonds. Public interest projects that are profit generating may be developed either by private investors independently or by a special purpose company jointly set up by the local government and private investors. Private investors and the special purpose companies jointly set up by the local government and the private investors are required to invest in accordance with market-oriented principles and development of the projects may be financed by bank loans, corporate bonds, project revenue bonds and asset-backed securitisation. Furthermore, private investors and special purpose companies shall bear the obligation to repay their debts and the relevant local government shall not be liable for any of the private investors' or the special purpose companies' debts. There are a few cases where certain debts of local financing platforms were classified as non-government debts since the release of Circular 43. However, whether the factual basis for such individual cases is comparable or relevant to other local governments' financing platforms is unclear and different local governments' interpretation and application of Circular 43 may vary from one another. In addition, it is uncertain whether the Issuer would be deemed to be a local financing platform under Circular 43. If the Issuer is recognised as a local financing platform, the Group's financing model, business model and business scope may be required to change significantly and going forward, investors in the Issuer's indebtedness will only have recourse to the Issuer's assets (and not those of the local government).

Circular 43 also sets forth the general principles of dealing with existing debts of local financing platforms. In 2014, the local counterparts of MOF began an audit on the existing debts of the financing vehicles of local governments whereby the existing debts of the financing vehicles reported by the local governments were to be classified into four categories, namely (i) debts that shall be repaid with funds of the local governments (the “**First Type of Borrowings**”), (ii) debts that are guaranteed by the local governments (the “**Second Type of Borrowings**”), (iii) debts that may be repaid by the local governments with public funds at its option when the borrowing financing vehicles are not able to repay (the “**Third Type of Borrowings**”); and (iv) debts that will not be repaid or financed with the funds of the local governments. Circular 43 is not applicable to the Bonds and Lucheng District SASAO, Wenzhou Municipal Government or Zhejiang Province has no obligation to repay any amount under the Bonds. Investment in the Bonds relies solely on the credit risk of the Issuer. In the event the Issuer does not fulfil its obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the Issuer and not any other person including Lucheng District SASAO, Wenzhou Municipal Government or Zhejiang Province.

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On 26 April 2017, the MOF, the NDRC, the Ministry of Justice, the PBOC, the China Banking Regulatory Commission and the CSRC jointly issued the Circular on **Further Regulating the Debt Financing Behaviours of Local Government** (關於進一步規範地方政府舉債融資行為的通知) (“**Circular 50**”). Circular 50 reaffirmed that local government debts shall only be incurred through the issuance of local government bonds within the quota approved by the State Council, and the local governments and their departments are not permitted to use any other means for debt financing. The local governments and their departments are prohibited from requesting or ordering enterprises to issue debts for or on behalf of the local governments. For the avoidance of doubt, Lucheng District SASAO, Wenzhou Municipal Government or Zhejiang Province has no obligation to repay any amount under the Bonds. If the Issuer does not fulfil its obligations under the Bonds, investors will only have recourse against the Issuer, and not Lucheng District SASAO, Wenzhou Municipal Government or Zhejiang Province. The description of support from the PRC Government in this section is on the support given to the Group’s business operations and should not be read as any indication that the PRC Government will provide any financial support to the Issuer in respect of their respective obligations under the Bonds.

On 11 May 2018, the NDRC and the MOF jointly issued the Circular of the National Development and Reform Commission and the Ministry of Finance on Improving the Market Restraint Mechanism and Taking Strict Precautions against Foreign Debt Risks and Local Debt Risks (國家發展改革委、財務部關於完善市場約束機制嚴格防範外債風險和地方債務風險通知) (“**Circular 706**”). According to Circular 706, any enterprise that intends to incur medium and long-term foreign debt is prohibited to include public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll roads, non-operating water conservancy facilities, pipe network facilities, other public assets and the land use rights of reserve land in its assets. While the Group believes that none of its assets constitute public assets within the scope of Circular 706, there is, however, no clear definition of public assets in Circular 706 so its interpretation may involve uncertainty. Circular 706 also reaffirms that the offering circulars of bond issuances shall not disclose information that can implicitly or explicitly indicate the government’s endorsement of capital raising or conduct misleading publicity that implies an association with the government’s credit. In addition, the liability of the local government as shareholder shall be limited to its agreed obligation to contribute to the registered capital of such enterprises, and the relevant foreign debts should be solely repaid by such enterprises as independent legal persons.

The Group believes that the PRC Government will continue to implement Circular 43, Circular 50, Circular 706 and other relevant regulations to control local government debts. Accordingly, the Group should rely on the cash flow generated from its operations and external borrowings to satisfy its cash needs for servicing its outstanding indebtedness and for financing its operating activities. The PRC Government may continue to release new policies or amend existing regulations to control the increase in local government debts in the PRC. The Group may be required to further change its financing model and business model, which may have a material impact on its business, financial condition, results of operations and prospects.

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The PRC Government has no payment or other obligations under the Bonds.

The PRC Government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds, the Trust Deed or the Agency Agreement in lieu of the Issuer. This position has been reinforced by the Notice of the Ministry of Finance on Issues concerning Regulating the Investment and Financing Behaviours of Financial Enterprises for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知) (“Circular 23”) promulgated on 28 March 2018 and took effect on the same day, and the Circular 706 promulgated on 11 May 2018 and took effect on the same day and the Notice on the Requirements relating to the Foreign Debt Issuance Filings and Registrations Application of local State-Owned Enterprises (關於對地方國有企業發行外債申請備案登記有關要求的通知 (發改辦外資[2019]666號)) issued by the NDRC on 6 June 2019 which emphasised that local state-owned enterprises shall bear the responsibility for the repayment of foreign debt as independent legal persons, and local governments and their departments shall not pay the foreign debt of local state-owned enterprises directly or by committing to the payment of the foreign debt with financial funds, nor shall they provide guarantees for the issuance of foreign debt by local state-owned enterprises.

The PRC Government as the ultimate equity holder of the Issuer only has limited liability in the form of its equity contribution in the Issuer. As such, the PRC Government does not have any payment or other obligations under the Bonds, the Trust Deed or the Agency Agreement. The Bonds are solely to be repaid by the Issuer as an obligor under the relevant transaction documents and as an independent legal person.

Therefore, investors should base their investment decision only on the financial condition of the Issuer and the Group and base any perceived credit risk associated with an investment in the Bonds only on the Group’s own financial information reflected in its financial statements.

RISKS RELATING TO THE BONDS

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

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

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities.

Changes in market interest rates may adversely affect the value of the Bonds.

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

Investment in the Bonds, which carry a fixed rate of interest, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

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

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Group's revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in the prices of securities of companies comparable to the Issuer, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There is no assurance that these developments will not occur in the future.

[Any failure to complete the relevant filings under the Order 56 and the relevant registration under SAFE within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds.]

Effective from 10 February 2023, the Order 56 will supersede the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and effective from 14 September 2015 (the “**NDRC Circular**”). The Issuer has obtained the pre-issue registration certificate under the Order 56. Under the Order 56, the Issuer will be required to notify the particulars of the issue of the Bonds within ten PRC working days after the issue of the Bonds. In addition, the Issuer will also be required, among others, to submit relevant information on the Bonds within ten PRC working days upon the expiration of the NDRC certificate, and to complete periodic filling of requisite information including use of proceeds, plan and arrangement of payment of interest and principal and the Issuer's financial indicators within five PRC working days prior to the end of January and July each year. In case of any material circumstance which may adversely affect the performance of the Issuer's debt obligations, including any potential non-repayment of debts and major

asset restructuring, the Issuer is required to report the relevant information and take risk control measures to prevent spillover of onshore default risk and cross-default risk.

The Order 56 is a recent regulation and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds. Although the Order 56 has set out the legal consequences for issuers and the intermediaries involved of non-compliance with the Order 56, the Order 56 is silent on whether any such non-compliance would affect the validity and enforceability of the Bonds. In addition, the administration of the Order 56 may be subject to a certain degree of executive and policy discretion by the NDRC. There is also a risk that the registration certificate with the NDRC may be revoked or amended in the future or that future changes in PRC laws and regulations may have a negative impact on the performance or validity and enforceability of the Bonds in the PRC. Potential investors in the Bonds are advised to exercise due caution when making their investment decisions.

In accordance with the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) (the “**Foreign Debt Registration Measures**”) issued by SAFE on 28 April 2013, which came into effect on 13 May 2013, the Issuer shall complete foreign debt registration in respect of the issue of the Bonds with the relevant local branch of SAFE in accordance with laws and regulations. According to the Operation Guidelines for Administration of Foreign Debt Registration (外債登記管理操作指引) promulgated together with the Foreign Debt Registration Measures, the Issuer is required to register the Bonds within 15 working days after execution of the transaction documents on the Closing Date and complete such registration in accordance with the Foreign Debt Registration Measures. Before such registration of the Bonds is completed, it is uncertain whether the Bonds are enforceable as a matter of PRC law and it may be difficult for Bondholders to recover amounts due from the Issuer, and the Issuer may not be able to remit the proceeds of the offering into the PRC or remit money out of the PRC in order to meet its payment obligations under the Bonds. Pursuant to article 27(5) of the Foreign Debt Registration Measures, a failure to comply with registration requirements may result in a warning and fine as set forth under article 48 of the Foreign Exchange Administrative Regulations of the People’s Republic of China (中華人民共和國外匯管理條例) promulgated by the State Council in 2008. However, pursuant to article 40 of the Foreign Debt Administration Provisional Rules (外債管理暫行辦法) promulgated by the MOF, the NDRC and SAFE, a failure by a domestic entity to register a foreign debt contract will render the contract not legally binding and unenforceable. [Under the Terms and Conditions, the Issuer has undertaken to use its best endeavours, and it intends, to complete the registration of the Bonds with SAFE within [150] Registration Business Days of the Issue Date.] **[Note: To track Ts&Cs]** The Issuer has already consulted with local SAFE in connection with the registration procedures and documentary requirements. The Issuer does not foresee any obstacle in completing the registration within the abovementioned period. If the Issuer is unable to complete the registration with the relevant local branch of SAFE, the Issuer may have difficulty in remitting funds offshore to service payments in respect of the Bonds and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Bonds and the Trust Deed in the PRC. In such circumstances, the value and secondary market price of the Bonds may also be materially and adversely affected.]

The Bonds are unsecured obligations.

As the Bonds are unsecured obligations of the Issuer, the repayment of the Bonds may be compromised if:

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

If any of these events were to occur, the Issuer’s assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Bonds.

The Trustee may request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction. *[To track the T&Cs]*

In certain circumstances (including without limitation the giving of notice to the Issuer pursuant to Condition 10 and/or the taking of actions and/or steps and/or the instituting of proceedings pursuant to Condition 14), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any action and/or step and/or institutes any proceeding on behalf of Bondholders. The Trustee will not be obliged to take any such actions and/or steps and/or to institute any such proceedings if not first indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions and/or steps can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take actions and/or steps and/or to institute proceedings, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed or in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the Trust Deed, the Terms and Conditions and the applicable law and regulations, it will be for the Bondholders to take such actions and/or steps and/or to institute such proceedings directly.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. Although an application will be made to the [●] for the listing of, and permission to deal in, the Bonds on the [●], no assurance can be given that such application will be approved, or even if the Bonds become so listed, an active trading market for the Bonds will develop or be sustained. No assurance can be given as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds or that a liquid market will develop. The liquidity of the Bonds will be adversely affected if the Bonds are held or allocated to limited investors. Bondholders should note that they may need to hold their Bonds until maturity as there may not be an active secondary market for the Bonds. If such a market was to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price, depending on many factors, including prevailing interest rates, the Issuer's operations and the market for similar securities. The Joint Lead Managers are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, investors will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to, or exempt from, registration under the Securities Act.

Developments in the international financial markets may adversely affect the market price of the Bonds.

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

The insolvency laws of the PRC may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

As the Issuer is incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer is likely to involve PRC insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the holders of the Bonds would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or dispute.

The Terms and Conditions, the Trust Deed and the Agency Agreement are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, the Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**Choice of Court Arrangement**”), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts.

However, recognition and enforcement of a Hong Kong court judgment could be refused if the courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Choice of Court Arrangement. In addition, on 18 January 2019, the Supreme People’s Court of China (the “**SPC**”) and the government of Hong Kong signed the ~~Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region~~ (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**2019 Arrangement**”), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between the courts of Hong Kong and the PRC. From 29 January 2024, the New Arrangement came into operation and shall apply to judgments made by the courts of Hong Kong and the PRC, and the Choice of Court Arrangement shall be terminated, except for “choice of court” agreements in writing made between parties before the commencement of the New Arrangement, in which case the Choice of Court Arrangement shall continue to apply. However, the recognition and enforcement of judgments rendered by a Hong Kong court in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the New Arrangement. There can be no assurance that investors can successfully effect service of process against the Issuer or its directors, supervisors or members of senior management in the PRC and/or to seek recognition and enforcement of judgments rendered by a Hong Kong court in the PRC. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holders’ ability to initiate a claim outside of Hong Kong will be limited.

The Bonds are redeemable in the event of certain withholding taxes being applicable. [To track the T&Cs]

Pursuant to the Terms and Conditions, the Issuer has the right to redeem the Bonds at any time in the event the Issuer has or will become obliged to pay any Additional Tax Amounts (as defined in the Terms and Conditions) as a result any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), as further described in “*Terms and Conditions of the Bonds — Redemption for Taxation Reasons*”. An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Group may Issue additional securities or raise additional capital in the future. [To track the T&Cs]

The Issuer may, from time to time, and without the consent of the Bondholders create and issue further securities (see “*Terms and Conditions of the Bonds — Further Issues*”). The Group may raise additional capital through such means and in such manner as the Group may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

The Issuer may not be able to redeem the Bonds upon the due date for redemption thereof. [To track the T&Cs]

At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Bonds), the Issuer may, at the option of any Bondholder, be required to redeem all, but not some only, of that Bondholder’s Bonds at their principal amount, together in each case with accrued interest. If such an event were to occur or at maturity of the Bonds, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. There is also no assurance that the Issuer would have sufficient liquidity at such time to make the required redemption of the Bonds. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer’s failure to repay, repurchase or redeem the relevant Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer’s or the Group’s other indebtedness.

Modifications and waivers may be made in respect of the Terms and Conditions, the Trust Deed and/or the Agency Agreement by the Trustee or less than all of the holders of the Bonds, and decisions may be made on behalf of all holders of the Bonds that may be adverse to the interests of the individual holders of the Bonds. [To track the T&Cs]

The Terms and Conditions provide that the Trustee may (but shall not be obliged to), without the consent of the Bondholders, agree (i) to any modification or waiver or authorization of any breach or proposed breach of, or failure to comply with any of the provisions of the Trust Deed, the Terms and Conditions, and/or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Bonds and (ii) to any modification, and any waiver or authorization of any breach or proposed breach, of the Trust Deed, the Terms and Conditions, and/or the Agency Agreement which is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law.

The Terms and Conditions contain provisions for calling meetings of the holders of the Bonds to consider matters affecting their interests generally. These provisions permit decisions to be made by a majority of the Bondholders including those Bondholders who did not attend and vote at the relevant meeting or participate in the written resolutions or electronic consents and those Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individual holders of the Bonds.

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Gains on the transfer of the Bonds and interest payable by the Issuer to overseas Bondholders may be subject to income tax and value-added tax under PRC tax laws.

Under the Enterprise Income Tax Law of the PRC which took effect on 1 January 2008 and was amended on 24 February 2017 and 29 December 2018 (together with its implementation rules, the “EIT Law”), any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative

organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (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) which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

Pursuant to the EIT Law, the PRC Individual Income Tax Law (the “**IIT Law**”) which was last amended on 31 August 2018, and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

On 23 March 2016, MOF and the SAT issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (Caishui [2016] No. 36) (“**Circular 36**”), which introduced a new VAT from 1 May 2016. VAT is applicable where entities or individuals provide services within the PRC. The Issuer will be obligated to withhold VAT of 6 per cent. and certain surcharges (as described below) on VAT for payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

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

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

The Bonds will initially be represented by a Global Certificate. Such Global Certificate will be registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator of the CMU. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by the CMU.

While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the CMU. While the Bonds are represented by the Global Certificate, and the Global Certificate is held on behalf of the Operator, the CMU Lodging and Paying Agent will make payments to the Operator who will make payments to each CMU participant who is for the time being shown in the records of the Operator as the holder of a particular principal amount of Bonds (each an “accountholder”), the CMU to receive payments under the Bonds. None of the Issuer, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the CMU to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate will not have a direct right under the Global Certificate to take enforcement action against the Issuer in the event of a default under the Bonds but will have to rely upon their rights under the Trust Deed.

Restrictions and covenants in the debt agreements of the Issuer or any other member of the Group may limit the Group’s ability to incur additional indebtedness and restrict its future operations, and failure to comply with these restrictive covenants may result in a default under the terms of these agreements, or the Bonds, which could cause repayment of the debt of the Issuer to be accelerated.

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

If the Issuer is unable to comply with the restrictions and covenants in the Bonds, or if any of the Issuer or its subsidiaries is unable to comply with its current or future debt obligations and other agreements, there could be a default under the terms of such agreements. In the event of a default under such agreements, the creditors may be entitled to terminate their commitments granted to the Issuer or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, depending on the provisions of the relevant agreements. Some of the Group’s financing agreements contain cross-acceleration or cross-default provisions, which give creditors under these financing agreements to require the Group to immediately repay their loans or declare a default as a result of the acceleration or default of other financing agreements by any other member of the Group. As a result, the default by the Issuer or the relevant subsidiary under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there is no assurance that the Group will be able to obtain the lenders’ waiver in a timely manner or that the assets and cash flow of the Group or its subsidiaries would be sufficient to repay in full all of the respective debts as they become due, or that the Issuer or its subsidiaries would be able to find alternative financing. Even if the Issuer or its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or, as the case may be, its subsidiaries.

Bonds which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

The denominations of the Bonds are CNY1,000,000 and integral multiples of CNY10,000 in excess thereof. Therefore, it is possible that the Bonds may be traded in amounts in excess of CNY1,000,000 that are not integral multiples of CNY1,000,000. In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of less than CNY1,000,000 will not receive a definitive certificate in respect of such holding of Bonds (should definitive certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more denominations. If definitive certificates are issued, Bondholders should be aware that Bonds with aggregate principal amounts that are not an integral multiple of CNY1,000,000 may be illiquid and difficult to trade.

TERMS AND CONDITIONS OF THE BONDS

[The finalised T&Cs to be inserted]

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM *[To track the TD]*

The Global Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. The following is a summary of certain of those provisions. Terms defined in the Terms and Conditions of the Bonds set out in this Offering Circular have the meaning in the paragraphs below.

The Bonds will be represented by a Global Certificate in registered form which will be registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator of the CMU.

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

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if the CMU or any other clearing system selected by the Issuer and approved in writing by the Trustee, the CMU Lodging and Paying Agent and the Registrar through which the Bonds are held (an “**Alternative Clearing System**”) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

The individual definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate. Such exchange will be effected in accordance with the provisions of the Trust Deed, the Agency Agreement and the regulations concerning the transfer and registration of the Bonds scheduled thereto and, in particular, shall be effected without charge to any holder of the Bonds or the Trustee, but against such indemnity and/or security as the Registrar or the relevant Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

The Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions of the Bonds as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

Payment

So long as the Global Certificate is held on behalf of the CMU, each payment of interest, premium or principal in respect of the Global Certificate will be made to, or to the order of, the person(s) for whose account a relevant interest in the Global Certificate is credited as being held by the Operator at the close of business of the Clearing System Business Day immediately prior to the due date for such payments, where “Clearing System Business Day” means a day on which the CMU is operating and open for business.

Calculation of Interest

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

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of the Operator, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to each relevant accountholder via the CMU. Indirect participants will have to rely on the CMU participants (through whom they hold the Bonds, in the form of interests in the Global Certificate) to deliver the notices to them, subject to the arrangements agreed between the indirect participants and the CMU participants. Except that, so long as the Bonds are listed and/or admitted to trading, notices required to be given to Bondholders pursuant to the Conditions shall also be published by the Issuer (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are listed and/or admitted to trading.

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds evidenced by the Global Certificate shall (unless the Global Certificate evidences only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each CNY10,000 in principal amount of Bonds for which the Global Certificate is issued.

Bondholder's Redemption

The Bondholder's redemption option in Condition 7(c) (*Redemption for Relevant Events*) of the Terms and Conditions of the Bonds may be exercised by the holder of the Global Certificate giving notice to the CMU Lodging and Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions of the Bonds.

Issuer's Redemption

The option of the Issuer provided for in Condition 7(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions of the Bonds shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions of the Bonds.

Transfers

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

Cancellation

Cancellation of any Bond represented by the Global Certificate by the Issuer following its redemption or purchase by the Issuer or its Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders and the Global Certificate on its presentation to or to the order of the Registrar for annotation.

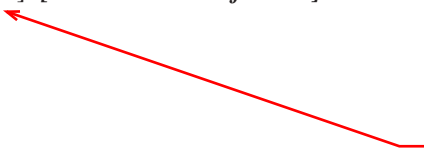
Trustee's Powers

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

The Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

USE OF PROCEEDS

The gross proceeds from the offering of the Bonds will be CNY[●]. After the deduction of fees, commissions and expenses payable in connection with this offering, the net proceeds from the offering of the Bonds will be used for [●]. *[Note: to be confirmed]*

 ZLHK's note: pls specify according to the NDRC certificate

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the capitalisation of the Group, on a consolidated basis (i) as at 31 December 2023; and (ii) on an adjusted basis to give effect to the issue of the Bonds before deducting the commissions and other estimated expenses payable in connection with the offering of the Bonds. The table should be read in conjunction with the financial statements and the accompanying notes included in this Offering Circular.

[N.B. to be updated] [N.B. Auditor to review and confirm the components]

	As at 31 December 2023	
	Actual	As Adjusted
	(CNY) (Audited)	(CNY) (Unaudited)
Current indebtedness:		
Short-term <u>loans</u>	<u>30,044,916.67</u>	<u>30,044,916.67</u>
Non-current liabilities maturing within one year	<u>4,788,629,922.79</u>	<u>4,788,629,922.79</u>
Other current liabilities	<u>716,111,156.89</u>	<u>716,111,156.89</u>
Total current indebtedness	<u>5,534,785,996.35</u>	<u>5,534,785,996.35</u>
Non-current indebtedness:		
Long-term <u>loans</u>	<u>26,601,041,174.03</u>	<u>26,601,041,174.03</u>
Bonds payable	<u>6,454,637,343.80</u>	<u>6,454,637,343.80</u>
Long-term payable	<u>5,958,381,481.21</u>	<u>5,958,381,481.21</u>
Bonds to be issued ⁽¹⁾	—	[●]
Total non-current indebtedness	<u>39,014,059,999.04</u>	<u>[●]</u>
Total indebtedness⁽²⁾	<u>44,548,845,995.39</u>	<u>[●]</u>
Equity:		
Total shareholders' equity	<u>23,901,212,022.07</u>	<u>23,901,212,022.07</u>
Total capitalisation⁽⁴⁾	<u>68,450,058,017.46</u>	<u>[●]</u>

[Notes:

1. This amount represents the aggregate principal amount of the Bonds to be issued, before deducting the underwriting fees and commissions and other estimated expenses payable in connection with this offering.
2. Total indebtedness equals to the sum of current indebtedness and non-current indebtedness.
3. Total capitalisation represents total indebtedness and total equity.] *[N.B. To be updated]*

[Except as disclosed in this Offering Circular, there has been no material adverse change in the total capitalisation and indebtedness of the Group on a consolidated basis since 31 December 2023.] *[N.B. Issuer to confirm]*

DESCRIPTION OF THE GROUP

The Group is a major investment, construction and state-owned assets operation platform in Lucheng District and is wholly owned by the Lucheng District SASAO. The Group is also the core operating entity carrying out urban development activities and providing public services in Lucheng District, including the development of resettlement housing, agent construction, parking service, municipal management service, public housing operation service and property leasing. Leveraging on the development of Lucheng District and Wenzhou City, strong shareholder's support and the experienced management team of the Group, the Group has undertaken and completed a large number of resettlement housing and construction projects and played an important role in the development of Lucheng District.

The Group primarily conducts its business within Lucheng District of Wenzhou City. Wenzhou City is a prefecture-level city, consists of four districts, five counties and three county-level cities. Wenzhou City is located at the southeast of Zhejiang Province with its borders connecting to Lishui City on the west, Taizhou City on the north, and Fujian Province on the south. According to the Outline of the Yangtze River Delta Regional Integrated Development Plan (《長江三角洲區域一體化發展規劃綱要》) released by the State Council, Wenzhou City is one of the 27 Yangtze River Delta Central Cities (長江三角洲中心區城市) and an important commercial and regional hub. With advanced transportation network connecting to major cities in China, including waterway traffic facilities, multiple railways and highways as well as flight routes, Wenzhou City will serve as one of the 80 national comprehensive transportation hub cities (全國性綜合交通樞紐城市) according to the Outline of the National Integrated Transportation Network Planning (《國家綜合立體交通網規劃綱要》) released by the State Council. As one of the key cities along the Yangtze River Delta Economic Area (長江三角洲經濟區), Wenzhou City has long been in a leading position in terms of economic development among all the cities in Zhejiang Province. According to the Wenzhou City Statistics Bureau (溫州市統計局), the GDP of Wenzhou City amounted to approximately RMB758.5 billion, RMB803.0 billion and RMB873.1 billion for the years ended 31 December 2021, 2022 and 2023, respectively. Furthermore, for the years ended 31 December 2021, 2022 and 2023, the per capita disposable income of Wenzhou City was approximately RMB59.6 thousand, RMB63.0 thousand and RMB67.4 thousand, respectively.

Lucheng District, situated in the centre of Wenzhou City and also where Wenzhou Municipal Government is located, plays an important role in terms of political, economic and cultural development in Wenzhou City. According to the Wenzhou City Lucheng District Statistics Bureau (溫州市鹿城區統計局), for the years ended 31 December 2021, 2022 and 2023, the per capita disposable income of Lucheng District was approximately RMB75.5 thousand, RMB79.2 thousand and RMB84.4 thousand, respectively. According to the Wenzhou City Lucheng District Statistics Bureau (溫州市鹿城區統計局), the GDP of Lucheng District amounted to approximately RMB126.2 billion, RMB130.8 billion and RMB140.1 billion for the years ended 31 December 2021, 2022 and 2023. According to the Research Results of High Quality Development Index of Small and Medium-sized Cities in China in 2023 (2023中國中小城市高質量發展指數研究成果), Lucheng District has been named in the list of "Top 100 Districts in terms of Comprehensive Strengths in China" (全國綜合實力百強區) and ranked twentieth in the list of "Top 100 Districts in terms of Investment Potential in China" (全國投資潛力百強區) in 2023. Lucheng District has also been named in the list of "CCID Top 100 Districts in 2023" (2023賽迪百強區) by the Urban Economic Research Center of CCID Consulting (賽迪顧問城市經濟研究中心).

Lucheng District also has outstanding transport infrastructure with railways and expressways passing through the district including the Hangzhou-Fuzhou-Shenzhen Railway, Wenzhou Rail Transit Line S1, G15 Shenyang-Haikou Expressway and S10 Wenzhou Ring Expressway. The Wenzhou Railway Station, Wenzhou South Bus Terminus and Wenzhou Passenger Transport Centre are all located in Lucheng District. The development strategies and excellent locations of Lucheng District and Wenzhou City with great economic development potential have supported and will continue to support the business growth of the Group.

To perform its function as the core operating entity carrying out urban development activities and providing public services in Lucheng District, the Group has developed a diversified business portfolio. The Group's principal business segments are as follows:

Principal business segments:

- *Development of resettlement housing.* Development of resettlement housing is the primary business of the Group. The Group is the core resettlement housing development entity in Lucheng District, whose business includes the investment, construction, development and sales of the resettlement housing projects in Lucheng District. During the years ended 31 December 2021, 2022 and 2023, the Group had completed [●] resettlement housing projects with a total investment amount of approximately RMB[●] million. As at 31 December 2023, the Group had [●] resettlement housing projects under construction with a total estimated investment amount of approximately RMB[●] million. As at the date of this Offering Circular, the Group has [●] resettlement housing projects under planning. For the years ended 31 December 2021, 2022 and 2023, operating income generated from the development of resettlement housing business was approximately RMB1,466.1 million, RMB914.1 million and RMB924.4 million, respectively, representing approximately 81.8 per cent., 63.5 per cent. and 60.0 per cent., respectively, of the Group's total operating income for the same periods.
- *Agent construction.* The Group's agent construction business includes the construction and development of infrastructure projects under the agent construction model. Most of the Group's completed in the Qidu Island (七都島) of Lucheng District. For the years ended 31 December 2021, 2022 and 2023, the Group had completed [●] agent construction projects with a total amount invested of approximately RMB[●] million. As at 31 December 2023, the Group had [●] agent construction projects under construction with a total estimated investment amount of approximately RMB[●] million and [●] agent construction projects under planning with a total estimated investment amount of approximately RMB[●] million. For the years ended 31 December 2021, 2022 and 2023, the Group's operating income generated from its agent construction business was approximately RMB33.1 million, RMB3.4 million and RMB1.6 million, respectively, representing approximately 1.8 per cent., 0.2 per cent. and 0.1 per cent., respectively, of the Group's total operating income for the same periods.
- *Parking service.* The Group provides parking services in relation to on-street parking spaces as well as parking spaces inside car parks in Lucheng District. As at 31 December 2023, the Group operated a total of approximately [●] government-owned parking spaces in Lucheng District, comprising of approximately [●] on-street parking spaces and approximately [●] parking spaces inside car parks. For the years ended 31 December 2021, 2022 and 2023, operating income generated from the Group's parking service business was approximately RMB29.1 million, RMB26.5 million and RMB27.4 million, respectively, representing approximately 1.6 per cent., 1.8 per cent. and 1.8 per cent., respectively, of the Group's total operating income for the same periods.
- *Municipal management service.* The Group started its municipal management service business in July 2019. The Group's municipal management service involves the management and maintenance of road infrastructure and other municipal infrastructures. For the years ended 31 December 2021, 2022 and 2023, operating income generated from the Group's municipal management service business was approximately RMB173.9 million, RMB188.8 million and RMB214.5 million, respectively, representing approximately 9.7 per cent., 13.1 per cent. and 13.9 per cent., respectively, of the Group's total operating income for the same periods.

- *Public housing operation service.* The Group started its public housing operation service business in 2020. The Group generates income from the service fees charged by the Group for the public housing projects which the Group operates and manages. For the years ended 31 December 2021, 2022 and 2023, the Group's operating income from its public housing operation service business amounted to approximately RMB6.8 million, RMB7.1 million and RMB7.1 million, respectively, representing approximately 0.4 per cent., 0.5 per cent. and 0.5 per cent., respectively, of the Group's total operating income for the same periods.
- *Property leasing.* The Group started its property leasing business in 2020. The leasable properties mainly include the commercial facilities for the Wooden Pavilion at Chan Street (蟬街木質業能亭) and the commercial facilities at No. 97 and No. 99 of Park Road (公園路97號99號). The Group had entered into lease agreements with the tenants where the Group is entitled to collect rents. For the years ended 31 December 2021, 2022 and 2023, operating income generated from the property leasing business was approximately RMB40.5 million, RMB82.6 million and RMB69.8 million, representing approximately 2.3 per cent., 5.7 per cent. and 4.5 per cent. of the Group's total operating income for the same periods.
- *Other principal business segments.* The Group also participates in other principal business segments, namely construction maintenance, sales of goods, security service, property service, printing service, project management, labor dispatch income and highway maintenance. For the years ended 31 December 2021, 2022 and 2023, operating income generated from the Group's other ancillary business segments was approximately RMB34.4 million, RMB215.9 million and RMB246.7 million, respectively, representing approximately 1.9 per cent., 15.0 per cent. and 16.0 per cent., respectively, of the Group's total operating income for the same periods.

OTHER ANCILLARY BUSINESS SEGMENTS

In addition to its principal business segments, the Group also participates in other ancillary business segments, namely the rental business of apartments and farmers' market. For the years ended 31 December 2021, 2022 and 2023, operating income generated from the Group's other ancillary business segments was approximately RMB8.5 million, RMB0.7 million and RMB49.0 million, respectively, representing approximately 0.5 per cent., 0.1 per cent. and 3.2 per cent., respectively, of the Group's total operating income for the same periods.

The following table sets forth a breakdown of the total operating income generated from each business segment of the Group for the periods indicated:

	For the year ended 31 December					
	2021		2022		2023	
	Amount	Per cent. of total	Amount	Per cent. of total	Amount	Per cent. of total
	(RMB in millions) (Audited)		(RMB in millions) (Audited)		(RMB in millions) (Audited)	
Business Segments						
Development of resettlement housing	1,466.1	81.8	914.1	63.5	924.4	60.0
Agent construction	33.1	1.8	3.4	0.2	1.6	0.1
Parking service	29.1	1.6	26.5	1.8	27.4	1.8
Municipal management service	173.9	9.7	188.8	13.1	214.5	13.9
Public housing operation service	6.8	0.4	7.1	0.5	7.1	0.5
Property leasing	40.5	2.3	82.6	5.7	69.8	4.5
Other principal business segments ^(Note)	34.4	1.9	215.9	15.0	246.7	16.0
Other ancillary business segments ^(Note)	8.5	0.5	0.7	0.1	49.0	3.2
Total operating income	1,792.4	100.0	1,439.1	100.0	1,540.3	100.0

Note: The Group's other principal business segments include construction maintenance, sales of goods, security service, property service, printing service, project management, labor dispatch income and highway maintenance and the Group's other ancillary business segments include the [rental business of apartments and farmers' market] [Issuer to confirm].

COMPETITIVE STRENGTHS

The Group believes that its success and prospects are primarily attributable to the following competitive strengths:

Well positioned to benefit from the economic growth and strategic location of Lucheng District and Wenzhou City.

The Group focuses on the development of the Lucheng District and plays an important role in implementing the urban development policies and facilitating the municipal development in Lucheng District. Lucheng District, located in the centre of Wenzhou City, plays an important role in terms of political, economic and cultural development in Wenzhou City. According to the Wenzhou City Lucheng District Statistics Bureau (溫州市鹿城區統計局), for the years ended 31 December 2021, 2022 and 2023, the per capita disposable income of Lucheng District was approximately RMB75.5 thousand, RMB79.2 thousand and RMB84.4 thousand, respectively. According to the Wenzhou City Lucheng District Statistics Bureau (溫州市鹿城區統計局), the GDP of Lucheng District amounted to approximately RMB126.2 billion, RMB130.8 billion and RMB140.1 billion for the years ended 31 December 2021, 2022 and 2023. According to the Research Results of High Quality Development Index of Small and Medium-sized Cities in China in 2023 (2023中國中小城市高質量發展指數研究成果), Lucheng District has been named in the list of “Top 100 Districts in terms of Comprehensive Strengths in China” (全國綜合實力百強區) and ranked twentieth in the list of “Top 100 Districts in terms of Investment Potential in China” (全國投資潛力百強區) in 2023. Lucheng District has also been named in the list of “CCID Top 100 Districts in 2023” (2023賽迪百強區) by the Urban Economic Research Center of CCID Consulting (賽迪顧問城市經濟研究中心). Taking advantage on the favourable environment brought by the development strategies and economic growth of Lucheng District, the Group can improve the overall development of the Lucheng District and comply with the development plan set by the Lucheng District Government for the planning, design and development of the Lucheng District through continued investments in major resettlement housing and agent construction projects.

Also, as a government investment and financing platform located in Wenzhou City, the Group also enjoys the advantage brought by the dynamic regional economy in Wenzhou City. Located in the Yangtze River Delta Economic Area (長江三角洲經濟圈), Wenzhou City is one of the 27 Yangtze River Delta Central Cities (長江三角洲中心區城市) according to the Outline of the Yangtze River Delta Regional Integrated Development Plan (《長江三角洲區域一體化發展規劃綱要》) released by the State Council, and an important commercial and regional hub. As one of the key cities along the Yangtze River Delta Economic Area, Wenzhou City has long been in a leading position in terms of economic development among all the cities in Zhejiang Province. According to the Wenzhou City Statistics Bureau (溫州市統計局), the GDP of Wenzhou City amounted to approximately RMB758.5 billion, RMB803.0 billion and RMB873.1 billion for the years ended 31 December 2021, 2022 and 2023, respectively. Furthermore, for the years ended 31 December 2021, 2022 and 2023, the per capita disposable income of Wenzhou City was approximately RMB59.6 thousand, RMB63.0 thousand and RMB67.4 thousand, respectively. The Group believes that the outstanding economic development of Wenzhou City, together with its great development potentials have brought and will continue to bring significant business opportunities to the Group.

Strong support (excluding credit support) from the Lucheng District Government and the Lucheng District SASAO.

As a state-owned assets operating entity, the Group has played an important role in the development of Lucheng District with the focus on the development of the resettlement housing and agent construction. The Group has close relationships with the local government of Lucheng District and is ultimately controlled by the Lucheng District Government through Lucheng District SASAO, who holds 100.0 per cent. of the Issuer’s equity interests. Lucheng District Government and Lucheng District SASAO

participate in and closely monitor the decision-making process of the Group's key projects, review and approve the Group's annual development plans and strategies, investment plans and major financing plans, and review the annual operation results and execution of key projects. Also, according to the articles of association of the Issuer, all of five directors of the Issuer have to be nominated by the Lucheng District SASAO. The Lucheng District SASAO will supervise the investment and financing, capital operation and guarantee management of the Issuer.

Due to the Group's strategic role and important involvement in the development of resettlement housing and agent construction of Lucheng District, since its establishment, the Group has also been receiving strong support (excluding credit support) from the Lucheng District Government and Lucheng District SASAO, which includes, among others, capital injection, project contracting and government grants, etc. Certain examples of the support which the Group receives are set out below:

- Asset and capital injection. Since its establishment, the Group has received strong support (excluding credit support) to enhance its financial strength from its sole shareholder, Lucheng District SASAO, such as asset injection and capital injection. [For example, in terms of asset injection, in 2021, Lucheng District SASAO has injected Wenzhou Lucheng Water Infrastructure Construction Investment Co., Ltd. (溫州市鹿城區水利建設投資有限責任公司), Wenzhou Haojuzhu Property Leasing Investment Development Co., Ltd. (溫州好居住房租賃投資發展有限公司), Wenzhou Lucheng Warehouse Property Management Co., Ltd. (溫州市鹿城倉儲物業管理有限公司), Wenzhou Lucheng Warehouse Co., Ltd. (溫州市鹿城倉儲有限公司) and Wenzhou Modern Commercial Center Co., Ltd. (溫州現代商貿城有限公司) into the Group. In terms of capital injection, as at 28 January 2021 and 5 February 2021, the Group has received an aggregate amount of approximately RMB101.4 million and RMB78.9 million via capital injection from Lucheng District SASAO, respectively.] *[N.B. to be updated]* This allows the Group to invest in capital-intensive and large-scale projects and to engage in various business segments. Please see “Description of the Group — History and Development” for further information.
- Project contracting. The Group has been entrusted by the Lucheng District Government to conduct multiple major resettlement housing and agent construction projects. Please see “Description of the Group — Business Segments” for further information.
- Financial support. The Lucheng District Government also provides financial supports to the Group which helps improving project cash-flows and minimizing liquidity risks. For the years ended 31 December 2021, 2022 and 2023, the Group had received government grants of approximately RMB405.2 million, RMB28.7 million and RMB81.6 million, respectively.

The strong and continued support from the local government and Lucheng District SASAO greatly increased the business stability and comprehensive competitiveness of the Group, which in turn contributes to the future growth of the Group.

Crucial importance to the development in Lucheng District of Wenzhou City.

The Group is a major investment, construction and state-owned assets operation platform in Lucheng District and is wholly owned by the Lucheng District SASAO. The Group is also the core operating entity carrying out development of resettlement housing and agent construction in Lucheng District to promote the urban development in Lucheng District. In particular, with a focus on the development of Lucheng District, the Group has built its strong market presence, and possessed in-depth experience and understanding of the resettlement housing industry. Over the years, the Group has participated in a number of key projects of Lucheng District with respect to the development of resettlement housing and urban village reconstruction, such as [the Construction Project for the Land Plot at Wenzhou City Huichang River Putu Residential Area (溫州市匯昌河葡萄居住區地塊建設工程項目) and Jiushan No. 1 Land Plot Project - Jiushan Jiayuan (九山1號地塊-九山佳園). Over the years, the Group has participated

in a number of relatively large-scale resettlement housing projects in Lucheng District of Wenzhou City, such as the Project for Binzhoujinyuan Community (濱州錦園社區項目), the Transformation Project for Dongyu Urban Village at Wenzhou City Lucheng District Nanhui Street (溫州市鹿城區南匯街道東嶼村城中村改造項目) and the Resettlement Housing Project for Jiangbin Road Lucheng Section Yongchuan Road Land Plot (江濱路鹿城段永川路地塊安置房建設工程).] [N.B. to be updated] For the years ended 31 December 2021, 2022 and 2023, operating income generated from the business segment of development of resettlement housing was approximately RMB1,466.1 million, RMB914.1 million and RMB924.2 million.

Aside from the resettlement housing sector, the Group also takes an important role in other construction related development in Lucheng District and undertakes a strategic important role in facilitating the overall urban development in Lucheng District.

[For example, the Group participated in a number of infrastructure development and construction projects under the agent construction model including the Construction Project of Wenzhou (Yongjia) Qidu Bridge (溫州(永嘉)七都大橋工程) with a total estimated investment amount of approximately RMB953.2 million. In addition, the Group is participating in the Road and Landscape Improvement Project for Oujiang Road Lucheng Section (甌江路道路及景觀改造提升工程鹿城段) with a total estimated investment amount of approximately RMB1,526.8 million.] [N.B. to be updated] Due to the Group's important and strategic role and substantial involvement in the municipal infrastructure development of Lucheng District, it has received strong policy support and preferential treatments from the Lucheng District Government during the operation and development of its infrastructure related business. As the economy and urban construction of Lucheng District continue to grow, the Group expects a large and sustainable market for its key businesses.

The Group has access to diverse sources of funding.

The Group has a prudent debt structure and has access to diversified financing channels to fund its businesses, such as bank loans and debt securities. Different sources of capital enable the Group to better manage its credit risk by optimizing the maturity profile of its outstanding debts and securing low-cost capital if available. Over the years, the Group has cultivated stable relationships with several reputable commercial banks and financial institutions in the PRC, including Lucheng Rural Commercial Bank, Bank of Wenzhou, Bank of Shanghai, Bank of Hangzhou and Bank of Hangzhou. The Group's borrowings primarily comprise of long-term interest-bearing borrowings. As at 31 December 2023, the Group had available credit facilities providing an aggregate of approximately RMB[●] billion, of which approximately RMB[●] billion had not been utilised. [N.B. Issuer to provide] In terms of debt securities, as at 31 December 2023, the bonds payable of the Group accounted for approximately RMB6.5 billion. As at 31 December 2023, the total indebtedness (comprising short-term loans, non-current liabilities maturing within one year, other current liabilities, long-term loans, bonds payable and long-term payables) of the Group amounted to approximately RMB44.5 billion. In addition, the Group has a good maturity structure of its interest-bearing indebtedness. Also, the Group carefully manages the maturity of its indebtedness to ensure its liquidity and sustainable funding. As at 31 December 2023, indebtedness due within one year (including short-term loans and non-current liabilities maturing within one year) accounted for approximately RMB34.83 billion, represented [●] per cent. of the Group's total indebtedness. [N.B.: to track Cap Table] The Group believes that it will continue to have access to sufficient capital to support its business operations and expansions in the future.

The Group believes that its ability to obtain financing gives it a comparative advantage over competitors with access to only limited funding sources. As such, the Group believes that it has a robust liquidity position with access to diversified funding sources. The Group actively manages its cash flow and capital commitments to ensure that it has sufficient funds to meet its existing and future cash flow requirements. The Group's strong financing capability has enabled it to capitalize on various business opportunities for its development of resettlement housing and agent construction businesses, which are generally highly capital-intensive.

The Group is led by an experienced management and operations team.

The Group's management team has extensive experience in its various businesses, in particular with respect to resettlement housing and agent construction businesses which the Group conducts. The experience of the Group's management team brings together a mix of local and national experience, industry knowledge and complementary skillsets. The Group's management also has strong execution capabilities and keeps itself updated with the advanced management practice of other peer companies. Leveraging their strategic vision and in-depth industry knowledge, the Group's management team is well positioned to formulate sound business strategies, assess and manage risks and capture market opportunities in order to continuously contribute to the sustainable growth of the Group.

In addition, the Group's operational teams in all of its businesses are led by professionals with extensive experiences in the operation and management of the relevant industries. Furthermore, the Group's operational team is supported by a highly skilled and well-trained workforce. Throughout years of operation and management of its various businesses, the Group has been able to maintain effective and efficient management and operational control over its key members. The Group has adopted a commercially driven approach to managing its business operations while leveraging on its established relationships with governmental authorities with a view to maximising its growth potential.

Robust risk management system and sound corporate governance. [N.B. the Issuer to confirm]

The Group adheres to a prudent risk management strategy. Through an integrated internal risk management system, the internal risk management system consisted of several systems, namely, Information Disclosure Affairs Management System (信息披露事務管理制度), Usage of Funds Management System (募集資金使用管理制度), Connected Transaction Management System (關聯交易管理制度), Financing Management System (融資管理制度) as well as the Financial Management System (財務管理制度) which serve different functions in managing and overseeing the risks of the Group's daily operations. The Group has established complete internal control mechanisms in the aspects of financial management, budget management, external guarantee management, major investment and financing decisions, and emergency response.

In addition to the risk management system, the Group has established a sound corporate governance structure which oversees different areas of the Group's daily operations. The Issuer has set up five departments, namely Integrated Management Department (綜合管理部), Finance Department (財務部), Financing Department (金融部), Project Management Department (項目管理部) and the Risk Control Department (風險控制部). All the departments are under the supervision of the general managers, who report to the Board of the Issuer. The board of supervisors of the Issuer oversees and supervises the Board and the management to ensure they discharge their duties appropriately. As the sole shareholder of the Group, Lucheng District SASAO also participates in and closely monitors the Group's development. The Group regularly reports its annual business plans and business targets to Lucheng District Government and Lucheng District SASAO for approval, and Lucheng District Government, through Lucheng District SASAO, monitors and supervises the performance of the Group based on the Group's annual business plans and targets and regularly conducts annual assessments. The Group has also adopted a commercially driven approach to managing its business operations and formulated a complete set of internal control policies and measures covering investment and financing, risk management and subsidiaries, to provide support for and maintain the Group's smooth daily operations and healthy business development.

BUSINESS STRATEGIES

The Group intends to implement the following strategies to achieve its business objectives:

Continue to capture the tremendous business opportunities arising from the development strategies and economic growth of Lucheng District and Wenzhou City.

Taking advantage of the favourable environment brought by the development strategies and economic growth of Lucheng District, the Group intends to improve the overall development of the Lucheng

District and comply with the development plan set by the Lucheng District Government for the planning, design, development and construction management of the Lucheng District through continued investments in major resettlement housing and infrastructure construction projects. Particularly, the Group plans to further develop its resettlement housing construction projects to facilitate the development of old neighbourhoods and urban villages in Lucheng District and the construction of efficient transportation networks that can improve the public well-being. Furthermore, the Group will continue to promote business opportunities that can connect the resources in Yangtze River Delta market and to capture the business opportunities arising from the implementation of national development strategies, including the “Belt and Road” initiatives (一帶一路), the “Integration of Yangtze River Delta” strategy (長三角一體化), and the “14th Five-Year Plan” (十四五規劃). The Group will align with the “14th Five-Year Plan” goal of Lucheng District to create a “business and residence-friendly and a vibrant and fashionable urban area” (宜商宜居、活力時尚城區) and to further develop its main businesses in Lucheng District and build into a larger and stronger enterprise.

Continue to further develop the Group’s existing businesses.

The Group intends to further enhance its existing businesses by strengthening the investment into its existing business segments. In terms of the development of resettlement housing, the Group intends to further develop its resettlement housing business according to the strategy promoted by the Lucheng District Government with a view to enhance the public well-being of the community in the Lucheng District. In regards of the agent construction, the Group intends to further leverage on its internal and external resources to strengthen its competitive advantage in the agent construction sector to achieve further business development. In particular, the Group will adhere to the development of the Lucheng District Government to undertake the infrastructure construction projects that can improve the transportation network in the Lucheng District.

As one of the largest government investment and financing platforms in Lucheng District, the Group’s businesses are fundamental to the economic development and well-being of Lucheng District. The Group will continue to strengthen its existing business to better serve the national and regional development strategies and promote both human well-being and market development in Lucheng District to achieve business growth.

Continue to diversify its business portfolio.

While the Group intends to continue to invest in its existing businesses, the Group also plans to diversify its business portfolio that enjoys synergies within its existing businesses. Supported by the Group’s experienced management team and strong execution ability, the Group has been continuously expanding its businesses in other industries. In particular, the Group has engaged in the provision of municipal management service, public housing operation service and property leasing to diversify its existing businesses in the recent years. The Group believes a synergised and diversified business portfolio will further strengthen its competitiveness and promote sustainable growth. To achieve this goal, the Group has gradually formed its unique business strategies over the years.

In particular, the Group has gradually embraced the marketization model and undertaken two multi-element projects recently. [For example, the Integration Project of Ecology and New Technology of Western Lucheng District (Phase I) (鹿城西部生態新科技產融合專案(一期)) comprise of innovative economy headquarter, creative space, light industry products incubation center, digital economy center, international fashion complex, innovative service center and urban culture innovation center. The Demonstration Project of Wenzhou Provincial-level Light Industry Park (溫州省級特色輕工業產業園有機更新一期(示範)項目) is positioned as an integrated industrial park and city zone which serves administrative, business and financial, commercial as well residential functions.] [N.B. to be updated]

The Group will continue to implement such strategy to further strengthen its comparative advantage in this region, inject vitality into its principal business segments, and to enhance its core competitiveness.

The Group believes that it will benefit from the strategic location of the Lucheng District, and it expects to be able to seek more business opportunities arising from increased infrastructure and economic development as well as related commercial activities.

Continue to enhance financial management and risk control system.

The Group believes that a prudent financial management system can reduce operational and financial risks and help achieve long-term sustainable growth. The Group will continue to implement and enhance its financial management system with well-defined policies and procedures. For instance, the Group will continue to strengthen its stringent financial reporting and control system which emphasises centralised management and administration, consistent control policies and compliance with legal and regulatory requirements. The Group will also continue to work on establishing a standardised capital management mechanism to monitor capital, capital efficiency and capital risk prevention. The Group aims to effectively enhance the results and efficiency of its overall financial management through implementing a prudent investment policy to balance assets and liabilities and to balance investment returns and risk management.

Continue to acquire high-quality assets from the Lucheng District SASAO, and to enhance management efficiency.

In order to comply with the Group's development strategy to diversify the business portfolio of the Group, the Group will continue to grow its balance sheet by acquiring high-quality assets or integrating operating platforms from the Lucheng District SASAO, with a view to further increase the capability of the Group in terms of internal management and corporate control. The Group is devoted to enhancing the management efficiency and creating intellectual management of the Group's businesses. Through further diversifying its business portfolio, the Group believes that it will provide synergies between different segments and improve risk resistance, which will be beneficial to the overall development of the Group.

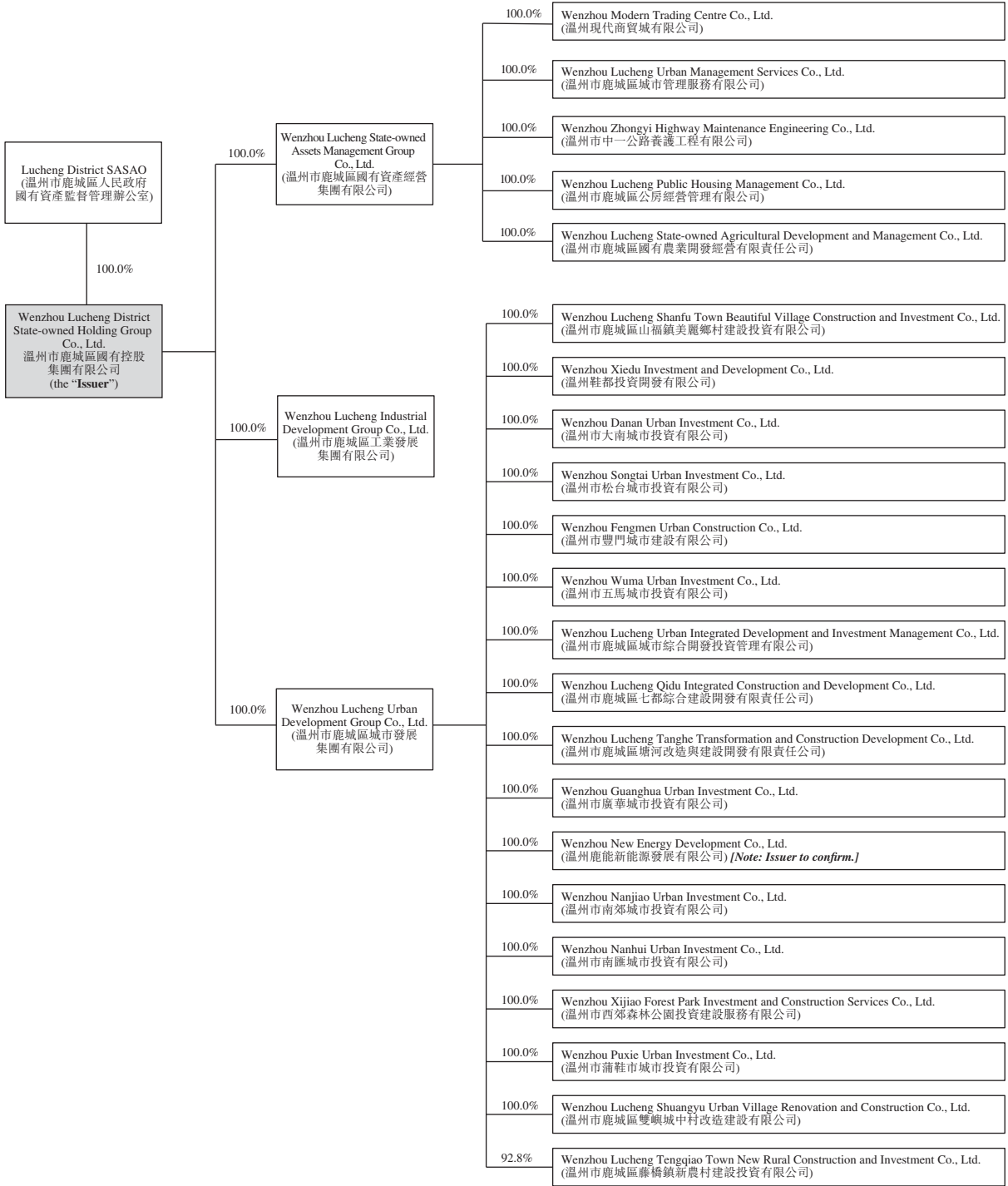
RECENT DEVELOPMENTS

Additional Indebtedness since 31 December 2023 [N.B. the Issuer to provide]

●

CORPORATE STRUCTURE

The following chart illustrates the Group’s simplified corporate structure, the purpose of which is to illustrate the holding company of the Issuer and the Issuer’s equity interests in its major subsidiaries as at the date of this Offering Circular*:



* For illustration purpose only and does not represent complete corporate structure of the Company [Note: Issuer to confirm the above chart.]

HISTORY AND DEVELOPMENT [Note: Issuer to update]

On 12 October 1989, the Issuer’s predecessor, Wenzhou Lucheng Seed Company (溫州市鹿城區種子公司) was established as an enterprise owned by the whole people (全民所有制企業). Wenzhou Lucheng Seed Company changed its name to Wenzhou Lucheng Seed Co., Ltd. (溫州市鹿城種子有限公司) in January 1997, and was subsequently renamed as Wenzhou Lucheng District State-owned Holding Group Co., Ltd. (溫州市鹿城區國有控股集團有限公司) in December 2020. As at the date of this Offering Circular, the Issuer is wholly-owned by the Lucheng District SASAO. The Issuer has a registered capital of RMB3,500.0 million and a paid-in registered capital of RMB[●] million. According to the articles of association of the Issuer, the deadline of the payment of the registered capital is 31 December 2050.

The following table sets forth the key events in the course of development of the Group:

Month and Year	Milestone Event
October 1989	The Issuer’s predecessor, Wenzhou Lucheng Seed Company was established as an enterprise owned by the whole people (全民所有制企業) and was managed by Wenzhou City Lucheng District Agriculture, Forestry and Water Resources Bureau (溫州市鹿城區農林水利局) since its establishment.
June 1996	As at 30 June 1996, Wenzhou Lucheng Seed Company received the paid-in capital of RMB1.155 million from Wenzhou City Lucheng District Agriculture, Forestry and Water Resources Bureau (溫州市鹿城區農林水利局).
January 1997	Wenzhou Lucheng Seed Company completed the business registration in January 1997 and changed its name to Wenzhou Lucheng Seed Co., Ltd. (溫州市鹿城種子有限公司). The registered capital of the Issuer was RMB1.155 million, with the sole shareholder of Wenzhou City Lucheng District Agriculture, Forestry and Water Resources Bureau (溫州市鹿城區農林水利局).
April 2006	The Issuer’s direct subsidiary, Wenzhou Lucheng Urban Development Group Co., Ltd. (溫州市鹿城區城市發展集團有限公司) was established.
May 2018.	The Issuer’s direct subsidiary, Wenzhou Lucheng Industrial Development Group Co., Ltd. (溫州市鹿城區工業發展集團有限公司) was established.
November 2018.	The Issuer’s direct subsidiary, Wenzhou Lucheng State-owned Assets Management Group Co., Ltd. (溫州市鹿城區國有資產經營集團有限公司) was established.
January 2019	Due to reconsolidation of governmental entities, the sole shareholder of the Issuer, Wenzhou City Lucheng District Agriculture, Forestry and Water Resources Bureau was reconsolidated and renamed as Wenzhou City Lucheng District Agricultural and Rural Bureau (溫州市鹿城區農業農村局).

Month and Year	Milestone Event
December 2020.	<p>The entire equity interest in the Issuer was transferred to the Lucheng District SASAO.</p> <p>The Issuer changed its name to Wenzhou Lucheng District State-owned Holding Group Co., Ltd. (溫州市鹿城區國有控股集團有限公司).</p> <p>The Issuer's registered capital was increased from RMB1.155 million to RMB1,000.0 million.</p>
January 2021	Lucheng District SASAO made a capital contribution of RMB101.37 million in cash to the Issuer. As such, the Issuer's paid-in capital was increased from RMB1.155 million to RMB102.5251 million.
February 2021	Lucheng District SASAO made a capital contribution of RMB78.9 million in cash to the Issuer. As such, the Issuer's paid-in capital was increased from RMB102.5251 million to RMB181.4251 million.
June 2021.	Lucheng District SASAO made a capital contribution of RMB233.4 million in cash to the Issuer. As such, the Issuer's paid-in capital was increased from RMB181.4 million to RMB414.8 million.
August 2021.	Lucheng District SASAO made a capital contribution of RMB10.0 million in cash to the Issuer. As such, the Issuer's paid-in capital was increased from RMB414.8 million to RMB424.8 million.
September 2021	Lucheng District SASAO made a capital contribution of RMB42.2 million in cash to the Issuer. As such, the Issuer's paid-in capital was increased from RMB424.8 million to RMB467.0 million.
October 2021	Lucheng District SASAO made a capital contribution of RMB88.3 million in cash to the Issuer. As such, the Issuer's paid-in capital was increased from RMB467.0 million to RMB555.3 million.

According to response to Q33 of MDDQ, the company set up 9 subsidiaries which are consolidated in 2023 financial statements. Pls consider the impact on the Group's business segments and development strategy and add up-to-dated event for history and development if necessary

RELATIONSHIP WITH THE LUCHENG DISTRICT SASAO

The Issuer is a state-owned enterprise wholly owned by the Lucheng District SASAO. As a leading state-owned enterprise based in Lucheng District, the Group has extensive connections with the Lucheng District Government and other entities directly or indirectly controlled by it. The Group has been commissioned by the Lucheng District Government and other local governmental entities and agencies to participate in a great number of public projects, such as the development of resettlement housing and agent construction projects in Lucheng District.

Notwithstanding the Issuer's extensive connections with the Lucheng District Government, the various social and community functions performed by the Issuer and the financial support provided by the Lucheng District Government to the Issuer, the Issuer is not part of the Lucheng District Government. It is operationally and financially separated from the Lucheng District Government. Its functions and departments are separate from those of the government and do not share any premises with the Lucheng District Government. Even though the senior management personnel and a majority of the board of directors of the Issuer are appointed by the Lucheng District SASAO, they are not government officers and do not have any employment outside of the Group. The Issuer has its own budget and financial reporting system, and its assets and liabilities are separate from those of the Lucheng District Government. The Lucheng District SASAO as the ultimate equity holder of the Issuer is only responsible for the liability of the Issuer up to the limit of its equity contribution to the Issuer.

Neither the Lucheng District Government nor any other PRC governmental entity has any payment or other obligations under the Bonds, or the Trust Deed and they will not provide guarantee of any kind for the Bonds. The Bondholders do not have any recourse against the Lucheng District Government or any other PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds or the Trust Deed. The Bonds are solely to be repaid by the Issuer and the obligations of the Issuer under the Bonds or the Trust Deed shall solely be fulfilled by the Issuer as an independent legal person. This position has been reinforced by the MOF Circular 23, Circular 706 and Circular 666. However, neither of these Circulars prohibits the PRC government from providing support (in various forms including capital injection and subsidies but excluding injecting any kinds of public assets and land reserves as the Group's assets) to the Group in its ordinary course of business in compliance with PRC laws and regulations. The detailed description of the connections between the Issuer and the Lucheng District Government in this Offering Circular does not imply in any way any explicit or implicit credit support of the Lucheng District Government in respect of the Bonds, the repayment of which remains the sole responsibility of the Issuer. See also the risk factors titled *"A reduction or discontinuance of government support could materially and adversely affect the Group's business, financial condition and results of operations."* and *"Lucheng District SASAO and the Lucheng District Government may exert significant influence on the Group, and could cause the Group to make decisions or modify the scope of its operations, or impose new obligations on the Group, which may not be in the Group's best interests or may not maximise the Group's profits."* in the section titled *"Risks relating to the Group and its Business"*.

BUSINESS SEGMENTS

Overview

The Group is a major investment, construction and state-owned assets operation platform in Lucheng District and is wholly owned by the Lucheng District SASAO. The Group is also the core operating entity carrying out municipal development activities and providing public services in Lucheng District, including development of resettlement housing, agent construction, parking service, municipal management service, public housing operation service and property leasing. Leveraging on the development of Lucheng District and Wenzhou City, strong shareholder's support and the experienced management team of the Group, the Group has undertaken and completed a large number of municipal development projects and played an important role in the development of Lucheng District.

Development of resettlement housing

Overview

Development of resettlement housing is the primary business of the Group. The Group is the core resettlement housing development entity in Lucheng District, whose business includes the investment, construction, development and sales of the resettlement housing projects in Lucheng District. The Issuer engaged in the resettlement housing business primarily through its direct wholly-owned subsidiary, Wenzhou Lucheng Urban Development Group Co., Ltd. (溫州市鹿城區城市發展集團有限公司).

Over the years, the Group has completed a number of key resettlement housing projects in Lucheng District of Wenzhou City, such as the Construction Project for the Land Plot at Wenzhou City Huichang River Putu Residential Area (溫州市匯昌河葡萄居住區地塊建設工程項目) and Jiushan No. 1 Land Plot Project – Jiushan Jiayuan (九山1號地塊-九山佳園). [In addition, the Group is currently participating in several key resettlement housing projects in Lucheng District of Wenzhou City, such as the Project for Binzhoujinyuan Community (濱州錦園社區項目) with a total estimated investment amount of approximately RMB1,328.0 million, the Transformation Project for Dongyu Urban Village at Wenzhou City Lucheng District Nanhui Street (溫州市鹿城區南匯街道東嶼村城中村改造項目) with a total estimated investment amount of approximately RMB1,089.8 million and the Resettlement Housing Project for Jiangbin Road Lucheng Section Yongchuan Road Land Plot (江濱路鹿城段永川路地塊安置房建設工程) with a total estimated investment amount of approximately RMB1,076.6 million.] **[Note: to be updated]**

For the years ended 31 December 2021, 2022 and 2023, operating income generated from the development of resettlement housing business was approximately RMB1,466.1 million, RMB914.1 million and RMB924.2 million, respectively, representing 81.8 per cent., 63.5 per cent. and 60.0 per cent., respectively, of the Group's total operating income for the same periods. During the years ended 31 December 2021, 2022 and 2023, the Group had completed [●] **[Note: Issuer to provide]** resettlement housing projects with a total investment amount of approximately RMB[●] **[Note: Issuer to provide]** million. As at 31 December 2023, the Group had [●] **[Note: Issuer to provide]** resettlement housing project under construction with a total estimated investment amount of approximately RMB[●] **[Note: Issuer to provide]** million. As at the date of this Offering Circular, the Group has [●] **[Note: Issuer to provide]** resettlement housing projects under planning.

Business model

The Group carries out development of resettlement housing as well as urban village reconstruction in Lucheng District through self-raised funds, after which the Group will offer the public housing properties for sale to resettled households. The Group acquires land use rights through own acquisition or demolition and resettlement of the households on the plots to be developed. The Group then conducts site planning and design works of the housing projects based on the demolition and resettlement plans developed by the Wenzhou Municipal Government and engages with third party contractors to carry out the construction works of the resettlement housing projects through its standardised public tender process in accordance with applicable PRC laws and regulations. When selecting contractors, the Group considers a number of factors, such as the reputation of the contractors, track records in similar projects, creditworthiness, technical capabilities, proposed construction blueprint and price. Upon completion of the construction works of the resettlement housing projects, the Group then sells the resettlement houses to the resettled households at the guidance prices determined by the local government. The resettled households may offset the purchase price payable by selling the original demolished properties (拆遷舊房) at certain discount and only pay the difference between the purchase prices of the resettlement houses and the demolition-related compensations received by the resettled households.

For the development of resettlement housing business, the Group recognizes the revenue generated from the sales of the resettlement houses as revenue (being the demolition-related compensations received by the resettled households plus the price difference paid by the resettled households). On the other hand, the Group recognizes the actual land acquisition, demolition, resettlement and construction costs incurred as the costs for this business segment. In order to make up for the shortfall between the revenue and the costs incurred, the Group will offer the excess resettlement housing properties for sale in the public market or operate these properties to generate extra income.

Project description

Completed resettlement housing projects

During the years ended 31 December 2021, 2022 and 2023, the Group had completed [●] [Note: Issuer to provide] resettlement housing projects with a total investment amount of approximately RMB[●] [Note: Issuer to provide] million. Resettlement housing projects are categorized as completed projects when the requisite completion acceptance inspection certificates have been obtained. The particulars of the key completed resettlement housing projects are set forth below: [Note: to be updated]

No.	Project Name	Period of Construction	Total Investment Amount (RMB in millions)
1.	[●]	[●]	[●]
2.	[●]	[●]	[●]

[Note: Issuer to provide]

Resettlement housing projects under construction

As at 31 December 2023, the Group had [●] [Note: Issuer to provide] resettlement housing project under construction with a total estimated investment amount of approximately RMB[●] [Note: Issuer to provide] million. The particulars of the key resettlement housing projects under construction are set forth below: [Note: to be updated]

No.	Project Name	Period of Construction	Total Investment Amount (RMB in millions)
1.	[●]	[●]	[●]
2.	[●]	[●]	[●]

[Note: Issuer to provide]

Resettlement housing projects under planning

The Group has undertaken the development and construction functions for the resettlement housing sold by the Group. The Group has also acquired residential properties in open markets for sales of resettlement housing and for lease on long-term basis. As at the date of this Offering Circular, the Group has [●] [Note: Issuer to provide] resettlement housing projects under planning. [Note: to be updated]

Agent construction

Overview

The Group’s agent construction business includes the construction and development of infrastructure projects under the agent construction model. The Issuer engaged in the agent construction business primarily through its direct wholly-owned subsidiary, Wenzhou Lucheng Urban Development Group Co., Ltd. (溫州市鹿城區城市發展集團有限公司). Over the years, the Group has completed a number of construction projects under agent construction model mainly on the Qidu Island (七都島) of Lucheng District, including transportation and public infrastructure construction, such as the Construction Project of Wenzhou (Yongjia) Qidu Bridge (溫州 (永嘉) 七都大橋工程), Standard Dykes Construction Project on Qidu Island (溫州市七都島標準堤塘工程) and Phase I Project for Wei’er Road (Jingsan Road – Planning Slip Road 7) on Qidu Island (溫州市鹿城區七都島緯二路一期 (經三路 — 規劃支路七) 工程). In addition to the construction projects on the Qidu Island, the Group also completed a number of agent construction projects, such as Small Town Comprehensive Environmental Improvement Project for Tengqiao Town (藤橋鎮小城鎮環境綜合整治工程項目) and Widening Construction Project for Wuqiao Road (吳橋路拓寬工程) and [is currently participating in the Road and Landscape Improvement Project for Oujiang Road Lucheng Section (甌江路道路及景觀改造提升工程鹿城段)] [Note: to be updated]. For the years ended 31 December 2021, 2022 and 2023, the Group had completed [●] agent construction projects with a total amount invested of approximately RMB[●] million. As at 31 December 2023, the Group had [●] agent construction projects under construction with a total estimated investment amount of approximately RMB[●] million and [●] agent construction projects under planning with a total estimated investment amount of approximately RMB[●] million. For the years ended 31 December 2021, 2022 and 2023, the Group’s operating income generated from its agent construction was approximately RMB33.1 million, RMB3.4 million and RMB1.6 million, respectively, representing approximately 1.8 per cent., 0.2 per cent. and 0.1 per cent., respectively, of the Group’s total operating income for the same periods.

As to the timing of repurchase, the Group adopted the model of unified settlement (統一回購) with the Lucheng District Government as repurchasing party instead of stipulating the repurchase progress for a single project. As a result, while the Group commenced agent construction business since 2011, it started to recognize revenue for this business segment during the year ended 31 December 2020.

Business model

The Group enters into an agent construction agreement (委託代建協議書) with the related government departments of the Lucheng District Government. Pursuant to such agreement, the government authorises the Group to carry out construction projects of public infrastructures. The Group is responsible for the financing of the agent construction projects. Upon completion of each project, the project is transferred back to the Lucheng District Government. The repurchase amount includes the total amount of actual investment, plus a margin of approximately five per cent. of the total amount of actual investment costs as the project management fee. The Group will confirm agent construction business' revenue and cost in accordance with the unified settlement by the Lucheng District Government. The specific business model is as follows:

1. the Group is instructed by the Lucheng District Government to conduct infrastructure construction in accordance with the urban development plan in the Lucheng District;
2. the Group formulates annual investment budget by reference to the aforementioned investment plan and government's fund allocation plan of agent construction projects in previous years. The budget will be submitted to and reviewed by Wenzhou City Lucheng District Bureau of Finance (溫州市鹿城區財政局);
3. if the budget is approved, the Group will enter into the agent construction agreement with the related government departments of the Lucheng District Government;
4. the Group will apply for funding for project investment in accordance with the progress of different projects;
5. the Group will begin the project construction by engaging the third-party contractors to carry out the construction works; and
6. upon completion of each project, the ownership of the project is transferred back to the Lucheng District Government, who then allocates construction fee to the Group in accordance with the settlement sum and margin which are agreed in the agent construction agreement. The Lucheng District Government may pay certain construction fee to the Group in the form of government grants.

Project description

Completed agent construction projects

As at 31 December 2023, the Group had completed [●] agent construction projects, with a total amount invested of approximately RMB[●] million, the particulars of which are set forth below. Agent construction projects are categorized as completed projects when the requisite completion acceptance inspection certificates have been obtained. The particulars of the completed agent construction projects are set forth below: [Note: to be updated]

No.	Project Name	Total Estimated Investment Amount	Total Amount Invested	Expected Profit	Period of Construction
		(RMB in millions)	(RMB in millions)	(RMB in millions)	
1.	[●]	[●]	[●]	[●]	[●]
2.	[●]	[●]	[●]	[●]	[●]
3.	[●]	[●]	[●]	[●]	[●]
4.	[●]	[●]	[●]	[●]	[●]
5.	[●]	[●]	[●]	[●]	[●]
6.	[●]	[●]	[●]	[●]	[●]
Total		[●]	[●]	[●]	

Agent construction projects under construction

As at 31 December 2023, the Group had [●] agent construction projects under construction with a total estimated investment amount of approximately RMB[●] million. The particulars of the agent construction projects under construction are set forth below: [Note: to be updated]

No.	Project Name	Period of Construction	Total Estimated Investment Amount	Total Amount Invested	Expected Profit
			(RMB in millions)	(RMB in millions)	(RMB in millions)
Total	[●]	[●]	1,766.8	460.4	17.3

Agent construction projects under planning

As at 31 December 2023, the Group had [●] agent construction projects under planning with a total estimated investment amount of approximately RMB[●] million. The agent construction business projects under planning are set forth below:

No.	Project Name	Period of Construction	Total Estimated Investment Amount
			(RMB in millions)
Total	[●]	[●]	[●]

Parking service

Overview

The Group provides parking services in relation to on-street parking spaces as well as parking spaces inside car parks in Lucheng District. As at 31 December 2023, the Group operated a total of approximately [●] [Note: Issuer to provide] government-owned parking spaces in Lucheng District, comprising of approximately [●] [Note: Issuer to provide] on-street parking spaces and approximately [●] [Note: Issuer to provide] parking spaces inside car parks. The Issuer conducts its parking service primarily through its indirect wholly-owned subsidiary, Wenzhou City Vehicle Parking Development Services Co., Ltd. (溫州市車輛停泊開發服務有限公司). For the years ended 31 December 2021, 2022 and 2023, operating income generated from the Group's parking service business was approximately RMB29.1 million, RMB26.5 million and RMB27.4 million, respectively, representing approximately 1.6 per cent., 1.8 per cent. and 1.8 per cent., respectively, of the Group's total operating income for the same periods.

Business model

The Group charges rental fee per use for the users of the on-street parking spaces and charges monthly rental income for the tenants of the parking spaces inside car parks, following the Interim Measures for Motor Vehicle Parking Service Charges of Wenzhou City (溫州市機動車停車服務收費暫行辦法) issued by Wenzhou Municipal Government. In relation to operation of parking spaces inside car parks, the Group generally enters into management agreement with the Lucheng District Government pursuant to which the Group was entrusted by Lucheng District Government to manage and operate these parking spaces.

Municipal management service

Overview

The Group started its municipal management service business in July 2019. The Group conducts its municipal management service business primarily through its indirect wholly-owned subsidiary, Wenzhou Lucheng Urban Management Services Co., Ltd. (溫州市鹿城區城市管理服務有限公司). The Group's municipal management service involves management and maintenance of road infrastructure and other municipal infrastructures, for example, sanitation facilities and public electric charging stations. For the years ended 31 December 2021, 2022 and 2023, operating income generated from the Group's municipal management service business was approximately RMB173.9 million, RMB188.8 million and RMB214.5 million, representing approximately 9.7 per cent., 13.1 pre cent. and 13.9 per cent. of the Group's total operating income for the same periods.

Business model

The Group's municipal management projects are conducted under the general contracting model, where details of the municipal management projects (such as the scope of work and the calculation of payment amount) are typically set out in a general contracting agreement or a contracting service agreement between the Group and the Lucheng District Government, other relevant governmental agencies or third parties. The Group is responsible for providing management services to the Lucheng District Government in accordance with prescribed specifications. The fees for the municipal maintenance projects are generally paid in accordance with the progress of the project.

Public housing operation service

Overview

The Group started its public housing operation service business in 2020. The Group conducts its public housing operation service primarily through its indirect wholly-owned subsidiary, Wenzhou Lucheng Public Housing Management Co., Ltd (溫州市鹿城區公房經營管理有限公司). The Group generates income from the service fees charged by the Group for the public housing projects which the Group operates and manages, for example the Construction Project for Minhang Road Public Housing (民航路公房建設項目). For the years ended 31 December 2021, 2022 and 2023, the Group's operating income from its public housing operation service business amounted to nil and approximately RMB6.8 million, RMB7.1 million and RMB7.1 million, representing approximately 0.4 per cent., 0.5 per cent. and 0.5 per cent. of the Group's total operating income for the same periods.

Business model

The Group generally entered into service agreement with the Lucheng District Real Estate Management Center (鹿城區房產管理中心) ("**Lucheng Real Estate Center**"), pursuant to which details of the services (such as the scope of service and the calculation of payment amount) are typically set out therein. The Group is responsible for providing management services to the Lucheng Real Estate Center in accordance with the relevant service contracts.

The operations management fees are governed by the Guiding Catalogue of Zhejiang Provincial Government Purchasing Services from Social Forces (浙江省政府向社會力量購買服務指導性目錄), which stipulates that Housing Security Service belongs to A15, including Housing Security management services, Shantytown Renovation Services.

Property leasing

Overview

The Group started its property leasing business in 2020. The leasable properties mainly include the commercial facilities for the Wooden Pavilion at Chan Street (蟬街木質業能亭) and the commercial facilities at No. 97 and No. 99 of Park Road (公園路97號99號). The Group had entered into lease agreements with the tenants where the Group is entitled to collect rents. For the years ended 31 December 2021, 2022 and 2023, operating income generated from the property leasing business was approximately RMB40.5 million, RMB82.6 million and RMB69.8 million, representing approximately 2.3 per cent., 5.7 per cent. and 4.5 per cent. of the Group's total operating income for the same periods.

Business model

Wenzhou Lucheng Public Housing Management Co., Ltd (溫州市鹿城區公房經營管理有限公司) entered into contract with Wenzhou Sanshang Business Management Co., Ltd. (溫州市三尚商業管理有限公司), pursuant to which the Group engaged the latter as its subcontractor for the relevant business operations. On the other hand, the Group obtained rental income from the tenants of the aforementioned properties.

Other principal business segments

The Group also participates in other principal business segments, namely construction maintenance, sales of goods, security service, property service, printing service, project management, labor dispatch income and highway maintenance. For the years ended 31 December 2021, 2022 and 2023, operating income generated from the Group's other ancillary business segments was approximately RMB34.4 million, RMB215.9 million and RMB246.7 million, respectively, representing approximately 1.9 per cent., 15.0 per cent. and 16.0 per cent., respectively, of the Group's total operating income for the same periods.

Other ancillary business segments

In addition to its principal business segments, the Group also participates in other ancillary business segments, namely the rental business of apartments and farmers' market. For the years ended 31 December 2021, 2022 and 2023, operating income generated from the Group's other ancillary business segments was approximately RMB8.5 million, RMB0.7 million and RMB49.0 million, respectively, representing approximately 0.5 per cent., 0.1 per cent. and 3.2 per cent., respectively, of the Group's total operating income for the same periods.

OCCUPATIONAL SAFETY AND ENVIRONMENTAL PROTECTION

The Group adopts a comprehensive work safety system to ensure employee safety. The employees of the Group receive basic safety training and specialised training for their various occupations. The Group also provides comprehensive training and assessment for its employees, and safety management training for all supervisory personnel. The Group believes that it is in compliance in all material respects with applicable safety regulations.

The Group is subject to PRC environmental laws and regulations. In order to ensure that the Group's operations comply with all applicable PRC environmental laws and regulations, the Group has implemented detailed internal procedures for, among others, environmental compliance and pollution control. These internal guidelines set out detailed requirements regarding matters such as environmental safety, pollution control, environmental emergency response plans, technical standards and licensing requirements. The Group reviews and revises its internal guidelines from time to time to keep up to date with regulatory developments.

The Group believes that it is in compliance in all material respects with applicable environmental laws and regulations. As at the date of this Offering Circular, the Group is not aware of any environmental proceedings or investigations to which it is or might become a party.

INSURANCE

The Group purchases insurances in amounts that it believes are consistent with its risks of loss and customary practice in the relevant industry. The Group purchases pension insurance, medical insurance, unemployment insurance, workplace injury insurance and maternity insurance for its employees and personal injury insurance pursuant to the applicable PRC laws and regulations, including the regulations of various local governments in regions where the Group has business operations. The Group believes that the existing insurance coverage is both reasonable and adequate. The Group's operations and assets still face threats from fire, floods, explosions, power outages and other natural disasters, which may have a significant adverse impact on the Group's financial and operations.

EMPLOYEES

As at the date of this Offering Circular, the Group has over 460 employees. *[N.B. Issuer to review and update.]* The Group believes that its employees are critical to its success and is committed to investing in the development of its employees through continuing education and training, as well as the creation of opportunities for career growth. The Group considers its relationship with its workforce to be good and the Group has not experienced work stoppage or strike. In accordance with regulations applicable to enterprises and the relevant requirements of various local governments in areas in which the Group operates, the Group makes contributions to the pension contribution plan, employees' medical insurance, unemployment insurance, maternity insurance and workers' compensation injury insurance. The Group enters into an employment contract with each of its employees in accordance with applicable PRC laws. Such contracts include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination.

LEGAL PROCEEDINGS *[N.B. Issuer to review and update]*

As at the date of this Offering Circular, except for the legal proceedings described above, to the best of its knowledge, the Group is not aware of any material legal proceedings, investigations, claims, disputes, penalties or liabilities currently existing or pending against it that may have a material adverse impact on its business, financial condition or results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

[Note: Issuer to review and update]

As at the date of this Offering Circular, the board of directors of the Issuer (the “Board of Directors”) consists of five directors, including one chairman and four directors. The board of directors determines major matters of the Issuer, and is primarily responsible for, among others, executing the relevant regulations and decisions of the Lucheng District Government and the Lucheng District SASAO and reporting to the Lucheng District Government and the Lucheng District SASAO, formulating the articles of association of the Issuer and amendment plans to the articles and reporting to the Lucheng District SASAO for approval, formulating the Issuer’s development strategic plan and reporting to the Lucheng District SASAO for review, formulating the Issuer’s annual investment plan based on its development strategic plan and reporting to the Lucheng District SASAO for record, approving the plans for the establishment and dissolution of subsidiaries and reporting to the Lucheng District SASAO for approval, determining investment and guarantee issues, formulating annual budget plans, profit sharing plans and deficit covering plans, plans for increase or decrease of registered capital and issuance of bonds and reporting to the Lucheng District SASAO for approval or record, determining internal management structure of the Issuer and reporting for approval and other responsibilities granted by the relevant laws and regulations and the Lucheng District SASAO. Each of the directors is appointed for a term of three years, which is renewable upon re-election and re-appointment.

The following table sets forth the Issuer’s directors as at the date of this Offering Circular:

The following table sets forth the Issuer’s directors as at the date of this Offering Circular:

Name	Age	Position/Title
Mr. CAI Xiya (蔡西亞)	47	Chairman of the Board of Directors and general manager
Mr. PAN Yichi (潘一馳).	34	Director
Ms. WANG Jiefan (王潔帆)	37	Director
Ms. XIE Xiangxiang (謝翔翔)	40	Director
Ms. CHEN Lele (陳樂樂)	40	Director

Mr. CAI Xiya (蔡西亞), born in 1977, has been the Chairman of the Board of Directors and the general manager of the Issuer since December 2020. Mr. Cai previously worked in Wenzhou Lucheng Wenruitang River Engineering Construction Centre (溫州市鹿城區溫瑞塘河工程建設中心). Mr. Cai holds an associate’s degree.

Mr. PAN Yichi (潘一馳), born in 1990, has been a director of the Issuer since December 2020. Mr. Pan previously served as the chairman and the legal representative of Wenzhou Lucheng State-owned Assets Management Group Co., Ltd. (溫州市鹿城區國有資產經營集團有限公司). Mr. Pan holds a bachelor’s degree.

Ms. WANG Jiefan (王潔帆), born in 1988, has been a director of the Issuer since December 2020. Ms. Wang previously worked in the Jingkai District Tianhe Sub-district Street Office (經開區天河街道辦事處). Ms. Wang holds a bachelor’s degree.

Ms. XIE Xiangxiang (謝翔翔), born in 1985, has been a director of the Issuer since December 2020. Ms. Xie previously worked in Lucheng District Women Entrepreneurs Association (鹿城區婦聯女企業家協會) and China Mobile Rui’an Branch (中國移動瑞安分公司). Ms. Xie holds a bachelor’s degree.

Ms. CHEN Lele (陳樂樂), born in 1985, has been a director of the Issuer since December 2020. Ms. Chen previously served as the deputy chief of the Engineering Development Section of the Engineering Construction Headquarters of the construction of Lucheng Section of Jiangbin Road, Wenzhou City (溫州市江濱路鹿城段工程建設指揮部工程開發科). Ms. Chen holds a bachelor’s degree.

SUPERVISORS

As at the date of this Offering Circular, the board of supervisors of the Issuer (the “**Board of Supervisors**”) consists of three supervisors. The Board of Supervisors is responsible for monitoring the Issuer’s financial matters, overseeing and monitoring the acts of the directors and senior management of the Issuer in performing their duties and raising suggestions to remove directors who are in contravention of the applicable laws, administrative regulations or the Issuer’s articles of association, demanding the directors and senior management to correct their improper conducts and putting forward corrective suggestions when their conducts harm the interests of the Issuer, putting forward proposals to extraordinary board meetings, filing lawsuits against directors and senior managers in accordance with Article 152 of PRC Company Law, attending meetings of the board of directors and putting forward suggestions on directors’ resolutions and carrying out other responsibilities stipulated in relevant laws and regulations. Each of the supervisors is appointed for a term of three years, which is renewable upon re-election and re-appointment.

The following table sets forth certain information concerning the Issuer’s Board of Supervisors as at the date of this Offering Circular:

Name	Age	Position/Title
Mr. DAI Yilin (戴益林)	41	Supervisor
Mr. LI Jie (李杰)	45	Supervisor
Mr. ZHU Fengfan (朱楓帆)	[●]	Supervisor

Mr. DAI Yilin (戴益林), born in 1984, has been a supervisor of the Issuer since December 2020. Mr. Dai previously worked in Wenzhou Lucheng Property Management Corporation (溫州市鹿城區物業管理總公司), Lucheng District Wenruitang River Protection and Management Committee (鹿城區溫瑞塘河保護管理委員會) and Shuangyu Sub-district Street Office Urban Construction Center (雙嶼街道辦事處城建中心). Mr. Dai holds a bachelor’s degree.

Mr. LI Jie (李杰), born in 1979, has been a supervisor of the Issuer since December 2020. Mr. Li previously worked in District Entrance Reconstruction Project Headquarters (區進城口改建工程指揮部), Shuangyu Sub-district Street Office Urban Construction Center (雙嶼街道辦事處城建中心), Lucheng District Damei Construction Co., Ltd. (鹿城區大美建設有限公司), Lucheng District Housing and Urban-Rural Construction Bureau (鹿城區住房和城鄉建設局) and Lucheng District Urban Village Reconstruction and Construction Center (鹿城區城中村改造建設中心). Mr. Li holds an associate’s degree.

Mr. ZHU Fengfan (朱楓帆), [●].

SENIOR MANAGEMENT

The Group’s senior management is appointed by and reports to the Board of Directors. The following table sets forth the Issuer’s senior management as at the date of this Offering Circular:

Name	Age	Position/Title
Mr. CAI Xiya (蔡西亞)	47	Chairman of the Board of Directors and general manager
Ms. WANG Shiting (王詩婷)	40	Chief financial officer

Mr. CAI Xiya (蔡西亞), the Chairman of the Board of Director, also serves as the general manager of the Issuer. For Mr. Cai’s biography, see “*Directors, Supervisors and Senior Management — Directors*” above.

Ms. WANG Shiting (王詩婷), born in 1984, has been a chief financial officer of the Issuer since May 2021. Ms. Wang previously worked as an accountant in Wenzhou Shenlong Import and Export Trade Co., Ltd. (溫州市申隆進出口貿易有限公司) and as an accountant in Wenzhou Lucheng Urban Development Co., Ltd. (溫州市鹿城區城市發展有限公司). Ms. Wang holds a bachelor’s degree.

PRC REGULATION

please consider to define the various PRC governmental authorities under the section "CERTAIN DEFINITIONS AND CONVENTIONS AND CURRENCY PRESENTATION" instead

This section is a high-level overview of the PRC legal system and a summary of the principal PRC laws and regulations relevant to the issue of the Bonds by the Issuer. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations.

not defined?

THE PRC LEGAL SYSTEM

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

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

The State Council is the highest organ of the State administration. Within the scope authorised by the NPC or its Standing Committee, the State Council has the power to enact administrative rules and regulations except for the affairs concerning criminal offences and related punishment, mandatory measures and penalties involving deprivation of political right from any citizen or restriction on personal freedom, and the judicial system. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the SCNPC has the power to annul such administrative rules, regulations, directives and orders.

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

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

The PRC Constitution vests the power to interpret laws in the SCNPC. The Supreme People's Court and the Supreme People's Procuratorate, in addition to their power to give general interpretation on the application of laws in judicial proceedings, also have the power to interpret specific cases. The interpretation made by the Supreme People's Court and the Supreme People's Procuratorate on the application of laws in the judicial or procuratorial work, shall be filed for record with the SCNPC within 30 days of promulgation. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

THE PRC JUDICIAL SYSTEM

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

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

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

The Civil Procedure Law of the PRC, which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012, 27 June 2017, 24 December 2021 and 1 September 2023 (and implemented on 1 January 2024) respectively, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the district, municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

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

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

FOREIGN EXCHANGE CONTROLS

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

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

On 28 December 1993, PBOC, under the authority of the State Council, promulgated the Notice of PBOC Concerning Further Reform of the Foreign Currency Control System, effective from the same day. The Notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centres. On 26 March 1994, PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (the “**Provisional Regulations**”), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

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

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

guarantee, securities investment, capital contribution and repatriation of investment, is still subject to restriction, and prior approval from SAFE or its competent branch.

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

On 25 October 1998, PBOC and SAFE promulgated the “Notice Concerning the Discontinuance of Foreign Exchange Swap Business” pursuant to which and with effect from 1 December 1998, all foreign exchange swap business in the PRC for foreign-invested enterprises was discontinued, while the trading of foreign exchange by foreign-invested enterprises was to be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

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

On 11 August 2015, PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate for the last trading date. It is possible that the PRC Government could adopt a more flexible currency policy in the future, which could result in further and more significant revaluations of Renminbi against the U.S. dollar or any other foreign currency. Any future exchange rate volatility relating to Renminbi or any significant revaluation of Renminbi may materially and adversely affect the Group’s cash flows, revenue, earnings and financial position, as well as the value of any distributions payable to the Issuer by its PRC subsidiaries.

REGULATION ON FISCAL DEBTS OF LOCAL GOVERNMENTS

In accordance with Guidance on Further Strengthening Adjustment of the Credit Structure to Promote the Fast and Smooth Development of the National Economy (中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見) issued jointly by the PBOC and the CBRC in March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise bonds and medium term notes. In order to strengthen the management of financing platforms and effectively prevent fiscal financial risks, Circular 19 and Circular 2881 were separately promulgated in June 2010 and November 2010, respectively. In accordance with Circular 19, all levels of local governments shall clear up the debts of their respective financing platform. In accordance with Circular 2881, the indebtedness of local governments will impact their financing platform’s issuance of enterprise bonds.

On 21 September 2014, the State Council released Circular 43. In accordance with Circular 43, financing platform companies shall no longer function as a financing vehicle of the local government or incur new government debts. New public interest projects of a local government that are not for profit earning, such as infrastructure construction and primary land development, should not be financed by the investment vehicles of the local government in the form of corporate bond issuances. Instead, local governments should finance the development of such public interest projects by issuance of government bonds. Public interest projects that are profit earning, such as the construction of a non-toll free highway, may be developed either by private investors independently or by a special purpose company jointly set up by the local government and private investors. Such private investors and special purpose companies shall invest in accordance with market-oriented principles and development of the projects may be financed by bank loans, corporate bonds, project revenue bonds and asset-backed securitisation. Furthermore, private investors and the special purpose companies shall bear the obligation to repay their debts and the local government shall not be liable for any of the private investors' or the special purpose companies' debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to the State Council for approval, and then included in the budget plan of local governments.

On 23 October 2014, the MOF promulgated Circular 351 based on Circular 43. Circular 351 further requires local governments to clear up the existing debts of the financing platforms of the local governments and classify such existing fiscal debts of the local governments into government debts and non-government debts. On 9 November 2016, the MOF promulgated Circular 154 and Circular 155 which aim to realise the monitoring of the entire process of borrowing, using and repaying local governments debts, enhance the transparency of local government debts, and strengthen the supervision of local government debt management by central government. Circular 154 and Circular 155 clarify the upper limit of local government debt, budget preparation and approval process, and provide that debts that are not in the form of government bonds shall be included in budget management.

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

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

Support stock financing needs for projects under construction: Local governments at all levels and banking financial institutions shall ensure the orderly development of projects under construction. For the loans to the projects under construction of financing platform companies, if the loan contracts with legal effect had been signed before 31 December 2014 and the loans had been granted but the contracts have not yet expired, banking financial institutions shall, under the premise of fully controlling risks and implementing credit conditions, continue to grant loans as agreed in the contracts, and shall not call in loans in advance, delay or suspend the granting of loans.

Regulate increment financing for projects under construction: Local governments at all levels shall pay close attention to the incremental financing needs which are expected to be given for the projects under construction of the financing platform companies, and shall, under the premise of compliance with laws and regulations and standard administration, make overall arrangements for various kinds of capital such

as fiscal capital and social capital and ensure the continuation and completion of projects under construction. For the projects under construction of financing platform companies for which the loan amount in the contracts that have been signed fails to meet the construction needs, if it is suitable for them to adopt a government and social capital cooperation mode, they shall prioritise the adaptation of such a mode to make up the construction needs. If they are in compliance with the relevant state provisions without any other funding sources for construction, but the PRC government and social capital cooperation mode is not suitable temporarily, the increment financing needs shall be incorporated into government budget management and solved through issuing government bonds by local governments as required by law and the relevant regulations.

Administer in an effective and proper manner follow-up financing for projects under construction: Banking financial institutions shall carefully check the destinations of the loans, and focus on supporting the projects under construction of financing platform companies such as farmland water conservancy facilities, social security housing projects and urban railway systems.

Improve supporting measures: Under the premise of ensuring fiscal expenditure needs, in the regions where there are corresponding amounts of government bonds issuance and where the treasury balances exceed the treasury payment for one and a half months, the local financial departments are allowed to, within the limit of the amount of government bonds issuance, make more effort to effectively use the fiscal funds in the previous years and use the surplus amount of the treasury for capital flow before government bond issuance, so as to address the time difference between the financing for projects under construction and government bonds issuance.

Circular 23 came into effect on 28 March 2018. It aims to increase the responsibility of the PRC state-owned financial institutions to investigate into the financial independence and liquidity level of the local government financing vehicles that they assist in fundraising. According to Circular 23, (i) state-owned financial enterprises are prohibited from increasing loans of local government financing platform companies in violation of regulations including the new Budget Law of the PRC (the “**New Budget Law**”), Circular 43 and other requirements, except for purchase of local government debts; (ii) while providing financing for state-owned enterprises, financing platforms of local government or PPP projects of local construction, state-owned financial enterprises shall, under the “penetration principle,” ensure that the source of financing entities’ capital funds is lawful and compliant, and the financing projects satisfy the requirements for the proportion of capital funds; (iii) state-owned financial enterprises are obligated to evaluate the financial capabilities of fundraisers and sources of repayments when they provide agency services to local state-owned enterprises, such as financing platform of local governments for domestic and overseas bonds issuance. Where the source of repayments made by the fundraisers involve fiscal funds, state-owned financial enterprises shall carry out due- diligence investigations, and carefully verify the compliance of the arrangement to offer fiscal funds; (iv) documents such as bond prospectuses shall not disclose information that can implicitly or explicitly indicate any credit support from the government, such as local financial revenues and expenditures and government debt information, or conduct misleading publicity that implies an association with the government’s credibility.

On 11 May 2018, Circular 706 was released which reiterates the PRC government’s position to isolate the debt of local government financing vehicles from the relevant local government and to control the increase of the local governments’ debt. Circular 706 requires companies that plan to borrow medium and long-term foreign debt to establish a sound and standardised corporate governance structure, management decision-making mechanism and financial management system. It further requires that the assets owned by such companies should be of good quality and clear ownership and it is forbidden to include public interest assets in corporate assets. In particular, according to Circular 706, any enterprise that intends to borrow medium and long-term foreign debts is prohibited to include public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll roads, non-operating water conservancy facilities,

not-charged pipe network facilities and other public assets and the use right of reserve land in enterprise assets. Circular 706 also reaffirms that any bond prospectuses shall not disclose information that can implicitly or explicitly indicate any credit support from the government, such as local financial revenues and expenditures and government debt information, or conduct misleading publicity that implies an association with the government's credibility.

On 13 September 2018, the Guiding Opinions was promulgated by the General Office of the CPC Central Committee and the General Office of the State Council and become effective on the same date. Pursuant to the Guiding Opinions, the average debt ratio of state-owned enterprises shall decrease by approximately 2 percentage points starting from the end of 2017 and by the end of 2020, and thereupon the debt ratio of state-owned enterprises shall be maintained basically at the average level of enterprises of the same size in the same industry. The Guiding Opinions also set forth the basic principles and indicating standards of constraining the debt ratio of state-owned enterprises.

In July 2021, the CBIRC issued the Circular 15, which provides that the banks and insurance institutions shall not increase any new local government implicit debt in any form. Circular 15 also provides that, the financing provided by banks and insurance institutions shall meet the following requirements: (i) it is not allowed to provide financing which actually will be repaid by government fiscal funds, or guaranteed by the government; (ii) the banks and insurance institutions shall not require or accept guarantee documents issued by local government or their departments; (iii) the banks and insurance institutions shall not require or accept any guarantee using the state-owned assets of local government, public institution or social organisation as guaranty; (iv) the banks and insurance institutions shall not require or accept any guarantee with government reserve land or expected land sale income as guaranty; (v) in PPP projects or government investment fund projects, the banks and insurance institutions shall not stipulate or require local government to repurchase the investment principal, bear the loss of the investment principal or guarantee the minimum return; (vi) financing services provided by banks and insurance institutions shall not be included in government purchase services; (vii) existing local government financing shall be rectified in accordance with relevant regulations; (viii) it is not allowed to increase any implicit local government debt in any form.

REGULATION ON THE ISSUANCE OF FOREIGN BONDS

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the “**NDRC Circular**”), which was promulgated by the NDRC and became effective on 14 September 2015, where domestic enterprises, overseas enterprises controlled by them or their overseas branches issue foreign debts, which are debt instruments of no less than one year of tenor that are denominated in domestic currency or foreign currency with the capital repaid and interest paid as agreed, including bonds issued overseas and long and medium-term international commercial loans, the enterprises shall apply to the NDRC for dealing with the formalities of record-filing and registration before issuance. The NDRC shall decide to accept it or not within five working days upon the receipt of the application and provide the Record-filing and Registration Certification of Issuance of Foreign Debts by Enterprises within seven working days after acceptance. The enterprises shall submit the issuance information to the NDRC within 10 working days after the end of issuance each time. On 5 January 2023, the NDRC promulgated the Order 56, which has come into effect on 10 February 2023. The NDRC Circular was repealed upon the implementation of the Order 56. Compared with the NDRC Circular, the major changes in Order 56 include:

- (i) covering both direct borrowing by PRC enterprise, non-PRC enterprise and branch controlled by a PRC enterprise and indirect borrowing by any PRC enterprise;
- (ii) expanding the scope of debt instruments on the basis of NDRC Circular, and clarifies that debt instruments include but not limited to senior bonds, perpetual bonds, capital debentures, medium-term notes, convertible bonds, exchangeable bonds, financial leasing and commercial loans;

- (iii) setting up prohibitive usages of foreign debts, and use of proceeds under foreign debts shall not (a) violate any PRC laws and regulations; (b) threaten or be detrimental to the national interests, economic, information and data security of the PRC; (c) contravene the goal of the PRC's macroeconomic regulation and control; (d) contravene the PRC's development and industrial policies; (e) increase local government's hidden debts; or (f) be used for speculative purposes or (except for banking/financial institutions) be lent to others (other than any circumstance which has been stated in the application materials and approved);
- (iv) introducing criminal compliance requirements on the condition of enterprises for borrowing foreign debts. Each controlling shareholder and *de facto* controlling person of an enterprise is required to not have any criminal records relating to corruption, bribery, embezzlement or misappropriation of assets or other criminal offences that may impede the order of the socialist market economy, and not be the subject of lawful investigation for criminal offences or breach of major laws or regulations, in each case, within the past 3 years;
- (v) adopting the examination and registration regime to replace the filing and registration regime implemented under NDRC Circular. Such change means that applications for approval of medium and long-term foreign debt may be subject to substantive exam and strengthened oversight by PRC government authorities;
- (vi) clarifying the penalties and legal liability of non-compliant enterprises, relevant intermediaries, and responsible persons; broadening the scope of responsibility of responsible persons; and increasing the legal consequences for non-compliant entities;
- (vii) raising the bar on risk prevention and control of foreign debt of enterprises. NDRC requires information on risk prevention and control measures to be included in the application for a NDRC Certificate, and also introduces a reporting obligation on any material circumstance which may affect the enterprise's ability to repay its debt, so as to strengthen prevention and supervision of risk of default on foreign debt; and
- (viii) increasing the filing procedure after issuance. PRC enterprise shall submit the corresponding information on issuing foreign debts within 10 PRC working days upon the expiration of the NDRC certificate, and the Issuer is also required to complete periodic filling of requisite information including use of proceeds, plan and arrangement of payment of interest and principal and the Issuer's financial indicators etc. within five PRC working days prior to the end of January and July each year. In case of any material circumstance that may affect the normal performance of debt obligations, such as debt repayment risk or significant asset restructuring, PRC enterprise shall submit relevant information and take measures for isolation of risks.

REGULATIONS REGARDING OVERSEAS INVESTMENT AND ACQUISITION ACTIVITIES

NDRC Supervision

According to the “Administrative Measures for the Overseas Investment by Enterprises” (《企業境外投資管理辦法》) (“**NDRC Overseas Investment Measures**”) effective from 1 March 2018 and replacing “Measures for the Administration of Approval and Filing of Overseas Investment Projects” (《境外投資專案核准和備案管理辦法》), the approval administration and filing administration shall be respectively applied to different overseas investment projects, among which, projects subject to approval are sensitive projects to be carried out by investors either directly or through overseas enterprises controlled thereby, the approval authority is NDRC; projects subject to filing are non-sensitive projects (refer to the projects irrelevant to sensitive countries or regions, and irrelevant to sensitive industries) directly carried out by investors, namely the non-sensitive projects involving the direct investment of assets and equities or the provision of financing or guarantees. For a project requiring filing, the authority in charge of filing is (i) NDRC, if the investor is a centrally administered enterprise (“中央管理企業”) (a centrally administered financial enterprise or an enterprise directly subordinate to the administration by the State Council or its subordinate organ (國務院或國務院所屬機構直接管理的企業)); (ii) NDRC, if the investor is a local enterprise (“地方企業”) and the amount of Chinese investment is USD0.3 billion or above; and (iii) the provincial development and reform authority (“省級政府發展改革部門”) at the place where the investor is registered, if the investor is a local enterprise and the amount of Chinese investment is less than USD0.3 billion.

The sensitive projects referred to in the **NDRC Overseas Investment Measures** include:

- Projects involving sensitive countries and regions; and
- Projects involving sensitive industries.

The sensitive countries and regions referred to in the **NDRC Overseas Investment Measures** include:

- Countries and regions that have not yet established diplomatic relations with PRC;
- Countries and regions where wars and civil strife occur;
- Countries and regions where investment made by enterprises shall be restricted according to the international treaties and protocols concluded or acceded by PRC; and
- Other sensitive countries and regions.

The sensitive industries referred to in the **NDRC Overseas Investment Measures** include:

- Research, production, maintenance and repair of military equipment;
- Development and utilisation of cross-border water resources;
- News media;
- Industries for which outbound investments by enterprises shall be restricted according to PRC laws, regulations and related regulatory policies.

The category of sensitive industries shall be released by NDRC.

According to the Notice of the National Development and Reform Commission on Issuing the Catalogue of Sensitive Industries for Outbound Investment (Fa Gai Wai Zi [2018] No. 251) (Edition 2018) (《國家發展改革委關於發佈〈境外投資敏感行業目錄(2018年版)〉的通知》), effective from 1 March 2018, the industries are restricted from making outbound investment under the “Guiding Opinions of the Ministry of Commerce of the PRC, NDRC, PBOC and the Ministry of Foreign Affairs on Further Orienting and Regulating Outbound Investment” forwarded by the General Office of the State Council (Guo Ban Fa [2017] No. 74) (《國務院辦公廳轉發國家發展改革委、商務部、人民銀行、外交部〈關於進一步引導和規範境外投資方向指導意見〉的通知》) (the “**Guiding Opinion**”) issued on 4 August 2017 are:

- real estate;
- hotel;
- cinema (影城);
- entertainment;
- sports club; and
- setting up equity investment funds or investment platforms abroad without specific industrial projects.

The outbound investments made by domestic natural persons through overseas enterprises under their control or enterprises located in Hong Kong SAR and/or the Macao SAR and/or Taiwan regions of China shall implement the NDRC Overseas Investment Measures by reference.

The NDRC Overseas Investment Measures are not applicable to direct outbound investments or direct investments in Hong Kong SAR and/or the Macao SAR and/or Taiwan regions of China conducted by domestic natural persons.

The Guiding Opinion classifies outbound investment into three groups: encouraged, restricted, and prohibited. The Guiding Opinion further provides that the government will support enterprises to actively engage in outbound investment projects which promote the “One Belt, One Road” strategy; deepen cooperation in international production capacity; promote the transfer of quality domestic production capacity, equipment, and applicable technologies overseas; enhance China’s technology R&D, production, and manufacturing capacity; help resolve the country’s energy shortage problems; and promote industrial upgrade.

Under the Guiding Opinion, the encouraged group includes:

- Projects that promote outbound investment in construction in the areas covered under the “One Belt One Road” initiative, and basic infrastructure construction in the surrounding areas.
- Projects that steadily promote outbound investment that can facilitate the transfer of quality domestic production capacity, equipment, and applicable technology standards overseas.
- Projects that enhance investment cooperation with overseas high-tech and advanced manufacturing enterprises, and encourage domestic companies to set up R&D centres overseas.
- Projects that encourage domestic companies to actively participate in the exploration and development of oil, gas, and mineral projects overseas on the condition that a prudent assessment of economic benefits and interests has been conducted.
- Projects involving cooperation in agriculture.

The government will promote outbound investment in trade and commerce, and culture and logistics, and support qualified financial institutions to establish branches and service networks overseas to carry out business lawfully.

The groups subject to restrictions include:

- Outbound projects in sensitive countries and regions that have no diplomatic relations with China; are currently at war with it; or have restrictions imposed in bilateral or multilateral agreements or conventions with China.
- Real estate, hotel, cinema, entertainment, and sports clubs.
- A stock investment fund or investment platform that does not invest in any real business overseas.
- Adopting technology standards that fall short of the required standards in the host country to manufacture production equipment.
- Failure to comply with the environmental protect, energy consumption or safety standards of the host country.
- Investments falling into the first three areas listed above shall be subject to verification and approval by NDRC and other competent authorities in charge of outbound investment.

The prohibited category includes:

- Projects involving the export of core military technologies and products without the approval of the Chinese government.
- Projects involving the use of technologies, techniques, or products that are prohibited for exports.
- Projects involving gambling or pornography.
- Projects involving breach of international conventions which China is a signatory to.
- Other outbound investment projects that may endanger or potentially endanger national security.
- Also, further measures will be taken to improve guidance on different types of outbound investments, including:
 - Further raising government service levels to support outbound investment – such as in taxation, foreign exchange, insurance, customs, and information areas.
 - Providing guidance and timely alerts to domestic enterprises on their intended investment in the restricted areas overseas.
 - Imposing substantial control and regulation to prevent outbound investments in prohibited areas.

MOFCOM Supervision

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

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification by MOFCOM. “Sensitive countries and regions” mean those countries without a diplomatic relationship with the PRC, or subject to the UN sanctions or otherwise under the list of verified countries and regions published by MOFCOM from time to time. “Sensitive industries” mean those industries involving the products and technologies which are restricted from being exported, or affecting the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, a Central Enterprise shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days of accepting such application, decide whether or not the verification is granted.

For a local enterprise, it shall apply through the provincial department of commerce to MOFCOM for such verification. The provincial department of commerce shall give a preliminary opinion within 15 working days of accepting such local enterprise’s application and report all application documents to MOFCOM, while MOFCOM shall decide whether or not the verification is granted within 15 working days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

Other than those overseas investments subject to MOFCOM verification as described above, all other overseas investments are subject to a filing requirement. The investing enterprise shall fill complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM and print out a copy of such filing form for stamping with the company chop, and then submit such stamped filing form together with a copy of its business licence, for filing at MOFCOM (for a Central Enterprise) or the provincial department of commerce (for a local enterprise) respectively. MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within three working days of receipt of such filing form. The investing enterprise must carry out the investment within two years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such Certificate will automatically expire and a new filing or verification application has to be made by the investing enterprise after such expiry. In addition, if any item recorded in such Certificate is changed, the investing enterprise shall handle an updating process at MOFCOM or the provincial department of commerce (as the case may be).

If an overseas invested company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after the investment is completed offshore. The investing enterprise shall fill in and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form from the Overseas Investment Management System and stamp and submit such Report Form to MOFCOM or the provincial department of commerce.

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

In order to strengthen the administration of the reporting for filing (approval) of outbound investments, establish a sound mechanism of unified information collection and sharing among authorities, effectively prevent risks and promote the healthy and orderly development of outbound investments, the MOFCOM, the PBOC, the State-owned Assets Supervision and Administration Commission of the State Council, the China Banking Regulatory Commission, the China Securities Regulatory Commission, the China Insurance Regulatory Commission and the SAFE have formulated the Provisional Measures on the Reporting for Filing (Approval) of Outbound Investments (《對外投資備案(核准)報告暫行辦法》), effective from 18 January 2018, the reporting of outbound investments subject to record-filing or approval shall be a work of collaboration among the authorities, with each performing their respective responsibilities under a management model characterised by classification and hierarchical management, centralised management of information, and joint disciplinary actions against violations. The MOFCOM shall take the lead in the centralised collection of the information reported on outbound investments subject to record-filing or approval. Commerce, finance, and state-owned assets supervision and administration authorities shall, according to their respective functions, perform the work relating to the reporting of outbound investments subject to record-filing or approval by domestic investors under the law and according to the principle of “horizontal collaboration and vertical coordination, and form a joint regulatory force” (“橫向協作、縱向聯動”).

The authorities concerned shall supervise the outbound investments under their administration, with focus on the following aspects:

- outbound investments with an amount of PRC contributions equivalent to USD300 million or above;
- outbound investments made in a sensitive country (region) or a sensitive industry;
- outbound investments with major operation losses;
- outbound investments encountering a major safety incident or mass incident;
- outbound investments where there is any serious irregularity; and
- other major outbound investments.

A domestic investor shall report information on the key stages of its outbound investment on a regular basis to the relevant authority that previously processed the record-filing or approval for the same investment according to the principle that “any item that has been filed or approved must be reported”.

Foreign Exchange Administration

SAFE issued the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment on 13 February 2015, abolishing the verification and approval of foreign exchange registration of overseas direct investment. The banks shall directly examine and handle foreign exchange registration of overseas direct investment. SAFE and its branches shall conduct indirect regulation of foreign exchange registration of overseas direct investment via banks.

State-owned Assets Supervision

The Interim Measures for Administration of Overseas State-owned Property Rights of Central Enterprises also apply to overseas investment projects. Where overseas enterprises wholly owned or controlled by Central Enterprises and their subsidiaries at all levels are involved in contribution with non-monetary assets, they shall retain a professional agency with the corresponding qualifications, professional experiences and good reputation to evaluate or value subject matters, and the evaluation items or valuation results shall be submitted to State-owned Asset Supervision and Administration Commission of the State Council (“SASAC”) for record-filing or approval.

If the domestic enterprise is a Central Enterprise, it shall establish and perform investment decision-making procedures and management control system, shall establish and improve administration systems and submitted to the SASAC for record-filing, and shall establish annual investment plan and submit it SASAC and make a copy of the project approval documents to SASAC.

Overseas enterprises which have completed overseas registration shall make state-owned assets ownership registration with SASAC.

RECORD-FILING AND REGISTRATION

The NDRC Circular relates to the matters as listed below:

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

According to the Administrative Measures for Foreign Debt Registration (《外債登記管理辦法》) effective as at 13 May 2013 and any internal requirements as requested by SAFE, issuers of foreign debts are required to register with the SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of the SAFE within the prescribed time limit. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of the SAFE.

On 12 January 2017, the PBOC issued the Cross Border Financing Circular, which came into effect on the same date, and amended on 11 March 2020. The Cross Border Financing Circular established a mechanism aimed at regulating cross border financing activities based on the capital or net asset of the borrowing entities using a prudent management principle on a macro nationwide scale.

EIT LAW

Prior to 1 January 2008, under the then applicable PRC law and regulations, entities established in the PRC were generally subject to a 33 per cent. EIT. However, entities that satisfied certain conditions enjoyed preferential tax treatment. In accordance with the tax laws and regulations effective until 31 December 2007, foreign invested manufacturing enterprises scheduled to operate for a period no less than ten years were exempted from paying state income tax for two years starting from its first profit making year and were allowed a 50 per cent. reduction in its tax rate in the third, fourth and fifth years (“**two-year exemption and three-year reduction by half**”).

On 16 March 2007, the NPC enacted the EIT law, which, together with its related implementation rules issued by the State Council on 6 December 2007, became effective on 1 January 2008. The new EIT law imposes a single uniform income tax rate of 25 per cent. on all Chinese enterprises, including foreign invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under the previous tax laws and regulations. On 26 December 2007, the State Council issued a Notice on the Implementation of the Transitional Preferential Tax Policies, or Circular 39. Further, as at 1 January 2008, the enterprises that previously enjoyed “two-year exemption and three-year reduction by half” of EIT and other preferential treatments in the form of tax deductions and exemptions within specified periods may, after the implementation of the new EIT law, continue to enjoy the relevant preferential treatments until the expiration of the time period. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make profits, its preferential time period shall be calculated from 2008.

The EIT law was amended on 24 February 2017 and 29 December 2018, the major revision is that the portion of expenditure on public welfare donations that exceeds 12 per cent. of the total annual profits of enterprises will be allowed to be deducted from the taxable income amount within three years after being carried forward.

After the implementation of the new EIT law, the preferential tax treatment for encouraged enterprises located in western China and certain industry-oriented tax incentives are still available. Pursuant to the “Notice on Tax Policy Issues Concerning Further Implementing the Western China Development Strategy”, effective from 1 January 2011, the enterprises within the state-encouraged industry located in western China are taxed at a preferential income tax rate of 15 per cent. for years from 1 January 2011 to 31 December 2020 after being approved by the competent tax authority. On 23 April 2020, the Ministry of Finance, the State Taxation Administration and NDRC issued the “Announcement on Renewing the Enterprise Income Tax Policy for Great Western Development” (《關於延續西部大開發企業所得稅政策的公告》), effective from 1 January 2021 to 31 December 2030, the enterprise income tax will be levied at a reduced rate of 15 per cent. on enterprises engaged in the encouraged industries in the western regions. The provisions on the enterprise income tax policy set forth in the “Notice on Tax Policy Issues

Concerning Further Implementing the Western China Development Strategy” (Cai Shui [2011] No. 58) and the Circular of the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration on Issues Related to the Implementation of Tax Policy for Great Western Development in Ganzhou City (Cai Shui [2013] No. 4) shall become invalid from 1 January 2021.

VALUE ADDED TAX (“VAT”)

Under the Circular of Full Implementation of Business Tax to VAT Reform (《關於全面推開營業稅改徵增值稅試點的通知》) (Caishui [2016] No. 36) issued by the Ministry of Finance of the PRC and the State Administration of Taxation of the PRC (“SAT”) on 23 March 2016, (a) business tax has been completely replaced by value-added tax in PRC from 1 May 2016; (b) value-added tax is applicable where entities or individuals provide taxable services related to value-added tax within the PRC; (c) the services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC; (d) the services which are subject to value-added tax include the provision of financial services which refers to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments; (e) “loan processing” refers to the activity of lending capital for another’s use and receiving the interest income thereon; (f) among others, the interest (principle-guaranteed gains, remunerations, fund occupation fees and compensations, which refer to investment returns whose principal can be fully recovered upon maturity as explicitly committed under the relevant contract) obtained during the holding period (including upon maturity) of financial products shall be treated as interest income related to loan processing and thus shall be subject to value-added tax while such gains, remunerations, fund occupation fees and compensations obtained during the holding period (including upon maturity) of financial products shall not be treated as interest income or income in the nature of interest related to loan processing if their principal is not guaranteed and shall thus not be subject to value-added tax; and (g) the applicable value-added tax rate for provision of financial services is 6 per cent.

According to the Tentative Regulations on the Value-added Tax of the PRC which was revised by the State Council on 10 November 2008 and came into effect on 1 January 2009 and last amended on 10 November 2017 and further revised by the “Decision of the State Council on Amending Certain Administrative Regulations” promulgated by the State Council on 6 February 2016, and the Detailed Implementation Rules of the Tentative Regulations on the Value-added Tax of the PRC promulgated by the PRC Ministry of Finance which came into effect on 1 January 2009 and was amended on 28 October 2011, organisations or individuals who sell commodities, provide processing, repairing or replacement services, or import commodities within the PRC’s territories are subject to value-added tax, and shall pay the value-added tax accordingly. The rate of the value-added tax shall be 17 per cent. or 13 per cent., depending on the commodities being sold. For taxpayers exporting commodities, the tax rate shall be zero per cent.

On 30 October 2017, the State Council of PRC adopted “the Decision of the State Council on Abolishing the Interim Regulations of the People’s Republic of China on Business Tax and Amending the Interim Value- Added Tax Regulations of the People’s Republic of China” (《關於廢止〈中華人民共和國營業稅暫行條例〉和修改〈中華人民共和國增值稅暫行條例〉的決定》), effective from 19 November 2017. Entities and individuals selling goods, providing labour services of processing, repairs, or maintenance (hereinafter referred to as the “**labour services**”), or selling services, intangible assets, or real property in China, or importing goods to China, shall be identified as taxpayers of value-added tax, and shall pay value-added tax under the Interim Value-Added Tax Regulations of the People’s Republic of China (Revised in 2017) (“**NEW VAT Regulations**”). Under the NEW VAT Regulations, (a) taxpayers that sell goods, labour services or tangible personal property leasing services or import goods and do not fall within the scope as specified in item 2, item 4 and item 5 of NEW VAT Regulations Article 2 shall be subject to a 17 per cent. tax rate; (b) taxpayers that sell transport services, postal services, basic telecommunications services, construction services, or real property leasing services, sell real property, transfer the land use right, or sell or import the goods listed below shall be subject to a 11 per cent. tax

rate; (c) taxpayers that sell services or intangible assets and do not fall within the scope as specified in item 1, item 2 and item 5 of this Article shall be subject to a 6 per cent. tax rate; (d) taxpayers who export goods are subject to a zero tax rate, unless otherwise specified by the State Council; (e) domestic entities and individuals that sell services or intangible assets under the scope specified by the State Council across borders are subject to a zero tax rate; (f) small-scale taxpayers shall be subject to the 3 per cent. value-added tax rate, unless otherwise stipulated by the State Council.

FOREIGN EXCHANGE ADMINISTRATION

According to Circular of the State Administration of Foreign Exchange on Further Improving and Revising the Foreign Exchange Control Policy on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知), corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau (外匯管理機構). The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate (外匯登記證) for overseas direct investment or an IC card to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureaus for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

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

On 12 January 2017, the PBOC issued **the Circular of the People's Bank of China on Implementation of the Macro-prudence Management of Cross-border Financing in Full Aperture** (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) (the “**Cross Border Financing Circular**”), which came into effect on the same date. The Cross Border Financing Circular established a mechanism aimed at regulating cross border financing activities based on the capital or net asset of the borrowing entities using a prudent management principle on a macro nationwide scale.

BIDDING AND TENDERING MANAGEMENT

Bidding and tendering of various construction projects have been provided in the Bidding and Tendering Law of the People's Republic of China (《中華人民共和國招標投標法》) promulgated by SCNPC on 30 August 1999 which became effective on 1 January 2000, and revised on 27 December 2017 and became effective on 28 December 2017. Regulation on the Implementation of the Bidding and Tendering Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) promulgated by State Council on 20 December 2011 which became effective on 1 February 2012, and amended on 1 March 2017, 19 March 2018 and 2 March 2019. Measures for the Construction Bidding and Tendering of Construction Projects (《工程建設項目施工招標投標辦法》) jointly promulgated by NDRC, MOC, MOR, MOT, Ministry of Information Industry of the People's Republic of China, Ministry of Water Resources of the

People's Republic of China, and Civil Aviation Administration of China, effective on 1 May 2003, and amended on 11 March 2013.

please consider to define the various PRC governmental authorities under the section "CERTAIN DEFINITIONS AND CONVENTIONS AND CURRENCY PRESENTATION" instead

Administrative Measures for the Bidding and Tendering of Design of Construction Projects (《建築工程設計招標投標管理辦法》) issued by Ministry of Housing and Urban-Rural Development (住房和城鄉建設部, "MOHURD") on 24 January 2017 and became effective on 1 May 2017. Provisions for Engineering Projects Compulsorily Subject to the Bidding Process (《必須招標的工程項目規定》) issued by NDRC on 27 March 2017 and became effective on the 1 June 2017, Administrative Measures for the Bidding and Tendering of Housing Construction and Municipal Infrastructure Work (《房屋建築和市政基礎設施工程施工招標投標管理辦法》) issued by MOC on 1 June 2001 and became effective on the same date, and amended on 28 September 2018. And Administrative Measures for the Bidding and Tendering of Highway Construction Projects (《公路工程建設項目招標投標管理辦法》) promulgated by Ministry of Transport on 8 December 2015 which became effective on 1 January 2016.

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

The notification is legally binding on both the tenderee and the bid winner. The tenderee and the successful bidder shall, within 30 days from the date the notification is sent out, sign a written contract based on bid invitation documents and the bid documents of the successful bidder. They shall not conclude any other agreement contrary to the substantive matters of the above contract.

In accordance with the Bidding and Tendering Law of the People's Republic of China and Measures for the Construction Bidding and Tendering of Construction Projects, if any project that shall undergo bidding as required by law fails to go through the bidding process, or the items subject to bidding are broken up into pieces or the bidding requirement is otherwise evaded, the relevant administrative supervision department shall order rectification within a specified period, and may impose a fine of 0.5 per cent. up to 1 per cent. of the contract amount of the project. For projects using the state-owned funds in whole or in part, the project approval authority may suspend the implementation of the project or suspend the fund appropriation, and impose punishment on the person direct in charge of the entity or other person directly liable. Further, in accordance with the provisions of the Interpretations of the Supreme People's Court on Issues of Law Application during the Trial of Construction Contracts for Building Projects (《最高人民法院關於審理建設工程施工合同糾紛案件適用法律問題的解釋(一)》) issued by the Supreme People's Court on 29 December 2020 and became effective on 1 January 2021, if (a) the contractor fails to obtain the construction enterprise qualification or acts exceeding the qualification level; (b) the actual constructor without qualification acts in the name of any construction enterprise with such qualification; or (c) any project that is required to undergo a bidding process fails to go through the bidding process or the bid award is invalid, (d) any construction project contract concluded by a contractor with another person for subcontracting a construction project in whole or illegal subcontracting a construction project in part; the construction contract for building projects shall identified as null and void in accordance with PRC Civil Code.

QUALITY MANAGEMENT

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China (《中華人民共和國建築法》) issued by Standing Committee of the National People's Congress (全國人民代表大會常務委員會) on 1 November 1997 and became effective on 1 March 1998, and amended on 22 April 2011 and 23 April 2019, Regulation on Quality Management of Construction Engineering (《建設工程質量管制條例》) issued by the State Council on 30 January 2000 and became effective on the same date, and amended on 7 October 2017 and 23 April 2019. Administrative Measures for Quality Management of Construction Project Survey (《建設工程勘察質量管制辦法》) amended by MOC on 22 November 2007 and 1 April 2021 and became effective on the same date, Administration Measures of Quality Warranty Funds of Construction Projects (《建設工程質量保證金管理辦法》) issued jointly by MOHURD and MOF on 27 December 2016 and was amended on 20 June 2017 and became effective on 1 July 2017, Administrative Measures for Completion Acceptance Record of Building Construction and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) issued by MOHURD on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects (《房屋建築工程質量保修辦法》) issued by MOC on 30 June 2000 and became effective on the same date, Measures for Completion (Delivery) Acceptance of Highway Works (《公路工程竣(交)工驗收辦法》) promulgated by MOT on 31 March 2004 and became effective on 1 October 2004, and its Implement which is promulgated on 1 May 2010.

According to the Regulation on Quality Management of Construction Projects, all the building, surveying, designing, construction and supervision units shall be responsible for the quality of the construction projects. The construction administrative department of the State Council shall supervise and administer the quality of construction engineering throughout the country in a centralised manner. The departments of railways, communications, and water resources as well as other relevant departments of the State Council shall, according to their respective duties and functions as specified by the State Council, be responsible for supervising and administering the quality of the relevant special construction engineering 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 engineering within their respective administrative area. The departments of communications and water resources as well as other relevant departments of local people's governments at the county level or above shall, within their respective duties and functions, be responsible for supervising and administering the quality of the special construction engineering within their respective administrative area.

ENVIRONMENTAL PROTECTION MANAGEMENT

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) amended by SCNPC on 24 April 2014 which became effective on 1 January 2015, Law on Environmental Impact Assessment of the People's Republic of China (《中華人民共和國環境影響評價法》) promulgated by SCNPC on 28 October 2002 which became effective on 1 September 2003, and amended on 2 July 2016 and 29 December 2018, Administrative Regulations on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) issued by State Council on 29 November 1998 and became effective on the same date, then amended on 2 July 2016 and 29 December 2018 and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion (《建設項目竣工環境保護驗收暫行辦法》) promulgated by Ministry of Environmental Protection (環境保護部) on 20 November 2017 which became effective on the same date.

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

Environmental Protection

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

Air Pollution

The Air Pollution Prevention Law (《大氣污染防治法》), promulgated on 5 September 1987 by the Standing Committee of the National People's Congress which became effective on 1 June 1988, and as amended on 29 August 1995, 29 April 2000, 29 August 2015 and 26 October 2018, establishes the legal framework for air pollution prevention in the PRC. The competent authority for ecological environment of the State Council (國務院生態環境主管部門) formulates national standards for atmospheric environment quality. Each of the local government is authorised to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation. The competent authority for ecological environment under the State Council shall formulate monitoring and evaluation regulations on atmospheric environment quality and atmospheric pollution sources, organise the construction and management of the national atmospheric environment quality and the atmospheric pollution sources monitoring networks, organise the monitoring of atmospheric environment quality and atmospheric pollution sources, and uniformly release information on national atmospheric environment quality. The competent authorities for ecological environment under the local people's governments at or above the county level shall organise the construction and management of atmospheric environment quality and atmospheric pollution sources monitoring networks within their respective jurisdictions, conduct the monitoring of atmospheric environment quality and atmospheric pollution sources, and uniformly release the information on atmospheric environment quality conditions within their respective jurisdictions.

Water Pollution

The Water Pollution Prevention Law (《水污染防治法》), promulgated on 11 May 1984 by the SCNPC, which became effective on 1 November 1984, and as amended on 15 March 1996, 28 February 2008 and 27 June 2017, establishes the legal framework for water pollution prevention in the PRC. The environmental protection department of the State Council formulates national waste discharge standards, the people's governments of provinces, autonomous regions and municipalities directly under the Central Government may establish their own local standards for the items that are not specified in the national standards for water environment quality and report the same to the competent environmental protection authorities under the State Council for the record. The enterprises, public institutions or other manufacturers and operators which are permitted to directly or indirectly discharge industrial effluent, medical sewage and other waste water or sewage to water bodies provided that a pollutant discharge licence is obtained as required shall secure a pollutant discharge licence; the operators of urban sewage centralised treatment facilities shall also obtain a pollutant discharge licence. It is forbidden to (a) discharge any oil, acid or alkaline solutions or deadly toxic liquid waste; (b) discharge or dump

radioactive solid wastes or waste water containing any high- or medium-level radioactive substances;(c) industry waste residues, urban and town refuse or other wastes;(d) discharge or dump into any water body or directly bury deadly toxic soluble slag, tailings, etc. containing such substances as mercury, cadmium, arsenic, chromium, lead, cyanide and yellow phosphorus; into any water body. The operators of urban sewage centralised treatment facilities shall provide sewage dischargers with paid services for sewage treatment, collect sewage treatment fees, and ensure the normal operation of centralised sewage treatment facilities in accordance with the relevant provisions of the state. The sewage treatment fees collected shall be used for the purpose of the construction and operation of urban sewage centralised treatment facilities and sludge treatment and disposal rather than misappropriation. Enterprises that discharge waste into water shall pay a treatment fee and comply with all relevant laws and regulations.

Noise Pollution

The Noise Pollution Prevention Law (噪聲污染防治法), promulgated by the SCNPC on 24 December 2021, which became effective on 5 June 2022, establishes the framework for noise pollution prevention in the PRC. Under the Noise Pollution Prevention Law (噪聲污染防治法), any new construction, alteration or expansion project that may cause environmental noise pollution shall carry out an environmental impact assessment in accordance with the law. Before a construction project is put into production or use, the construction unit shall, in accordance with the provisions of the relevant laws and regulations, carry out acceptance of the noise pollution prevention and control facilities, prepare an acceptance report and make it available to the public. Without acceptance or unqualified acceptance, the construction project shall not be put into production or use. The noise pollution prevention and control facilities of the construction project shall be designed, constructed and put into operation at the same time as the main project.

Construction Projects

The Environmental Impact Appraisal Law (《環境影響評價法》), promulgated by the SCNPC on 28 October 2002, which became effective on 1 September 2003, and as amended on 2 July 2016 and 29 December 2018, the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), promulgated by the State Council on 29 November 1998, which became effective on 29 November 1998, and as amended on 16 July 2017, the Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion (《建設項目竣工環境保護驗收暫行辦法》) promulgated by Ministry of Environmental Protection (環境保護部) on 20 November 2017 which became effective on the same date. According to the rules on environmental protection of construction projects, the state practises classified control over the environmental protection in construction projects based on the extent of environmental impact of construction projects in accordance with the following provisions:

An environmental impact report shall be compiled for a construction project that may cause major impact on the environment, giving comprehensive and detailed evaluation of the pollution generated and environmental impact caused by the construction project;

An environmental impact statement shall be compiled for a construction project that may cause light impact on the environment, giving analysis or special-purpose evaluation of the pollution generated and environmental impact caused by the construction project; and

A registration form shall be filled out and submitted for a construction project that has a slight impact on the environment and necessitates no environmental impact evaluation.

The directory of classified administration of environmental impact evaluation of construction projects will be developed and announced by the competent administrative department of environmental protection under the State Council after organising experts for demonstration and seeking opinions of the relevant departments, industry associations, enterprises and public institutions and the public.

If the environmental impact evaluation document of the construction project fails to be examined by the examination and approval department in accordance with the law or is not approved after examination, the construction entity may not start construction.

LABOUR

Employment Contracts

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

Employee Funds

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (《社會保險法》), promulgated by the SCNPC on 28 October 2010, which became effective on 1 July 2011, and as amended on 29 December 2018, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), promulgated by the State Council on 22 January 1999, which became effective on 22 January 1999, and as amended on 24 March 2019, and Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》), promulgated by the State Council on 3 April 1999, which became effective on 3 April 1999 and as amended on 24 March 2002 and 24 March 2019, (a) each employee shall enrol in the basic pension insurance (基本養老保險) system, and the employer and the employee shall jointly make basic pension insurance contributions, the basic pension insurance fund shall consist of contributions from the employers and employees and government subsidies; (b) each employee shall enrol in the basic medical insurance (基本醫療保險) system for employees, and the employer and employees shall jointly make basic medical insurance contributions as set by the State. The basic medical insurance for urban residents shall be a combination of individual contributions and government subsidies; (c) each employee shall enrol in the occupational injury insurance (工傷保險) system. The employer shall make occupational injury insurance contributions, and the employee is not liable for contributions; (d) each employee shall enrol in the unemployment insurance (失業保險) system, and the employer and employee shall jointly make unemployment insurance contributions as set by the State. For the duration of receiving unemployment benefits, unemployed persons shall be entitled to basic medical insurance benefits if they are members of the basic medical insurance for employees. Basic medical insurance contributions due from unemployed persons shall be paid from the unemployment insurance fund. Unemployed persons are not liable for basic medical insurance contributions; (e) each employee shall enrol in the maternity insurance (生育保險) system. The employer shall make maternity insurance contributions as set by the State, and the employee is not liable for maternity insurance contributions.

When an employer fails to declare social insurance payables as prescribed, the payables by the employer shall be set as 110 per cent. multiples of its prior-month payables. When the employer has completed a makeup payment declaration, the social insurance contributions collecting agency shall settle the accounts for the employer in accordance with relevant regulations. When an employer fails to pay on time and in full social insurance contributions, the social insurance contributions collecting agency shall compel the employer to pay or replenish the deficiency within the prescribed period.

When social insurance payables by the employer remain unpaid or deficient at the expiry of the prescribed period, the social insurance contributions collecting agency has the right to inquire from banks and other financial institutions regarding the employer's bank accounts, and may apply to the relevant administrative department at or above the county level for a decision on capital transfer for social insurance contributions, and notify in writing the banks or other financial institutions where the employer has opened accounts to make the transfer for payment of social insurance contributions. When the balances in the employer's accounts are less than the social insurance payables, the social insurance contributions collecting agency may require the employer to provide a guarantee, and sign an agreement on payment deferral.

When an employer fails to pay social insurance contributions in full and fails to provide a guarantee, the social insurance contributions collecting agency may request a people's court to seize, seal up and sell at auction properties owned by the employer equivalent in value to the social insurance payables, and collect the auction earnings as social insurance contributions.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Bondholder or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. There are uncertainties regarding the interpretation and application of current and future PRC taxation laws and regulations and there can be no assurance that the relevant PRC regulatory authorities will not take a view that is contrary to the opinion of the Issuer. Persons considering the purchase of the Bonds should consult their own advisors concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

I THE PRC

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

Income Tax

Pursuant to the EIT Law, the IIT Law and the implementation regulations in relation to both the EIT Law and the IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals, respectively, subject to adjustment by applicable tax treaties. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise bondholders and at a rate of 20 per cent. for non-resident individual bondholders (or a lower treaty rate, if any). Such income tax shall be withheld by the Issuer that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by non-resident enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, under the IIT Law, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for less than 183 days cumulatively within one tax year shall pay individual income tax for any income obtained within the PRC. Pursuant to the implementation regulations of IIT Law, unless otherwise stipulated by the finance authority and the tax department of the State Council, the income derived from transfer of properties in the PRC shall be

deemed derived from sources within the PRC, regardless of the place of payment. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non- PRC resident enterprise bondholders. According to the Arrangement, bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the bondholders have in the PRC and all the other relevant conditions are satisfied.

VAT

On 23 March 2016, MOF and SAT issued Circular 36, which was subsequently amended on 11 July 2017, 25 December 2017 and 20 March 2019, introducing a new VAT from 1 May 2016 for entities and individuals providing services within the PRC in certain industries. On 19 November 2017, the State Council promulgated the Decision on Abolishing the Provisional Regulations of the People's Republic of China on Business Tax and Revising the Provisional Regulations of the People's Republic of China on Value-added Tax (國務院關於廢止《中華人民共和國營業稅暫行條例》和修改《中華人民共和國增值稅暫行條例》的決定). On the same day, the State Council amended the Provisional Regulations of the People's Republic of China on Value- Added Tax (《中華人民共和國增值稅暫行條例》) (the “**Value-Added Tax Provisional Regulations**”), which was initially issued on 13 December 1993 and subsequently amended on 5 November 2008, 6 February 2016, and 19 November 2017. The Value-Added Tax Provisional Regulations further requires that the business tax shall be completely replaced by VAT where the entities or individuals provide services within the PRC. The operating income generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6 per cent. Accordingly, the interest and other interest like earnings received by a non-PRC resident Bondholder from the Issuer and profits on the transfer of the Bond will be subject to PRC VAT at the rate of 6 per cent. The Issuer or the withholding agent will be obligated to withhold VAT of 6 per cent. for payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. However, there is uncertainty as to whether gains derived from a sale or exchange of Bonds consummated outside of the PRC between non-PRC resident Bondholders will be subject to PRC VAT. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Investors should further consult their own legal and tax advisors in relation to their VAT obligations. As Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

Stamp Duty

According to Stamp Tax Law of the PRC (《中華人民共和國印花稅法》) adopted by the SCNPC on 10 June 2021, and implemented on 1 July 2022, entities and individuals who conclude taxable documents within the PRC, or who conclude taxable documents outside the PRC but for use within the PRC, should be liable for stamp duty. The taxable items and tax rates shall be governed by the Table of Taxable Items and Tax Rates for Stamp Duty (印花稅稅目稅率表) attached. According to taxable items, the tax bases for stamp duty shall be the amount listed in the contract (excluding the VAT listed), the amount listed in the document of transfer of the property right (excluding the VAT listed), the total amount of the paid-up capital and capital reserve recorded in the account book, or the securities transaction value.

According to the Stamp Duty Law of the PRC, the parties shall be obliged to pay stamp duties for the sale, inheritance, gift, exchange or division of instruments of transfer of property rights, including instruments of transfer of property titles, copyright, exclusive right of use of trademarks, patents and proprietary technology usage rights.

While Bonds may be considered as a type of loan contracts from a PRC legal perspective, the PRC taxation authority currently tends to take the view that taxable loan contracts are limited to contracts entered into by banks and other financial institutions in conducting their more conventional credit business, such as loan contracts for replenishing working capital or mortgages, as detailed in “Specific Provisions on the Applicability of Loan Contracts by the State Administration of Taxation” ((1988) Guoshuidi Zidi No. 30) (“**Specific Provisions**”), though the Interim Regulation of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》) was abolished on 1 July 2022, there is no evidence indicating Specific Provisions was abolished in the meantime).

However, there can be no assurance that PRC laws will not be revised or there will not be further rules or regulations promulgated specifying that the Bonds or similar debt instrument shall be treated (for purposes of stamp duty obligations) in the same way as loan contracts entered between banks or other financial institutions and borrowers, or otherwise as taxable instruments of transfer of property rights in the PRC. In that event, both the borrower and lender (i.e. the Issuer and the investor purchasing the Bonds, respectively) at the time of the issuance of the Bonds would be subject to PRC stamp duty of 0.005 per cent. of the amount borrowed, or any other rate applicable at the time of the issuance or transfer of the Bonds in question (or such higher rate if local governments impose additional requirements). And there can be no assurance that PRC laws will not be revised or there will not be further rules or regulations promulgated deeming the Bonds or similar debt instrument as instruments of transfer of property rights for purposes of stamp duty obligations, according to the effective Stamp Duty Law of the PRC, instruments of transfer of property rights, including instruments of transfer of property titles, copyright, exclusive right of use of trademarks, patents and proprietary technology usage rights, shall be subject to stamp duty of 0.003 per cent. or 0.005 per cent. of the stated value according to the taxable items, and to be paid by the parties who initiated the contract.

Investors should further consult their own legal and tax advisors in relation to their PRC stamp duty obligations and liabilities in relation to any transfer of the Bonds.

HONG KONG

Withholding Tax

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

Profits Tax

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

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong if it is carried on in Hong Kong in the following circumstances: (a) interest on the Bonds is derived from Hong Kong and is received by or accrued to a person, other than a financial institution, carrying on a trade, profession or business in Hong Kong;

by way of interest which arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside Hong Kong

(b) interest on the Bonds is derived from Hong Kong and is received by or accrued to a financial institution, carrying on a trade, profession or business in Hong Kong, out of the funds of that trade, profession or business;

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

~~Gains or profits received by or accrued to a financial institution from the sale, disposal and redemption of the Bonds arising through or from the carrying on by the financial institution of its business in Hong Kong will be subject to Hong Kong profits tax.~~

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

~~Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, carrying on a trade, profession or business in Hong Kong.~~

~~The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.~~

In certain circumstances, Hong Kong profits tax may be available. Investors are advised to consult their tax advisers regarding any exemptions to their individual positions.

Stamp Duty

No Hong Kong stamp duty will be charged on the Bonds.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, from the carrying on of a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of. Sums received by or accrued to a corporation (other than a financial institution) by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (as defined in section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or redemption of the Bonds will be subject to profits tax.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (Cap. 112 of the laws of Hong Kong) (the "Amendment Ordinance") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Bonds and gains from the sale, disposal or redemption of Bonds accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong are regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when they are received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (the “**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (the “**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. However, if additional securities (as described under “*Terms and Conditions — Further Issues*”) that are not distinguishable from previously issued Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Bonds, including the Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

pls globally change "the Code" to "the SFC Code"

The Issuer has entered into a subscription agreement with the Joint Lead Managers dated [●] 2024 (the “Subscription Agreement”) pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table:

Joint Lead Manager	Principal amount of the Bonds to be subscribed (CNY)
China Galaxy International Securities (Hong Kong) Co., Limited	[●]
[●]	[●]
[●]	[●]
Total	[●]

The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made by such investor to the Issuer and the Bonds being issued.

~~Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct~~ **Important Notice to CMIs (including private banks):** This notice to CMIs (including private banks) is a summary of all obligations the Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Joint Lead Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

may need to

CMIs should ensure that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information ~~should~~ be provided to the OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

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

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

Capitalise

The Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

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

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the Code should disclose underlying investor information, in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- the name of each underlying investor;
- a unique identification number for each investor;
- whether an underlying investor has any “Associations” (as used in the Code);
- whether any underlying investor order is a “Proprietary Order” (as used in the Code); and
- whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: [●].

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the bookbuilding process for the offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the offering. The Joint Lead Managers may be asked to demonstrate compliance with their obligations under the Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested.

pls globally change "the Code" to "the SFC Code"

GENERAL

Neither the Issuer nor the Joint Lead Managers make any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. The Issuer and the Joint Lead Managers will have no responsibility for, and the Joint Lead Managers will obtain any consent, approval or permission required by them for, the acquisition, offer, sale or delivery by them of Bonds under the laws and regulations in force in any jurisdiction to which they are subject or in or from which they make any acquisition, offer, sale or delivery. The Joint Lead Managers are not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Bonds other than as contained in, or which is consistent with, this Offering Circulars or any amendment or supplement to it.

The distribution of this Offering Circular or any offering material and the offering, sale and delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

Accordingly, the Bonds should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, prospectus, form of application nor advertisement in connection with the Bonds should be distributed or published by the Issuer or the Joint Lead Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with any applicable laws and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer or the Joint Lead Managers.

UNITED STATES

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

The Bonds are being offered and sold outside of the United States in reliance on Regulation S. In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

UNITED KINGDOM

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

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

HONG KONG

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

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

THE PRC

Each Joint Lead Manager has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws or any other applicable laws or regulations of the PRC.

SINGAPORE

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell the Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or dis-tribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA), pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Joint Lead Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

MACAU

The Bonds have not been and will not be promoted, distributed, sold or delivered in Macau, or any document relating to the Bonds be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act and any other laws in Macau that may apply to the offer and sale of the Bonds in Macau. The Bonds have not been and will not be registered or otherwise authorised for public offer under the Financial System Act of Macau, thus may not be offered or sold in Macau, unless such offer is made by Macau licensed entities according to the Macau Financial System Act and upon their communication to the Macau Monetary Authority and Chongwa (Macao) Financial Asset Exchange Co., Ltd. (中華(澳門)金融資產交易股份有限公司), in observation of the guidelines and recommendations issued by the Macau local regulatory authority from time to time.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS *[Auditor to review]*

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

Provision for Future Development Fund and Work Safety Cost

Under PRC GAAP, in accordance with relevant regulations of the Chinese authorities, the Group has to accrue special reserves such as future development funds and work safety cost reserves, which are presented as cost of expenses of the period and the amount that has been accrued but not used are presented in special reserve of owner's equity. Work safety cost, which belongs to cost of expenses, directly offset the special reserves. The accrued work safety cost, which is used by enterprises and used to form fixed assets, shall be charged as "construction in progress", and recognised as a fixed asset upon the project being completed and reaching the expected operational standard. Meanwhile, the special reserves are offset in accordance with the cost of fixed asset formation, while the equivalent amount of accumulated depreciation is recorded. The fixed asset so formed shall cease to accrue depreciation in the following periods.

Pursuant to the IFRS, these expenditures should be recognised when incurred. Relevant capital expenditures are recognised as part of cost of non-current assets when they are incurred and depreciated according to the respective depreciation policy. The differences between the abovementioned standards give rise to differences in deferred tax.

Government Grant

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

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

Reversal of an Impairment Loss

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

Related Party Disclosures

Under PRC GAAP, government-related entities are not treated as related parties. Under IFRS, government-related entities are still treated as related parties.

Fixed Assets and Intangible Assets

Under PRC GAAP, only the cost model is allowed.

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

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through the CMU with Common Code [●], and CMU Instrument Number [●].
2. **Legal Entity Identifier:** The Issuer's Legal Entity Identifier ("LEI") is 655600M62U2N965S1M52.
3. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by a resolution of the board of directors of the Issuer passed on [●] and were approved by the Issuer's shareholder on [●]. [*Company to provide*]
4. **No Material Adverse Change:** There has been no material adverse change in the financial or trading position or prospects of the Issuer and the Group since 31 December 2023. [*Company to confirm*]
5. **Litigation:** None of the Issuer or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer believes are material in the context of the Bonds, nor is the Issuer aware that any such proceedings are pending or threatened. [*Company to confirm*]
6. **Available Documents:** Copies of the Audited Financial Statements and the Articles of Association of the Issuer will be available for inspection from the Issue Date at the Issuer's registered office at [Room 201, Block 1, Yongcheng Apartment, Feixia North Road, Lucheng District, Wenzhou, Zhejiang, China] [*Company to confirm*]. Copies of the Trust Deed and the Agency Agreement will be available for inspection from the Issue Date at the specified office of the Trustee (being as at the Issue Date at [20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong] [*To be confirmed*]) upon proof of holding and identity satisfactory to the Trustee and with prior appointment at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)), so long as any of the Bonds remains outstanding.
7. **Financial Statements of the Issuer:** This Offering Circular contains the Audited Financial Statements which have been audited by [●].
8. **Listing:** [●]

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ISSUER

Wenzhou Lucheng District State-owned Holding Group Co., Ltd.
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TRUSTEE

CMU LODGING AND PAYING AGENT,
TRANSFER AGENT AND REGISTRAR

China Construction Bank (Asia)
Corporation Limited
(中國建設銀行(亞洲)股份有限公司)
[28/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong]

China Construction Bank (Asia)
Corporation Limited
(中國建設銀行(亞洲)股份有限公司)
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as to English law and Hong Kong Law

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AUDITOR OF THE ISSUER

Zhongxingcai Guanghua Certified Public Accountants LLP
(中興財光華會計師事務所(特殊普通合伙))
[●]