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Notice to Hong Kong investors: Each of the Issuer and the Guarantor confirms that the Notes (as defined below) are intended for purchase by Professional Investors (as defined below) only and are listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

PUBLICATION OF OFFERING CIRCULAR AND PRICING SUPPLEMENT ON THE STOCK EXCHANGE OF HONG KONG LIMITED

State Grid Overseas Investment (BVI) Limited

(國家電網海外投資 (BVI) 有限公司)

(incorporated with limited liability in the British Virgin Islands)

(the “Issuer”)

US\$600,000,000 1.125 per cent. Senior Guaranteed Notes due 2026 (Stock Code: 40829) (the “Notes”)

Issued under its US\$15,000,000,000 Guaranteed Medium Term Note Programme (the “Programme”)

unconditionally and irrevocably guaranteed by



国家电网有限公司
STATE GRID
CORPORATION OF CHINA

State Grid Corporation of China

(a limited liability company incorporated in the People’s Republic of China)

(the “Guarantor”)

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

**ICBC
International**

Bank of China

Citigroup

Mizuho Securities

Morgan Stanley

DBS Bank Ltd.

Joint Lead Managers and Joint Bookrunners

Santander

MUFG

**Agricultural Bank of
China Limited Hong
Kong Branch**

**China Construction
Bank**

**Goldman Sachs (Asia)
L.L.C.**

J.P. Morgan

Deutsche Bank

Crédit Agricole CIB

CLSA

SMBC Nikko

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”).

Please refer to the offering circular relating to the Programme dated 30 August 2021 (the “**Offering Circular**”) and the pricing supplement relating to the Notes dated 1 September 2021 each appended herein. As disclosed in the Offering Circular and the Pricing Supplement, the Notes are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules)(the “**Professional Investors**”) only and are listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular and the Pricing Supplement do not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor are they an invitation to the public to make offers to subscribe for or purchase any securities, nor are they circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular and the Pricing Supplement must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer or the Guarantor and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular or the Pricing Supplement.

By Order of the Board
State Grid Overseas Investment (BVI) Limited
國家電網海外投資(BVI)有限公司
Sun Jianxing
Director

9 September 2021

As at the date of this announcement, the directors of Guarantor are XIN Baoan, ZHANG Zhigang, SHANG Bing, WU Xiaogen, ZHANG Chengjie, HU Aimin, ZHANG Gengsheng and WANG Haixiao.

As at the date of this announcement, the directors of Issuer are SUN Jianxing, LI Yong and CHEN Lei.

APPENDIX 1
OFFERING CIRCULAR DATED 30 AUGUST 2021

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)) PURCHASING THE SECURITIES OUTSIDE THE U.S. IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S.

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

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 UNITED STATES SECURITIES ACT OF 1933 (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

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

Confirmation of your Representation: In order to be eligible to view the following Offering Circular or make an investment decision with respect to the securities, investors must be non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S. By accepting the e-mail and accessing the following the Offering Circular, you shall be deemed to have represented to us and the dealers under this programme that (1) you and any customers you represent are non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S and that the electronic e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to the delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of this Offering Circular to any other person. You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply by e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

This Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers (as defined below) or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Arrangers, the Dealers or the Agents (as defined below), nor any person who controls any of them, nor any director, officer, employee, nor agent of any of them, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

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State Grid Overseas Investment (BVI) Limited

(国家电网海外投资(BVI)有限公司)

(incorporated with limited liability in the British Virgin Islands)

US\$15,000,000,000

Guaranteed Medium Term Note Programme
unconditionally and irrevocably guaranteed by



国家电网有限公司
STATE GRID
CORPORATION OF CHINA

State Grid Corporation of China

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

Under the US\$15,000,000,000 Guaranteed Medium Term Note Programme described in this Offering Circular (the "Programme"), State Grid Overseas Investment (BVI) Limited 国家电网海外投资(BVI)有限公司 (formerly known as State Grid Overseas Investment (2016) Limited 国家电网海外投资(2016)有限公司) (the "Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "Notes") which will be unconditionally and irrevocably guaranteed (the "Guarantee") by State Grid Corporation of China (the "Guarantor" or the "Company"). The Issuer is an indirect wholly-owned subsidiary of the Company. The aggregate nominal amount of the Notes outstanding will not at any time exceed US\$15,000,000,000 (or the equivalent in other currencies), subject to increase as further described in "Summary of Programme".

The Guarantor will enter into a deed of guarantee (each, a "Deed of Guarantee") with The Bank of New York Mellon, London Branch as trustee (the "Trustee") on the issuance date of each series of the Notes issued under the Programme. The Guarantor undertakes that it will register or cause to be registered with the State Administration of Foreign Exchange ("SAFE") each Deed of Guarantee in accordance with, and within the time period prescribed by, the Foreign Exchange Administration Rules on Cross-border Security (跨境担保外债管理规定) (the "Cross-border Security Registration"), so long as such rules are still in effect. The Guarantor will use its best endeavours to complete the Cross-border Security Registration and obtain a registration record from SAFE on or before the Registration Deadline (being 120 Registration Business Days (as defined in the Terms and Conditions of the Notes (the "Conditions")) after the issuance date of each series of the Notes under the Programme). The Guarantor will comply with all applicable PRC laws and regulations in relation to the Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Conditions, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. The Notes are solely to be repaid by the Issuer and the Guarantor (as the case may be) and the obligations of the Issuer and the Guarantor under the Notes or the Trust Deed shall solely be fulfilled by them as an independent legal person.

The Notes may be issued on a continuing basis to one or more of the Dealers appointed under the Programme from time to time by the Issuer (each a "Dealer") and together the "Dealers", which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Investing in the Notes involves certain risks. See "Risk Factors" beginning on page 24.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined in "Summary of the Programme") of Notes will be set out in a Pricing Supplement which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the date of issue of the Notes of such Tranche. Application has been made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Professional Investors")) only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. This Offering Circular is for distribution to Professional Investors only.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, or the Issuer, the Guarantor and the Group, or quality of disclosure in this document.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

Notes may be issued in bearer or registered form. The Notes of each Series issued in bearer form ("Bearer Notes") will be represented on issue by a temporary global note in bearer form (each a "Temporary Global Note") or a permanent global note in bearer form (each a "Permanent Global Note") (collectively, the "Global Notes") which, in the case of Bearer Notes, are issued in compliance with U.S. Treasury Regulations § 1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "Code")) ("TEFRA D") must be initially represented by a Temporary Global Note and interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note from 40 days after the relevant issue date (the "Exchange Date"), upon certification as to non-U.S. beneficial ownership. Notes in registered form ("Registered Notes") will be represented by registered certificates (each a "Certificate"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. The Notes of each Series in registered form will initially be represented by a global certificate (each a "Global Certificate"). Global Notes may be deposited on the relevant issue date with a common depository on behalf of Euroclear Bank S.A./N.V. ("Euroclear") and/or Clearstream Banking S.A. ("Clearstream, Luxembourg"), or with a sub-custodian for the Central Moneymarkets Unit Service (the "CMU") operated by the Hong Kong Monetary Authority, and Global Certificates may be deposited on the issue date with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC"), with a common depository on behalf of Euroclear and Clearstream, Luxembourg or with a sub-custodian for the CMU. In the case of a Series intended to be cleared through a clearing system other than, or in addition to, DTC, Euroclear and/or Clearstream, Luxembourg or CMU, or delivered outside a clearing system, the Global Notes and Global Certificates may be deposited on the relevant issue date as agreed between the Issuer and the relevant Dealer. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes or Global Certificates for Certificates are described in "Summary of Provisions Relating to the Notes while in Global Form".

The Notes of each Series to be issued in registered form and which are sold in an "offshore transaction" within the meaning of Regulation S ("Regulation S") under the U.S. Securities Act of 1933 (the "Securities Act") ("Unrestricted Notes") will initially be represented by a permanent registered global certificate (each an "Unrestricted Global Certificate") without interest coupons, which may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear and/or Clearstream, Luxembourg, with a common depository on behalf of Euroclear and Clearstream, Luxembourg, (b) in the case of a Series intended to be cleared through the CMU, with a sub-custodian for the CMU, (c) in the case of a Series intended to be cleared through DTC, with a custodian for, and registered in the name of a nominee of, DTC and (d) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear, Clearstream, Luxembourg, the CMU and/or DTC or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer. Registered Notes which are sold in the United States to "qualified institutional buyers" (each, a "QIB") within the meaning of Rule 144A ("Rule 144A") under the Securities Act ("Restricted Notes") will initially be represented by a registered global certificate (each a "Restricted Global Certificate"), which may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear and/or Clearstream, Luxembourg, with a common depository on behalf of Euroclear and Clearstream, Luxembourg, (b) in the case of a Series intended to be cleared through DTC, with a custodian (the "Custodian") for, and registered in the name of Cede & Co. as nominee for, DTC.

THE NOTES AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS SUCH TERMS ARE DEFINED UNDER REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, UNLESS AN AMENDMENT OR SUPPLEMENT TO THE OFFERING CIRCULAR FOR ISSUANCE OF NOTES UNDER THE PROGRAMME IN RELIANCE ON RULE 144A IS MADE AVAILABLE BY THE ISSUER AND THE COMPANY. THE NOTES MAY BE OFFERED AND SOLD ONLY TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S AND IN ACCORDANCE WITH ANY OTHER APPLICABLE LAW. BEARER NOTES ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR ITS POSSESSIONS OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF NOTES AND DISTRIBUTION OF THIS OFFERING CIRCULAR SEE "SUBSCRIPTION AND SALE" AND "TRANSFER RESTRICTIONS".

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Conditions, in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

MIFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "MiFID II") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Arrangers or the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR product governance rules set out in FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PRIPs/Important – EEA Retail Investors – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2016/97 ("Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PRIPs/Important – UK Retail Investors – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The Programme is expected to be assigned a rating of "A1" by Moody's Investors Services ("Moody's") and a rating of "A+" by Fitch Ratings, Inc. ("Fitch"). In addition, the Guarantor has been assigned a corporate rating of "A+" by S&P, "A1" by Moody's and "A+" by Fitch Ratings, Inc. ("Fitch"). These ratings are only correct as of the date of this Offering Circular. Tranches of Notes (as defined in "Summary of the Programme") to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Arrangers for the Programme

ICBC
International

Bank of China

Citigroup

Morgan Stanley

DBS Bank Ltd.

Mizuho
Securities

Offering Circular dated August 30, 2021

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NOTICE TO INVESTORS

Each of the Issuer and the Company, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Company, the Company and its subsidiaries (the “Group”), the Notes and the Guarantee, which is material in the context of the issue and offering of the Notes; (ii) the statements contained in this Offering Circular relating to the Issuer, the Company and the Group are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Company and 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 Company, the Group, the Notes or the Guarantee, the omission of which would, in the context of the issue and offering of the Notes, make any statement, opinion or intention expressed in this Offering Circular misleading in any material respect; (v) the statistical, industry and market-related data included in this Offering Circular (if any), are based on or derived or extracted from sources which the Issuer and the Company believe to be accurate and reliable in all material respects; and (vi) all reasonable enquiries have been made by the Issuer and the Company to ascertain such facts and to verify the accuracy of all such information and statements. In addition, each of the Issuer and the Company accepts full responsibility for the accuracy of the information contained in this Offering Circular.

Each Tranche of Notes will be issued on the terms set out herein under the Conditions as amended and/or supplemented by a document specific to such Tranche called a pricing supplement (the “Pricing Supplement”). This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement. This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

This Offering Circular has been prepared by the Issuer and the Company solely for use in connection with the Programme. The distribution of this Offering Circular and any Pricing Supplement and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Company, the Joint Arrangers (the Arrangers referred to in “Summary of the Programme”, each a “Joint Arranger”) and the Dealers (as defined in “Summary of the Programme”, each a “Dealer”) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including the United States, the European Economic Area, the United Kingdom, the People’s Republic of China, the British Virgin Islands, Hong Kong, Japan and Singapore, to persons connected therewith. For a description of certain further restrictions on offers, sales and resale of the Notes and distribution of this Offering Circular or any Pricing Supplement, see “Subscription and Sale”.

MIFID II PRODUCT GOVERNANCE/TARGET MARKET

The Pricing Supplement in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “MiFID II”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE/TARGET MARKET

The Pricing Supplement in respect of any Notes may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR product governance rules set out in FCA Handbook Product Intervention and Product Governance Sourcebook (the “UK MiFIR Product Governance Rules”) is responsible for undertaking its own target market assessment in respect of the Notes and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PRIIPS/IMPORTANT – EEA RETAIL INVESTORS

If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (“Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “Prospectus Regulation”). Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PRIIPS/IMPORTANT – UK RETAIL INVESTORS

If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to UK Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes

or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Company, the Group, the Notes or the Guarantee other than as contained herein or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Company, the Joint Arrangers, the Dealers, the Trustee or the Agents (as defined in the Conditions). Neither the delivery of this Offering Circular or any Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Company, the Group or any of them since the date hereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or create any implication that the information contained herein is correct as of any date subsequent to the date hereof or, as the case may be, the date upon which this Offering Circular has been most recently amended or supplemented, or that any information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer of, or an invitation by or on behalf of the Issuer, the Company, the Joint Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls any of them and their respective advisers) to subscribe for or purchase any of the Notes 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. The Issuer has submitted and will submit this Offering Circular confidentially to a limited number of institutional investors so that they can consider a purchase of the Notes. Neither the Issuer nor the Company has authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular, each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Joint Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls any of them and their respective advisers) as to the accuracy, completeness or sufficiency of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer or the Company in connection with the Programme, the Issuer, the Group, the Notes or the Guarantee and nothing contained or incorporated in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls any of them and their respective advisers). None of the Joint Arrangers, the Dealers, the Trustee and the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls any of them and their respective advisers) has independently verified any of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer or the Company in connection with the Programme, the Issuer, the Group, the Notes or the Guarantee and can give any assurance that such information is accurate, truthful or complete. Neither this Offering Circular nor any other information supplied in connection with the Programme or any Note is intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Company, the Joint Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls

any of them and their respective advisers) that any recipient of this Offering Circular should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular, the other information supplied in connection with the Programme, the Issuer, the Group, the Guarantee or any Notes and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

THE NOTES AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY OTHER PLACE. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS SUCH TERMS ARE DEFINED UNDER REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. UNLESS AN AMENDMENT OR SUPPLEMENT TO THE OFFERING CIRCULAR FOR ISSUANCE OF NOTES UNDER THE PROGRAMME IN RELIANCE OF RULE 144A IS MADE AVAILABLE BY THE ISSUER AND THE COMPANY, THE NOTES MAY BE OFFERED AND SOLD ONLY TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S AND IN ACCORDANCE WITH ANY OTHER APPLICABLE LAW. BEARER NOTES ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR ITS POSSESSIONS OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF NOTES AND DISTRIBUTION OF THIS OFFERING CIRCULAR SEE “SUBSCRIPTION AND SALE” AND “TRANSFER RESTRICTIONS”.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UP ON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (OR ANY PERSON(S) ACTING FOR IT) (THE “STABILISING MANAGER(S)”) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED TIME. ANY STABILISATION ACTION OR OVERALLOTMENT MUST BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor’s particular circumstances) of an investment in the Notes of a particular issue. Each potential purchaser of the Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of the Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this

Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in an issue of the Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Each person receiving this Offering Circular acknowledges that such person has not relied on any Joint Arranger, any Dealer, the Trustee or any Agent or any person affiliated with any Joint Arranger, any Dealer, the Trustee or any Agent 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 Arrangers, the Dealers, the Trustee and the Agents accept any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by the Joint Arrangers, the Dealers, the Trustee or the Agents or on its or their behalf in connection with the Issuer, the Company, the Group, the Programme, the issue and offering of the Notes or the Guarantee. Each of the Joint Arrangers, the Dealers, the Trustee and the Agents 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.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the purpose of giving information with regard to the Issuer, the Guarantor and the Group. The Issuer, the Guarantor and the Group accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Listing of the Programme on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Company or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Company 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 Notes.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

Unless otherwise specified or the context requires, all references herein to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China, to “**China**” or the “**PRC**” are to the People’s Republic of China and for the purpose of this Offering Circular only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan and to “**U.S.**” are to the United States of America; all references to “**U.S. dollars**”, “**USD**” or “**US\$**” are to the lawful currency of the United States of America, to “**Renminbi**” or “**RMB**” are to the lawful currency of the PRC, to “**Sterling**”, “**sterling**” or “**£**” are to the lawful currency of the United Kingdom, to “**euro**”, “**EUR**” or “**C**” are to the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community and to “**Hong Kong dollars**”, “**HKD**” or “**HK\$**” are to the lawful currency of Hong Kong, as amended from time to time.

In this Offering Circular, unless otherwise specified, references to:

- the “**Issuer**” is to State Grid Overseas Investment (BVI) Limited (国家电网海外投资(BVI)有限公司) (formerly known as State Grid Overseas Investment (2016) Limited 国家电网海外投资(2016)有限公司);
- the “**Company**” is to State Grid Corporation of China;
- the “**Group**” are to the Company and its subsidiaries;
- a “**business day**” is a day that is not Saturday, Sunday or a public holiday in Mainland China and Hong Kong; and
- the terms “**associate**”, “**subsidiary**” and “**substantial shareholder**” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

In this Offering Circular, where information has been presented in thousands or millions of units, or as percentages, 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.

Solely for the sake of convenience, this Offering Circular contains translations of certain RMB and HK\$ amounts into US\$ amounts. Unless indicated otherwise, the translation of RMB and HK\$ amounts into US\$ amounts has been made at the rate of RMB6.5250 to US\$1.00 and HK\$7.7534 to US\$1.00, respectively, the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on December 31, 2020. These translations should not be construed as representations that the RMB or HK\$ amounts could actually be converted into any U.S. dollar amounts at the rates indicated or at all.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Company, the Joint Arrangers, the other Dealers, the Trustee, the Agents or their respective directors and advisors, and none of the Issuer, the Company, the Joint Arrangers, the other Dealers, the Trustee, the Agents and their respective directors and advisors make any representation as to the accuracy or completeness of that information. Such information may not be

consistent with other information compiled within or outside the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

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

Unless the context otherwise requires, references to “2018”, “2019” and “2020” in this Offering Circular are to the financial years ended December 31, 2018, 2019 and 2020, respectively.

ENFORCEABILITY OF FOREIGN JUDGMENTS AND CIVIL LIABILITIES

The Company is a limited liability company incorporated in the PRC. Most of its assets are located in the PRC. In addition, all of the Company's officers and senior management are residents of the PRC, where substantially all of their assets may be located. As a result, it may be difficult for investors to effect service of process upon us or such persons, or to enforce against the Company or such persons judgments obtained in courts or arbitral tribunals outside the PRC, including judgments predicated upon the civil liability provisions of the U.S. federal or state securities laws.

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view towards developing a comprehensive system of commercial law. In particular, legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investment in the PRC. Where adequate law exists in the PRC, the enforcement of existing laws or contracts based on existing laws may be nevertheless uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, the PRC legal system is based on written statutes and their interpretations, and prior court decisions may be referenced but carry limited weight as precedents.

The Company has been advised by its PRC legal counsel, King & Wood Mallesons, that there is uncertainty as to whether the courts of the PRC would:

- enforce judgments of the U.S. courts obtained against the Company or its directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States, or upon any other basis, as the PRC does not have treaties for the reciprocal enforcement of judgments with the United States; or
- entertain original actions brought in the courts of the PRC, against the Company or its officers and senior management predicated solely upon the federal securities laws of the United States or the securities laws of any state or territory within the United States.

King & Wood Mallesons has further advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between the PRC and the country where the judgment is made or on reciprocity between jurisdictions. The PRC does not have any treaties or other agreements that provide for the reciprocal recognition and enforcement of foreign judgments with the United States. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against the Company or its directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest.

Therefore, it is uncertain whether a PRC court would enforce a judgment rendered by a court in the United States.

The Issuer has been advised by Conyers Dill & Pearman, its British Virgin Islands legal advisors, that the courts of the British Virgin Islands would recognise as a valid judgment, a final and conclusive judgment *in personam* obtained in the Hong Kong courts against the Issuer under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the British Virgin Islands, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the British Virgin Islands, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the British Virgin Islands and (f) there is due compliance with the correct procedures under the laws of the British Virgin Islands.

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Circular are not historical facts and are “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. This Offering Circular may contain words such as “believe,” “could,” “may,” “will,” “target,” “estimate,” “project,” “predict,” “forecast,” “guideline,” “should,” “plan,” “expect” and “anticipate” and similar expressions that are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements. Particularly, statements under the captions “Summary,” and “Business” relating to the following matters may include forward-looking statements:

- the anticipated demand for power transmission and distribution and electric power in general,
- projections of capital expenditures in general and other financial items,
- possible changes to on-grid tariffs and electricity sale prices,
- expected sales volume and generation of future receivables,
- government support and potential regulatory developments,
- the expected results of power grid operating activities and related capital expenditures and investments, and
- environmental compliance and remediation.

Such statements are subject to various risks and uncertainties, including, but not limited to:

- changes in global political, economic and social conditions,
- changes in economic and political conditions and increases in regulatory burdens in the PRC and other countries in which the Company operate, transact business or have interests,
- accidents and natural disasters,
- changes in levies or taxes, either in international markets or in the PRC,
- changes in laws, regulations, taxation or accounting standards or practices,
- currency, interest rate, price and credit risks,
- changes in tariffs, electricity sale prices or demand for electricity, both in the PRC and in international markets, as a result of competitive actions or economic factors, such as inflation or exchange rate fluctuations,
- the risks of the increasing expenditures and investments,
- uncertainty of technological change,
- the technical limitations of the Company’s operation of power transmission and distribution,
- the ability of third parties to perform in accordance with contractual terms and specifications,
- acquisitions or divestitures,
- potential disputes with international and domestic joint venture partners, and

- other factors, including those discussed in “Risk Factors”.

Forward-looking statements involve inherent risks and uncertainties. Should one or more of these or other uncertainties or risks materialize, actual results may vary materially from those estimated, anticipated or projected. Although the Company believes that the expectations of its management as reflected by such forward-looking statements are reasonable based on information currently available to it, no assurances can be given that such expectations will prove to have been correct. Accordingly, you are cautioned not to place undue reliance on the forward-looking statements and neither the Issuer nor the Company undertakes any obligation to update or revise any of them, whether as a result of new information, future developments or otherwise.

PRESENTATION OF FINANCIAL INFORMATION

The Company's consolidated income statement and balance sheet data for the years ended and as of December 31, 2018, 2019 and 2020 have been extracted from the consolidated financial statements audited by ShineWing Certified Public Accountants LLP ("**ShineWing**") and included elsewhere in this Offering Circular. Such financial statements are prepared in accordance with the Basic Standard of Accounting Standards for Business Enterprises issued and modified by the Ministry of Finance of the PRC by its Order 33 and Order 76, respectively, and the 42 specific accounting standards issued on or after February 15, 2006 (as subsequently modified), Application Guidance of Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other regulations ("**PRC GAAP**"). PRC GAAP differs in certain material respects from U.S. GAAP. For a discussion of certain differences between PRC GAAP and U.S. GAAP, see "Description of Certain Differences Between PRC GAAP and U.S. GAAP".

In preparing the Company's audited consolidated financial statements for the years ended and as of December 31, 2018, 2019 and 2020, ShineWing has made certain adjustments to the Company's audited consolidated financial statements for the years ended and as of December 31, 2018 (the "**2018 Report**") and 2019 (the "**2019 Report**"). As a result of such adjustments, the Company's consolidated total assets increased by 0.99%, consolidated total liabilities increased by 0.49%, and consolidated total equity increased by 1.62%, as of December 31, 2019, and its consolidated net income for the year ended December 31, 2019 increased by 1.95%, as compared with the same line items contained in the 2018 Report. Also as a result of such adjustments, the Company's consolidated total assets increased by 0.86%, consolidated total liabilities increased by 0.48%, and consolidated total equity increased by 1.36%, as of December 31, 2019, and its consolidated net income for the year ended December 31, 2018 increased by 5.99%, as compared with the same line items contained in the 2018 Report. The adjustments are mainly because the central and local governments issued certain policies after the issuance of the 2019 Report, which requires retrospective adjustments regarding certain transactions and events, or retrospective adjustments in respect of certain newly consolidated entities. It is possible that similar adjustments will be made to our historical financial statements when new auditor's reports are issued in the future.

Certain amounts and percentages included in this Offering Circular have been rounded. Accordingly, in certain instances, the sum of the numbers in a column may not exactly equal the total figure for that column.

DOCUMENTS INCORPORATED BY REFERENCE

Each of the Issuer and the Company hereby incorporates by reference (i) each Pricing Supplement, (ii) the most recently published audited consolidated annual financial statements of the Company published from time to time after the date of this Offering Circular in each case in English and together with any audit or review reports prepared in connection therewith, and (iii) all amendments and supplements from time to time to this Offering Circular, each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with the contents of this Offering Circular.

Any documents incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the registered office of the Issuer set out at the end of this Offering Circular and the principal office of the Trustee specified below.

SUPPLEMENT TO THE OFFERING CIRCULAR

Each of the Issuer and the Company has given an undertaking to the Arrangers and the Dealers that if it has notified the Arrangers or the Dealers in writing that it intends to issue Notes under the Programme for the time being, and if a significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in the Offering Circular which is capable of affecting an assessment by investors of the assets and liabilities, financial condition, profits and losses, and prospects of the Issuer and/or of the rights attaching to the Notes, it shall (i) prepare and publish an amendment or supplement to the Offering Circular, (ii) advise the Arrangers and the Dealers promptly of any proposal to amend or replace the Offering Circular, (iii) advise the Arrangers and Dealers promptly of any proposal to supplement the Offering Circular and (iv) provide the Arrangers and the Dealers with a copy of any such proposed amendment, supplement or replacement immediately prior to its publication.

AVAILABLE INFORMATION

The Issuer and the Company have agreed that, for so long as any Notes are “restricted securities” as defined in Rule 144(a)(3) under the Securities Act, the Issuer and the Company will during any period that they are neither subject to section 13 or 15(d) of the United States Securities and Exchange Act of 1934 (the “**Exchange Act**”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder furnish, upon request, to any holder or beneficial owner of such restricted securities or any prospective purchaser designated by any such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

DEFINITIONS AND CONVENTIONS

In this Offering Circular, unless the context otherwise requires, the following expressions shall have the following meanings. Certain technical terms are explained in “Glossary of Technical Terms” in this Offering Circular.

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| “BVI” | British Virgin Islands |
| “CAGR” | compound average growth rate |
| “central China” | central part of China, which includes Hubei, Hunan, Henan, Sichuan, Chongqing and Jiangxi provinces |
| “China” or “PRC” | the People’s Republic of China, and for the sole purpose of this Offering Circular and by reference to region, excluding Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong |
| “China Southern Power Grid” | China Southern Power Grid Co., Ltd., a PRC state-owned enterprise |
| “Company”, “we”, “our” and “us” | State Grid Corporation of China, a PRC wholly state-owned limited liability company (unless the context indicate otherwise, including the subsidiaries of the Company) |
| “east China” | eastern part of China, which includes Shanghai, Jiangsu, Zhejiang, Anhui and Fujian provinces |
| “Euronext Dublin” | The Irish Stock Exchange plc trading as Euronext Dublin |
| “GDP” | gross domestic product |
| “Group” | State Grid Corporation of China and its subsidiaries |
| “HK\$” or “Hong Kong Dollar” | the official currency of Hong Kong |
| “HKSE” | The Stock Exchange of Hong Kong Limited |
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “IMF” | the International Monetary Fund |
| “Issuer” | State Grid Overseas Investment (BVI) Limited (国家电网海外投资(BVI)有限公司), a company with limited liability incorporated in the BVI |
| “MOF” | Ministry of Finance of the PRC |
| “NAO” | the National Audit Office of the PRC |
| “NDRC” | National Development and Reform Commission of the PRC |
| “NEA” | National Energy Administration of the PRC |

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| “north China” | northern part of China, which includes Beijing, Tianjin, Hebei, Shanxi and Shandong provinces |
| “northeast China” | northeastern part of China, which includes Liaoning, Jilin, Heilongjiang provinces and east Inner Mongolia |
| “northwest China” | northwestern part of China, which includes Shaanxi, Ningxia, Gansu, Qinghai, Xinjiang and Tibet provinces |
| “PBOC” | the People’s Bank of China, the central bank of the PRC |
| “provinces” | provinces and to provincial-level autonomous regions and municipalities in China which are directly under the supervision of the central PRC government |
| “RMB” or “Renminbi” | the official currency of the PRC |
| “Rules on Cross Border Guarantees” | the Provisions on the Foreign Exchange Administration of Cross-border Guarantees and the Operating Guidelines for the Foreign Exchange Administration of Cross-border Guarantees promulgated by the SAFE on May 12, 2014 |
| “SAFE” | the State Administration of Foreign Exchange of the PRC |
| “SASAC” | State-owned Assets Supervision and Administration Commission of the State Council |
| “SAT” | State Administration of Taxation of the PRC |
| “SOE(s)” | state-owned enterprise(s) |
| “State Council” | State Council of the PRC |
| “US\$” or “U.S. dollars” | the official currency of the United States of America |
| “%” | per cent. |

GLOSSARY OF TECHNICAL TERMS

| | |
|----------------------|---|
| “AC” | alternating current |
| “DC” | direct current |
| “electricity prices” | on-grid tariffs, electricity sale prices and transmission and distribution tariffs |
| “EPC” | a business model in which the contractor is responsible for the engineering, procurement and construction of a project |
| “GIL” | Gas-insulated Metal-enclosed Transmission Line, which uses gas for insulation, improving transmission capacity, reducing losses, enhancing reliability and reducing volume |
| “GVA” | gigavolt-ampere, a unit of power. 1 GVA = 1,000 MVA |
| “GW” | gigawatt, a unit of power. 1 GW = 1,000 MW |
| “installed capacity” | the rated output of power generating units, usually denominated in MW |
| “km” | kilometer, a unit of length. 1 km = 1,000 m |
| “kV” | kilovolt, a unit of voltage. 1 kV = 1,000 volts |
| “kWh” | kilowatt-hour, a unit of energy. The standard unit of energy used in the electric power industry. One kilowatt hour is the amount of energy that would be produced by a power generator producing one thousand watts for one hour |
| “MVA” | megavolt-ampere, a unit of power. The capacity of a transmission line is generally expressed in MVA |
| “MW” | megawatt, a unit of power. 1 MW = 1,000 kilowatt. The capacity of a power project is generally expressed in MW |
| “smart grid” | generally used in the power industry to refer to a new type of power grid based on an integrated, high-speed two-way communication network, which is expected to lead to improvements in the reliability, compatibility, safety and efficiency of the power grids and cost reduction through the application of advanced sensor and measurement technologies, equipment technologies, control methods and decision-making support systems |
| “TWh” | terawatt-hour, a unit of energy. 1 TWh = 1 billion kWh |
| “UHV” | ultra-high voltage, 1,000 kV AC or \pm 800 kV DC or above |

SUMMARY

THE COMPANY

As of the end of 2020, we are the largest utility corporation in the world in terms of total assets having considerable competitive advantage within the power transmission, power distribution and power sale industries in China. We are principally engaged in power transmission, power distribution and power sale operator within our service area in China, which covers 26 provinces, autonomous regions and centrally managed municipalities, reaches more than 88% of the national territory and serves a population of over 1.1 billion, including six branches, 27 provincial companies and second tier city and county level companies. The scale of the power grid has nearly doubled since 2010, fulfilling the demands for energy and electricity to support economic and social development. In 2020, within SGCC's service area, the maximum power load achieved 884GW. We have built a power grid network that has the world's largest transmission and distribution capacity and highest voltage level, and have maintained a long-term record of safe and stable operation. We ranked seventh for five consecutive years from 2011 to 2015, second for three consecutive years from 2016 to 2018, fifth in 2019, third in 2020 and second in 2021 in the "Fortune Global 500". We generated revenue of RMB2,667,668 million in 2020, accounting for three per cent. of China National GDP. As the world's largest utility corporation and the largest electricity power corporation in China, we bear important responsibilities of implementing China's energy strategy and safeguarding China's energy security and power supply.

We were established in December 2002 as a state-owned enterprise directly managed by the SASAC. In 2020, we were awarded "Grade A in SOEs' Annual Performance Review" by the SASAC, the highest ranking in such review, for 17 consecutive years. We have been assigned China's national sovereign level credit ratings by the three major international rating agencies ("A+" by S&P, "A1" by Moody's and "A+" by Fitch), which are the highest among Chinese enterprises and also the highest among global power companies, for nine consecutive years. In addition, we ranked 1st among "China's 500 Most Valuable Brands" for six consecutive years, which serves as a testament to our position as an innovative enterprise with industry-leading edge and international influence.

We believe our large-scale operation enables us to optimally allocate resources and to invest in the development and application of key technologies, which allow us to further stabilize our operation and enhance our ability to respond to any single policy changes and regional natural disasters. We promote coordination and prioritization of clean energy in China. In 2020, we achieved an average comprehensive utilization of 2,585 hours for pumped-storage units connected to our grid used for optimizing the large-scale hydropower absorption and peak regulation.

We believe we are in a world-leading position in terms of power technology research and development. We have expertise in the relevant core technologies and acquired the relevant equipment manufacturing capabilities in the fields of ultra-high voltage transmission and smart grid technology through our independent innovation and the construction and operation of demonstration projects. As of the date of this Offering Circular, our UHV AC and DC demonstrative projects have recorded safe and stable operations of more than ten years, respectively, with substantial verification of the safety, economy and environmental friendliness of UHV power transmission technology. Our power grid operations extend outside China to countries such as the Philippines, Brazil, Portugal, Italy, Australia, Greece, Oman and Chile.

We have established a corporate governance structure which comprises the board of directors and the senior management. According to this structure: (i) our board of directors comprises eight directors; and (ii) our senior management comprises six persons. As of December 31, 2020, we had 65 directly owned and managed subsidiaries, of which 27 were engaged in the power grid business; 30 were engaged in electric technology research and development, electric power equipment manufacturing and overseas businesses related to power grids; and eight were engaged in financial businesses.

As of December 31, 2020, our power transmission lines of 110(66) kV and above had reached a total length of 1,151,853 km, our power transformation (commutation) equipment of 110(66) kV and above had reached an aggregate capacity of 5,289.31 GVA/GW, and our grid-integrated generation capacity was approximately 1,704.78 GW. For the year 2020, our inter-provincial power transaction volume had reached 1,157.7 TWh. As of the end of 2020, the installed capacity of renewable energy power generation had reached 705GW, representing 41 per cent. of the total installed capacity of power generation within our service area, achieving the 1st rank in the world. Among that, grid-integrated clean energy reached 472GW.

For the three years ended December 31, 2018, 2019 and 2020, we sold 4,236TWh, 4,454TWh and 4,578TWh of electricity, respectively. For the same periods, we recorded revenue of RMB2,567,857 million, RMB2,665,983 million and RMB2,667,668 million, respectively, and net income of RMB61,735 million, RMB59,059 million and RMB42,021 million, respectively.

THE ISSUER

The Issuer was incorporated with limited liability on April 15, 2016 in the British Virgin Islands under the BVI Business Companies Act, 2004. Its registration number is 1911506. Its registered office is located at Vistra Corporate Services Center, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The telephone number of the Issuer is +852-2511-6390. The Issuer is wholly owned by us through our wholly owned subsidiary, State Grid Overseas Investment Limited, a company incorporated with limited liability in Hong Kong.

For so long as the Notes are outstanding, the Issuer will conduct no business or any other activities other than to finance the business operations of the Guarantor or one or more companies controlled by the Guarantor through the offering, sale or issuance of securities and borrowings of indebtedness and investing in or lending the proceeds thereof to the Guarantor or a company controlled by the Guarantor, and any other activities in connection therewith.

On June 25, 2021, the Issuer changed its name from State Grid Overseas Investments (2016) Limited (国家电网海外投资(2016)有限公司) to State Grid Overseas Investments (BVI) Limited (国家电网海外投资(BVI)有限公司).

OUR STRENGTHS

We believe our key strengths include:

- We are the largest utility corporation in the world and have a dominant presence in China's power transmission, distribution and sale sectors.
- Our future development is driven by the growing PRC economy and increasing power demand in China.
- We receive policy support from the PRC government.
- We are an innovative enterprise with world-leading power grid technology and have developed and implemented advanced technologies such as world-leading UHV and smart grid technology while maintaining an excellent safety record.
- We are an international power transmission and distribution enterprise with overseas power transmission and distribution regulated assets of excellent quality.
- We have a management team with extensive industry experience and highly qualified employees.

- We practice the concept of green development.
- We maintain diversified financing channels and a strong financing capability.

BUSINESS STRATEGIES

In 2020, we established our corporate strategic goal to build a world-class energy internet enterprise with Chinese characteristics. Fundamentally, we will (1) “operate with Chinese traditional values” and (2) continue our aim of becoming “world-leading” in six fields, including management, corporate governance, green development, service quality and brand value, (3) with “an interconnected energy system” including energy grid system, information support system and value creation system as our ultimate goal. These three leading principles highlight corporate social responsibility and serve as the beacons to guide our future development. We have eight major strategic projects internally focusing on team corporation, corporate governance, grid upgrading, technology innovation, business improvement, service excellence, international cooperation and corporate ecosystem. Our strategic goal is to basically build an international leading energy internet company with Chinese characteristics by 2025 and to build an internationally leading energy internet company with Chinese characteristics in all respects by 2035.

RECENT DEVELOPMENT

We have published our 2021 first quarter financial statements.

The Group has published its unaudited and unreviewed interim consolidated financial statements as at and for the three months ended March 31, 2021 (“**2021 First Quarter Financial Information**”), which was prepared according to PRC GAAP. Such financial information has only been prepared in Chinese and is available on the website China Foreign Exchange Trades System at <http://www.chinamoney.com.cn>.

The Group’s 2021 First Quarter Financial Information is not included in and does not form a part of this Offering Circular. The 2021 First Quarter Financial Information has not been audited or reviewed by the Group’s independent accountants, or any other independent accountants and may be subject to adjustments if audited and reviewed. Consequently, none of the Joint Lead Managers, the Trustee or any Agent (or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them) makes any representation or warranty, express or implied, regarding the accuracy of such financial statements or their sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate the Information’s financial condition, results of operations and results.

For the three months ended March 31, 2021, our revenue, operating profit, net income and net cash flow from operating activities have increased compared with the same period of the previous year, primarily as a result of the withdrawal of the national phased price reduction policy, the improvement in the epidemic situation within the PRC and the acceleration in macroeconomic recovery. The group’s sales in the first quarter increased compared with the same period in the previous year, and its profitability recovered significantly.

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Phrases used in this summary and not otherwise defined shall have the meanings given to them in the Conditions.

The Issuer State Grid Overseas Investment (BVI) Limited (国家电网海外投资(BVI)有限公司).

Guarantor State Grid Corporation of China.

Description Guaranteed Medium Term Note Programme.

Size Up to US\$15,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.

Arrangers ICBC International Securities Limited, Bank of China Limited, BOCI Asia Limited, Citigroup Global Markets Limited, Morgan Stanley & Co., International plc, DBS Bank Ltd. and Mizuho Securities Asia Limited.

Dealers ICBC International Securities Limited, Bank of China Limited, BOCI Asia Limited, Citigroup Global Markets Limited, Morgan Stanley & Co., International plc, DBS Bank Ltd. and Mizuho Securities Asia Limited.

The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to “**Permanent Dealers**” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to “**Dealers**” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

The Guarantee On each Issue Date, the Notes being issued on that date will have the benefit of a Deed of Guarantee provided by the Guarantor. Pursuant to each Deed of Guarantee, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the relevant Notes and if any, the Receipts and Coupons relating to them, and the Trust Deed, as further described in Condition 3(b) of the Conditions.

The Guarantor undertakes that it will register or cause to be registered with SAFE each Deed of Guarantee in accordance with, and within the time period prescribed by, the Foreign Exchange Administration Rules on Cross-border Security (“Cross-border Security Registration”), so long as such rules are still in effect, use its best endeavours to complete the Cross-border Security Registration and obtain a registration record from SAFE on or before the Registration Deadline and comply with all applicable PRC laws and regulations in relation to the Guarantee.

Certain Restrictions

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “Subscription and Sale”) including the following restriction applicable at the date of this Offering Circular. Further restrictions may apply in connection with any particular Series or Tranches of Notes.

Trustee

The Bank of New York Mellon, London Branch.

Issuing and Paying Agent

The Bank of New York Mellon, London Branch.

**CMU Lodging and Paying Agent,
Registrar and Transfer Agent
(in respect of CMU Notes)**

The Bank of New York Mellon, Hong Kong Branch.

Calculation Agent

The Bank of New York Mellon, London Branch.

**Registrar and Transfer Agent
(in respect of ICSD Notes)**

The Bank of New York Mellon SA/NV, Luxembourg Branch.

**DTC Paying Agent, Registrar
and Transfer Agent
(in respect of DTC Notes)**

The Bank of New York Mellon.

Method of Issue

The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “**Series**”) having one or more issue dates (each tranche within such Series, a “**Tranche**”) and on terms otherwise identical (or identical other than in respect of the first payment of interest and/or the issue price), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in Tranches on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the Pricing Supplement.

Issue Price

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes (as defined in the Conditions) may be issued, the issue price of which will be payable in two or more instalments.

Form of Notes

The Notes will be issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”). Registered Notes will not be exchangeable for Bearer Notes and vice versa.

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a common depositary or sub-custodian for Euroclear, Clearstream, Luxembourg and/or as the case may be, the CMU and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If TEFRA D is specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Registered Notes will be represented by registered Certificates; one definitive Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Registered Notes sold to non-U.S. persons in an “offshore transaction” within the meaning of Regulation S will initially be represented by an Unrestricted Global Certificate. Registered Notes sold in the United States to QIBs within the meaning of Rule 144A will initially be represented by a Restricted Global Certificate.

Clearing Systems

Clearstream, Luxembourg, Euroclear and the CMU for bearer notes, Clearstream, Luxembourg, Euroclear, the CMU and DTC for Registered Notes and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealers.

Initial Delivery of Notes

On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depository for Euroclear and Clearstream, Luxembourg, deposited with a sub-custodian for the Hong Kong Monetary Authority (the “HKMA”) as operator of the CMU, or deposited with the Custodian for, and registered in the name of Cede & Co. as a nominee for DTC or deposited with a depository or sub-custodian for any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Trustee, the Issuing and Paying Agent and the relevant Dealers. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.

Currencies

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.

Maturities

Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer and the relevant Dealers.

Specified Denomination

Notes will be in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Pricing Supplement.

Interest

Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Tranche. All such information will be set out in the relevant Pricing Supplement.

Fixed Rate Notes

Fixed interest will be payable in arrear on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s).

Floating Rate Notes

Floating Rate Notes will bear interest determined separately for each Series as follows:

- on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as of the Issue Date of the first Tranche of the Notes of the relevant Series); or

- by reference to LIBOR, EURIBOR, CNH HIBOR or HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or
- on such other basis as may be agreed between the Issuer and the relevant Dealer(s). Interest periods will be specified in the relevant Pricing Supplement.

Zero Coupon Notes

Zero Coupon Notes (as defined in the Conditions) may be issued at their nominal amount or at a discount to it and will not bear interest.

Dual Currency Notes

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in the Conditions) will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree and as may be specified in the relevant Pricing Supplement.

Interest Periods and Interest Rates

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Redemption and Redemption Amounts

The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or a Relevant Event or following an Event of Default as defined in the Conditions) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s). The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.

Optional Redemption

Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders to the extent (if at all) specified in the relevant Pricing Supplement.

Redemption for a Relevant Event

The terms of the Notes will contain a provision for the early redemption of the Notes at the option of the holders thereof upon the occurrence of a Relevant Event as further described in Condition 6(e) of the Conditions.

Redemption for Taxation Reasons Notes may be redeemable at the Issuer's option prior to maturity for tax reasons as further described in Condition 6(c) of the Conditions.

Status of the Notes The Notes will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) of the Conditions) unsecured obligations of the Issuer and will rank *pari passu* without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Conditions, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

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

Certain Covenants The Issuer and the Guarantor have covenanted in the Conditions, with certain exceptions, not to incur certain liens or consolidate, merge or sell their respective assets substantially as an entirety unless certain conditions are satisfied. See Condition 4 of the Conditions. The Notes and the Conditions do not otherwise restrict or limit the Guarantor's ability to incur additional indebtedness by itself or its subsidiaries or its ability to enter into transactions with, or to pay dividends or make other payments to, affiliates.

Events of Default The Conditions will contain events of default provisions, including a cross-default provision, as described in Condition 10 of the Conditions.

Taxation All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Relevant Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or the Guarantor, as the case may be, shall (except in certain circumstances as set out in Condition 8 of the Conditions) pay such additional amounts as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required.

Ratings

The Programme is expected to be rated “A1” by Moody’s and “A+” by Fitch. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement and will not necessarily be the same as the ratings assigned to the Programme. In addition, the Guarantor has been assigned a corporate rating of “A+” by S&P, “A1” by Moody’s and “A+” by Fitch. These ratings are only correct as of the date of this Offering Circular. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Each of S&P, Moody’s and Fitch is a licensed corporation under the SFO to conduct type 10 (providing credit rating services) regulated activities as defined under the SFO.

Governing Law

The Notes, the Trust Deed, the Agency Agreement, the Deed of Guarantee and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law. The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Trust Deed, the Agency Agreement and the Deed of Guarantee.

Listing

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. Separate application may be made for the listing of the Notes on the Hong Kong Stock Exchange.

However, unlisted Notes and Notes to be listed on the Hong Kong Stock Exchange or to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or listed, traded or quoted on or by any other competent authority, stock exchange or quotation system. Notes to be listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK\$500,000 (or its equivalent in other currencies).

Selling Restrictions

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the European Economic Area, the United Kingdom, Hong Kong, Singapore, the PRC, Japan and the British Virgin Islands, see “Subscription and Sale” below.

Bearer Notes will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”)) (“TEFRA D”), unless (i) such Bearer Notes are issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (“TEFRA C”) or (ii) the Bearer Notes are issued in circumstances under which TEFRA is not applicable as set forth in the applicable terms for such Bearer Notes.

Transfer Restrictions

There are restrictions on the transfer of Notes sold pursuant to Regulation S under the Securities Act prior to the expiration of the relevant distribution compliance period and on the transfer of Registered Notes sold pursuant to Rule 144A under the Securities Act. See “Transfer Restrictions”.

**Issuer’s Legal Entity Identifier
(LEI) Code**

3003006V8BHG5158QO96

SUMMARY FINANCIAL INFORMATION

The following summary historical consolidated income statement data for the years ended December 31, 2018, 2019 and 2020 and summary historical consolidated balance sheet data as of December 31, 2018, 2019 and 2020 have been derived from our audited consolidated financial statements included elsewhere in this Offering Circular, which has been audited by ShineWing Certified Public Accountants LLP.

You should read the summary financial information below in conjunction with our consolidated financial statements and related notes and the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Offering Circular. Our consolidated financial statements are prepared and presented in accordance with PRC GAAP. PRC GAAP differs in certain respects from U.S. GAAP. See “Description of Certain Differences between PRC GAAP and U.S. GAAP.” Our historical results do not necessarily indicate results expected for any future period.

CONSOLIDATED INCOME STATEMENT DATA

| | Year Ended December 31, | | | |
|---|-------------------------|-------------|-------------|-----------|
| | 2018 | 2019 | 2020 | |
| | RMB | RMB | RMB | US\$ |
| | (in millions) | | | |
| Revenue | 2,567,857 | 2,665,983 | 2,667,668 | 408,838 |
| Operating costs | (2,375,708) | (2,446,326) | (2,479,341) | (379,976) |
| Taxes and surcharges | (45,321) | (43,121) | (32,920) | (5,045) |
| Sales expenses | (9,789) | (10,141) | (8,585) | (1,316) |
| General and administrative expenses | (13,309) | (52,624) | (48,153) | (7,380) |
| Research and Development expenses | (9,959) | (14,099) | (16,704) | (2,560) |
| Financial expenses | (28,821) | (25,661) | (21,792) | (3,340) |
| Losses incurred from impairment of assets . . . | (9,931) | (3,373) | (3,642) | (558) |
| Gains (losses) from changes in fair value | (3) | 243 | (324) | (50) |
| Investment income/(losses) | 19,257 | 19,663 | 19,602 | 3,004 |
| Exchange gains | 22 | 2 | (32) | (5) |
| Gains (losses) from disposal of assets | (41) | 21 | 337 | 52 |
| Operating Profit | 85,910 | 77,292 | 56,629 | 8,679 |
| Non-operating income | 5,586 | 6,823 | 8,528 | 1,307 |
| Non-operating expense | (6,435) | (5,584) | (6,036) | (925) |
| Total Profit | 85,061 | 78,531 | 59,121 | 9,061 |
| Income tax expenses | (23,326) | (19,472) | (17,100) | (2,621) |
| Net profit | 61,735 | 59,059 | 42,021 | 6,440 |
| Net Profit attributable to parent company | 59,306 | 56,181 | 38,505 | 5,901 |
| Minority interest | 2,429 | 2,878 | 3,516 | 539 |

CONSOLIDATED BALANCE SHEET DATA

| | As of December 31 | | | |
|--|-------------------|------------------|------------------|----------------|
| | 2018 | 2019 | 2020 | |
| | RMB | RMB | RMB | US\$ |
| | (in millions) | | | |
| Total current assets | 442,095 | 463,899 | 432,349 | 66,260 |
| Total non-current assets | 3,541,250 | 3,732,909 | 3,913,878 | 599,828 |
| Total assets | <u>3,983,345</u> | <u>4,196,809</u> | <u>4,346,228</u> | <u>666,089</u> |
| Total current liabilities | 1,511,846 | 1,632,946 | 1,796,044 | 275,256 |
| Total non-current liabilities | <u>736,056</u> | <u>720,550</u> | <u>649,997</u> | <u>99,616</u> |
| Total liabilities | <u>2,247,902</u> | <u>2,353,496</u> | <u>2,446,040</u> | <u>374,872</u> |
| Total owners' equity attributable to the equity owners of the company | 1,681,881 | 1,779,097 | 1,822,909 | 279,373 |
| Minority interest | <u>53,562</u> | <u>64,215</u> | <u>77,278</u> | <u>11,843</u> |
| Total owners' equity | <u>1,735,443</u> | <u>1,843,312</u> | <u>1,900,187</u> | <u>291,216</u> |
| Total liabilities and owners' equity | <u>3,983,345</u> | <u>4,196,809</u> | <u>4,346,228</u> | <u>666,089</u> |

OTHER FINANCIAL DATA

| | As of and for the Year Ended December 31, | | |
|---|---|---------|---------|
| | 2018 | 2019 | 2020 |
| EBITDA ⁽¹⁾ (RMB in millions) | 414,151 | 406,401 | 386,894 |
| EBITDA ⁽¹⁾ (US\$ in millions) | 63,471 | 62,284 | 59,294 |
| EBITDA margin ⁽²⁾ | 16.1% | 15.2% | 14.5% |
| Funds from operations ⁽³⁾ (RMB in millions) | 357,927 | 357,570 | 343,127 |
| Total interest-bearing debt ⁽⁴⁾ (RMB in millions) | 769,656 | 799,738 | 890,191 |
| Net interest-bearing debt ⁽⁵⁾ (RMB in millions) | 696,211 | 727,122 | 812,087 |
| Total interest-bearing debt/EBITDA | 1.9x | 2.0x | 2.3x |
| Net interest-bearing debt/EBITDA | 1.7x | 1.8x | 2.1x |
| EBITDA/Interest ⁽⁶⁾ | 11.8x | 12.4x | 12.6x |
| Total interest-bearing debt/Total capitalization ⁽⁷⁾ | 30.7% | 30.3% | 31.9% |
| Cash/Short-term borrowings | 65.2% | 44.9% | 22.4% |
| Fund from operations/total interest-bearing debt | 46.5% | 44.7% | 38.5% |

Notes:

(1) EBITDA at any time is calculated as profit before tax, after adjusting for financial expenses, depreciation, depletion and amortization and investment income/(losses). EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Company's operating performance, solvency, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, the Company believes that investors should consider, among other things, the components of EBITDA such as sales expenses and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Company has included EBITDA because it believes that it is a useful supplement to the cash flow data as a measure of the Company's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Company's EBITDA to EBITDA presented by other companies because not all companies use the same definitions. EBITDA = total profit + financial expenses + depreciation, depletion and amortization – investment income/(losses).

(2) EBITDA margin = EBITDA/revenue.

- (3) Funds from operations = EBITDA – financial cost – income tax cost – capitalized interest cost.
- (4) Total interest-bearing debt = short-term borrowings + long-term borrowings + long-term debt due within one year + bonds payable. Total interest-bearing debt does not include payables to our subsidiaries.
- (5) Net interest-bearing debt = total interest-bearing debt – cash.
- (6) Interest = interest expenses + capitalized interests.
- (7) Total capitalization = total interest-bearing debt + total owners' equity.

RISK FACTORS

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our operations may be adversely affected by global and domestic economic conditions.

Our business, results of operations and financial condition are materially affected by economic conditions in China and globally. In times of slow economic growth and the recent outbreak of novel coronavirus COVID-19, the demand for power may slow down, or our customers may experience financial difficulties, as a result of which they may be unable to make timely payment of amounts they owe us. Accordingly, our revenues may decline, our receivables may increase or become impaired and we may be unable to maintain the growth of our operations. If economic growth slows down significantly or economic conditions deteriorate, our business, financial condition and results of operations may be adversely affected. Please see “Risk factors – risks relating to our business and industry – COVID-19 could adversely affect our business” for details.

We are subject to government regulation on various aspects of our business and operations.

Similar to electric power grid companies in other countries, we are subject to governmental regulations in various aspects of our business and operations, including the amount and quality of electricity transmission and distribution, the setting of on-grid tariffs, transmission and distribution tariffs and electricity sales prices, the construction of new transmission and distribution projects and environmental protection. Future government policies and changes in laws and regulations in China may adversely affect our business and operations. They could also affect our ability to do business in our existing and target markets and could have an adverse effect on our financial condition and results of operations.

In the future, the PRC government may continue to reform the domestic power industry through promulgation and implementation of new laws, regulations and policies. According to the Opinions on the Further Deepening of the Electric Power System Reform promulgated by the State Council and other relevant regulations, electric power pricing reform is being carried out. Government pricing in the future will be limited mainly to key public utilities, public welfare services and natural monopolies of a grid nature. Through gradual transformation, electric power transmission and distribution tariffs will be determined by the government based on the type of customers and the voltage level under the principle of “approved costs plus reasonable returns.” On-grid tariffs of electric power generation companies participating in electronic power market transactions will be determined through negotiation and market competition between end users or entities engaged in the sale of electric power on the one hand and electric power generation companies on the other. The PRC government has since promulgated a series of regulations to facilitate the transmission and distribution tariffs reform and establish a tariff system of transmission and distribution price covering the newly-added distribution grid, provincial grid, regional grid, cross-region grid and other grid levels. Through these regulations, the PRC government clarified that the aim of the transmission and distribution tariffs reform is to establish a tariff system with clear rules, reasonable tariff levels and strong supervision, which should be scientific and transparent. The PRC government emphasizes the establishment of the framework to reform and regulate operational models of power grids, encourage enterprises to improve management, reduce costs and increase efficiency, and safeguard the normal and reasonable investment, operation and maintenance of grid enterprises. As the reform continues, the government pricing authority has gradually placed and may further place regulatory pressure on adjusting the permitted yield of grid enterprises, controlling the cost of transmission and distribution, and improving the efficiency of asset management etc. The reform process creates an opportunity for refined management and innovative development, but it may also have certain impact on our business, operating performance and financial condition.

Specifically, a particularly important aspect of our business which is strictly regulated by the Chinese government is the tariff. At present, as the benchmark tariff system of the power generation side is replaced by the market-based tariff mechanism of “benchmark price + volatility”, NDRC’s focus of pricing mechanism for tariff has shifted to the transmission and distribution tariff. The previous linkage mechanism based on policy adjustment between the on-grid tariffs and the sales tariffs was gradually replaced by a scientific and independent mechanism to ratify transmission and distribution tariff, and a market-oriented pricing mechanism that promotes the formation of market-oriented tariff at both ends, that is, power generation and sale. Although it is possible for the risk of fluctuations in the difference of purchase and sale prices to be significantly reduced, and for revenue from sale of power to further stabilize, resulting in a more stable cash flow, we cannot assure you that future reforms in the PRC electric power sector will not materially and adversely affect our business, financial condition and results of operations.

Cyclical fluctuations in coal prices may adversely affect our operations.

A majority of the power plants that provide us with power generation are thermal power plants. Companies that own power plants usually have agreements with coal suppliers but, notwithstanding these agreements, there is no assurance that these companies can avoid any disruption in, unavailability of, or changes to the commercial terms of, their coal supply. Delivery disruptions could occur for a variety of reasons, including transportation bottlenecks, accidents and natural disasters. If the power generation companies upon whom we rely for our power supply experience such disruptions, then their supply of power to us would be affected, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, the coal supply business and its operating results are subject to the volatile price movements of thermal coal in the PRC market, and are dependent on factors affecting such price movements, including regional and national supply and demand of thermal coal, regulations and policies introduced by the PRC government and general economic conditions. In December 2004, the NDRC promulgated the Opinions on the Establishment of the Coal and Electricity Prices Correlation Mechanism. In 2015, the NDRC further adjusted the coal and electricity prices correlation mechanism. In October 2019, the NDRC promulgated the Guiding Opinions on Deepening the Reform of the Feed-in Tariff Formation Mechanism for Coal-fired Power Generation (the “Guiding Opinion”), establishing a “benchmark price + volatility” market-oriented pricing mechanism to replace the coal-fired benchmark tariff system, and abolished the price linkage mechanism of the coal and electricity. The Guiding Opinion was fully implemented on January 1, 2020. In the context of this policy, the previous negative impact on the transmission and distribution segment from unsynchronized adjustment between the on-grid tariff and the on-sale tariff due to the large fluctuations in the price of coal for power generation will be controlled. But for non-market electricity, large fluctuations in coal prices may still have certain adverse effects on our operating profit and profitability.

We are required to provide grid connections in order to purchase all on-grid power generated by renewable energy producers, which may lead to additional costs.

Renewable energy principally includes hydropower, wind power and solar power. For the years ended December 31, 2018, 2019 and 2020, the aggregate installed capacity of such renewable energy connected to our grid was 540.95GW, 593.93GW and 681.60GW, respectively, while the aggregate on-grid power of such renewable energy during the same periods was 1,164.6TWh, 1,285.0TWh and 1,386.2TWh, respectively.

In China, renewable energy resources such as hydropower, wind power and solar power are concentrated in the northern, north-western and south-western inland provinces, while high energy consumption areas are mainly located in the more developed eastern and south-eastern coastal regions. According to the Renewable Energy Law and the rules implemented, grid companies generally must provide grid

connection services to, and purchase all electricity generated by, renewable energy producers within their service area. In the consultation draft of the Measures for the Supervision and Management of the Guaranteed Full Purchase of Renewable Energy Electricity by the Grid Enterprises (Amendment), it was also pointed out that the grid companies shall be liable for compensation if they reject or hinder the signing of power purchase contracts and grid-connection dispatch agreements with renewable energy power generation companies without legitimate reasons. With the large-scale development of renewable energy, the continuous build-up of coordination and balance responsibility and cost responsibility in the power industry, the rapid increase in reserve cost, balance cost, transmission and distribution cost of the power system, we may face increasing pressure on grid-connected services, in which case our results of operations and profitability may be adversely affected.

Grid disturbances or failures could adversely affect our reputation.

Grid disturbances can arise when serious imbalances exist between power being delivered to and power being removed from the transmission system, or when there are failures or substandard performance of power equipment. Long-lasting or repeated disturbances could cause blackouts in affected areas, interfering with industrial production, municipal functions and other activities that depend on reliable power supply. Although we have a strong power dispatch system the operation of which is backed up by laws and regulations, employ measures such as modernized operations and maintenance, user load control and automated safety devices to avoid grid disturbances, such measures do not guarantee that disturbances will not occur. Disturbances may adversely affect our reputation as a transmission service provider, lead to decreases in revenue and potentially lead to disputes and claims for damages, which may in turn have a material and adverse effect on our financial condition and results of operations.

The construction of new transmission projects is subject to a number of contingencies, which may lead to delays and cost overruns.

We are regularly upgrading and expanding our transmission network to meet increased demand. Our transmission projects typically require substantial capital outlays and time before the commencement of commercial operations. We generally begin generating a return on our investment in the transmission project after the commencement of commercial operation, which may however be delayed due to various reasons.

Our new power grid projects are subject to prior approval from, among other regulatory authorities, the NDRC. There can be no assurance that the approval process will not be protracted or subject to more stringent regulatory standards than we may anticipate. The construction of a power grid project involves many risks, including shortages of materials, equipment or labor, accidents, adverse weather conditions, natural disasters, delays caused by unforeseeable problems in relation to geological conditions, engineering and environmental protection, and other unforeseeable problems and circumstances. Any of these factors may lead to delays and cost overruns in our projects. Delays may result in reductions to our revenue, and may cause disputes with power generation companies or customers due to our not being able to provide power grid connection services on a timely basis. In addition, any failure to complete the construction according to applicable standards may increase liabilities reduce the efficiency of the power grid constructed, increase operational costs and reduce profit. We cannot assure you that future power grid projects will be completed on time or within budget.

The third-party contractors that we engage may fail to fulfil their contractual obligations.

Many of our power grid projects are dependent on the availability of competent external contractors for equipment manufacturing and construction. We select contractors in accordance with applicable laws and regulations, and endeavor to ensure that our contractors have the necessary capabilities to carry out the relevant contracts. However, there can be no assurance that the performance of external contractors will always meet our terms and conditions or performance parameters. If the performance of contractors

fail to meet our requirements, this could result in incremental cost and time overruns which in turn could adversely affect our new projects. In addition, we may be subject to fines and other penalties due to the failure of contractors to comply with applicable laws and regulations relating to project construction. Although our contractors furnish performance guarantees for contract execution, there can be no assurance that, in the event of poor execution of contracts, we would always be able to enforce the performance guarantees from these contractors.

Further, with the continued growth of the PRC economy, power grid construction remains active, while the availability of qualified construction companies may be limited. If we are not able to engage competent contractors for our projects on a timely basis, or on terms that provide for the timely and cost-effective execution of the project, our projects may be delayed and our returns on those projects may be affected.

Our business involves various risks, some of which are beyond our control, and we may not have sufficient insurance to cover our economic losses.

Our operations are subject to a number of risks generally associated with the transmission and distribution of electricity. These risks include damage to facilities, property and equipment due to explosions, fires, earthquakes and other natural disasters, breakdowns, failures or substandard performance of equipment, accidents, acts of terrorism and transportation interruptions. These risks can cause personal injury and loss of life and damage to, or the destruction of, property and equipment, and may result in the limitation or interruption of our business operations and the imposition of civil or criminal liabilities. We may also face civil liabilities or fines in the ordinary course of business as a result of damages suffered by third parties, which may require us to make compensation payments in accordance with applicable laws.

In accordance with what we understand to be industry practice in the PRC, we do not carry business interruption insurance, and we would not be compensated for any loss arising from the interruption in our operations. We have entered into insurance policies to cover certain other risks associated with our business. While we believe our insurance coverage to be commensurate with our business structure, risk profile and industry practice in the PRC, there is no assurance that our current insurance policies will insure us fully against all risks and losses that may arise in the future. If we were to incur a serious uninsured loss or a loss that significantly exceeded the limits of our insurance policies, it could have a material adverse effect on our business, financial condition and results of operations.

If we fail to timely adapt to technological changes, our power transmission and distribution operations may be adversely affected.

Our future success depends in part on our ability to respond to technological changes on a cost-effective and timely basis. However, there is no assurance that our investment will always be adequate, that our research and development initiatives will always be successful, or that we will always satisfy market demands for technological innovation. In addition, the development and implementation of new technology entails significant technical and commercial risks. There can be no assurance that we will always implement new technologies successfully or generate satisfactory return on our investments. If we are unable to adapt in a timely manner to new technological developments for technical, financial or other reasons, our business and results of operations could be adversely affected.

We have significant financing needs to support our planned capital expenditure. If we are unable to obtain adequate funding due to market or policy factors, our investment activities and debt servicing and repayment could be adversely affected.

Going forward, we plan to continue to incur significant capital expenditure, mainly for the construction of power transmission and distribution projects in China. In the past, we satisfied our financing needs through bank loans, domestic and overseas bond issues and trust financing. During the year ended December 31, 2020, we issued domestic bonds with an aggregate principal of approximately RMB316.39 billion and overseas bonds equivalent to RMB29.67 billion. Nevertheless, there can be no assurance that we will be able to obtain future financing in a timely manner and on favorable terms, or at all, while maintaining a favorable credit rating. Our ability to obtain external financing in the future is subject to a number of uncertainties, including (i) our future financial condition, results of operations and cash flows; (ii) the general condition of the global and domestic financial markets and changes in the monetary policy of PRC government with respect to bank interest rates and lending policies; and (iii) whether there is readily available funding for the demand of a particular project. Future debt financing, if available, may result in increased financing charges, increased financial leverage and decreased income available to fund further projects. If we fail to generate or obtain sufficient additional capital in the future, we could be forced to reduce or delay our planned projects or other capital expenditure.

Future fluctuations in foreign exchange rates may adversely affect our business, financial condition and results of operations.

While we conduct substantially all of our business operations in the PRC and most of our revenue is denominated in Renminbi, we also derive revenues denominated in foreign currencies, such as from our overseas investments and our provision of engineering and technological services overseas, and we may convert Renminbi into foreign currencies to make investments and acquisitions overseas. A portion of our revenue, expenses and bank borrowings are denominated in foreign currencies, and the payment of the principal and interests on the Notes will be in U.S. dollars. As a result, fluctuations in exchange rates, particularly between the Renminbi, the Hong Kong dollar or the U.S. dollar, could affect our profitability and may result in foreign currency exchange losses of our foreign currency-denominated assets and liabilities. Any depreciation of RMB may adversely affect the value of our net assets and earnings in foreign currency terms, as well as our ability to service our foreign currency obligations including the payment of the principal and interests on the Notes.

The exchange rate of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the political and economic conditions in China and globally and the PRC government's fiscal and currency policies. On July 21, 2005, the PRC government changed its foreign exchange policy of pegging the U.S. dollars in the past ten years and adopted a managed floating exchange rate system to allow the value of the RMB to fluctuate within a regulated band that is based on market supply and demand and with reference to a basket of currencies. The PRC government made further adjustments to the exchange rate system in 2014. On August 11, 2015, the PBOC announced plans to improve the central parity of the RMB against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity of the RMB against the U.S. dollar depreciated by nearly 2.0% as compared with August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. With the development of the foreign exchange market and progress towards interest rate liberalization and RMB internationalization, the PRC government may in the future announce further changes to the exchange rate system. In 2016, the RMB accumulatively depreciated by 5.9% against the U.S. dollar. In 2017, the RMB accumulatively appreciated by 6.4% against the U.S.

dollar. We cannot assure you that the Renminbi will not experience significant fluctuation against the U.S. dollar in the future. As of December 31, 2020, our assets offshore accounted for approximately 6.3% of our total assets, while the liabilities offshore accounted for approximately 6.3% of our total liabilities.

In addition, we have established rules for the administration of foreign currency hedging and carried out pilot exercises in currency swap and interest rate swap to mitigate currency and interest rate risks of certain of our loans denominated in foreign currencies. In line with the development of our overseas businesses, we intend to continue to prudently carry out hedging activities. However, as our overseas activities involve a number of currencies, and the exchange rate fluctuations of some of those currencies are comparably more volatile, we will still be exposed to certain foreign exchange risks, which may have an adverse impact on our business, financial condition and results of operations.

We recorded net current liabilities in recent years.

We recorded net current liabilities in recent years. As of December 31, 2018, 2019 and 2020, we had net current liabilities of RMB1,069,751 million, RMB1,169,046 million and RMB1,363,695 million, respectively. We may record net current liabilities in the future. Our net current liabilities position exposes us to liquidity risk. We cannot assure you that we will always be able to raise sufficient funds on favorable commercial terms to refinance our short-term borrowings upon maturity and finance our capital commitments.

Natural calamities or public health epidemics could adversely affect our business.

The PRC and countries we have operations in have experienced natural calamities in recent years such as earthquakes, floods, droughts, extreme rain, snow and freezing weather, and typhoons. In 2008, a massive earthquake struck Wenchuan, Sichuan Province, causing destruction and damage to our power transformation equipment, collapse of our transmission line towers and damage to our transmission lines, which led to adverse impacts to the electricity supply in the disaster areas. Further, an outbreak of any widespread public health problem, such as Severe Acute Respiratory Syndrome, avian influenza, H1N1 and H7N9 influenza, Middle East Respiratory Syndrome (MERS), Ebola virus disease or, more recently, COVID-19, could negatively affect our business, financial condition and results of operations. Our operations may be affected by a number of health-related factors, including quarantines of our facilities and employees and travel restrictions.

COVID-19 may adversely affect our business.

The novel coronavirus COVID-19 may have an adverse impact on our business. COVID-19 has been reported worldwide since December 2019, resulting in delays and reductions in business activities and transactions which have had adverse effects on the global and Chinese economy. Governments around the world have introduced various measures to cope with the epidemic. To alleviate the adverse impacts of COVID-19, China has promulgated a number of administrative regulations which required a reduction of power tariffs in 2020. On February 7, 2020, the NDRC issued a notice requiring grid companies to provide flexibility on the measurement of power tariffs, implement preferential tariffs and waive tariffs derived from the construction extension of new medical facilities directly involved in epidemic prevention and control. On February 22, 2020, the NDRC issued a further notice requiring that except for the high energy consuming industries, the power grid enterprises that implement general industrial and commercial and other tariffs and large industrial tariffs, the calculation of tariffs and their collection from the above-mentioned power users (including those who have participated in market transactions), should be settled at 95 per cent. of the previous tariffs so as to support enterprises in resuming production and overcoming difficulties. This policy expired on December 31, 2020.

As of the date of the Offering Circular, we have fully resumed our operation and production. However, if there are further changes and developments in, or caused by, the epidemic, our business conduct, results of operations and financial condition may be adversely affected.

Our operations are subject to various legal and regulatory risks.

Our operations are subject to various legal and regulatory risks, including but not limited to risks relating to those associated with regulatory compliance, litigation and other legal proceedings, fraud, corruption or other misconduct by employees and third parties, and relocation of incumbent residents. In particular, we are subject to environmental, health and safety regulations in the PRC. The PRC central and local governments may take steps towards the adoption of more stringent environmental, health and safety laws and regulations. In April 2016, China has signed the Paris Agreement, a global agreement on the reduction of climate change, by which it has committed to peak its CO₂ emissions around 2030 and to make best efforts to peak earlier, and to increase non-fossil energy to 20% of its energy consumption around 2030. In particular, the PRC government is moving towards more rigorous enforcement of applicable environmental laws and regulations and the adoption of more stringent environmental standards. For example, these regulations may require us to further limit any adverse impact or potential adverse impact on the environment or the health and safety of our employees, in which case we may need to incur additional capital expenditures.

There can be no assurance that we will at all times be in full compliance with legal and regulatory requirements, and any violation of these laws and regulations, whether or not accidental, may result in material regulatory sanctions and significant monetary penalties. Our costs of complying with current and future laws, our liabilities arising from failure to comply with applicable legal and regulatory requirements and any exposure to legal and regulatory proceedings may adversely affect our business, financial condition and results of operations.

Our business benefits from certain PRC government favorable tax treatment. Expiration of, or changes to the favorable tax treatment could adversely affect our operating results.

We meet requirements of the following tax incentives: (i) our encouraged industry companies incorporated in western China are subject to a favorable enterprise income tax rate of 15%; and (ii) our projects are eligible under the Catalog for Favorable Enterprise Income Tax on Public Infrastructure Projects to benefit from an enterprise income tax exemption for the first three years starting from the year when the project first generates revenue, and a 50% income tax deduction for three years thereafter.

There is no assurance that the subsidies that we receive or the favorable tax treatment that we enjoy will not expire or change in the future, due to changes of government policy or law, or otherwise, in which case our business, financial condition and results of operations could be adversely affected.

Our overseas businesses are exposed to political, economic, regulatory and legal risks.

As of the date of this Offering Circular, we hold equity interests in major energy grid companies in overseas regions such as the Philippines, Brazil, Portugal, Australia, Italy, Greece, Oman, Chile and Hong Kong SAR. We may acquire more overseas assets in the future. We carry out our overseas operations within the political, legal and regulatory environments in the relevant overseas countries and regions, some of which differ in certain significant respects from those prevailing in the PRC, and it may take time to adapt to such environments. The laws, regulations and policies of such countries and regions are subject to changes due to political and economic uncertainties, which may have a negative impact on our overseas operations, and may subject us to expropriation or deprivation of assets or contract rights. Our overseas operations may also be subject to interruptions from war or civil strife, exchange rate fluctuations and other factors, and we may encounter difficulties due to potential incompatibility with our joint venture partners.

Regulatory policies in the foreign countries or regions in which we operate may require us to, among other things, obtain relevant licenses or permits in order to bid on contracts or conduct operations or enter into a consortium arrangement, a joint venture, an agency agreement or similar commercial arrangement with local businesses in order to conduct business in those countries or regions. These laws and regulations may also encourage or require us to hire local contractors, employ citizens of, or purchase supplies from within, the relevant country. In addition, we may become involved in proceedings with regulatory authorities that may require us to pay fines or comply with more rigorous standards or other requirements, and bear the capital and operating expenses arising therefrom.

In order to facilitate the stable operation of our overseas business, some of our full time and casual employees are located in countries or regions where we have business operations. We must overcome cultural and language barriers and adapt to local business practices. If a local joint venture partner is involved in environmental or other controversies, our reputation may also be affected. In addition, we are required to create compensation programs, employment policies, codes of conduct and other administrative programs that comply with the laws and customs of different jurisdictions. Our failure to successfully apply differentiation in management of businesses based on geographical characteristics could impair the stable operation of our overseas business.

RISKS RELATING TO THE PRC

Changes in China's economic, political and social conditions as well as governmental policies could affect our financial condition and results of operations.

We are a wholly-state owned limited liability company directly under the control of SASAC and the PRC government. The majority of our business, assets and operations are located in China. China's economy differs from the economies of most developed countries in many respects, including the structure of economy, level of government involvement, level of development, growth rate, control of capital investment, control of foreign currency and allocation of resources. We cannot assure you that the decisions of the PRC government and our direct shareholder will align with the interest of Noteholders.

For the past four decades, the PRC government authorities have implemented economic reform measures to emphasize the utilization of the market as a determining factor in resource allocation. The PRC government authorities from time to time implement various macro-economic and other policies and measures, including contractionary or expansionary policies and measures at times of or in anticipation of changes in China's economic conditions, with an overall aim to sustaining economic stability and utilizing new sources of economic growth. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country, as economic reform is a developing process. As a result, we may meet difficulties in implementing such measures and may be adversely affected by the implementation of such measures. In addition, it cannot be accurately predicted whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, financial condition and results of operations.

Uncertainties with respect to the PRC legal system could limit the protections available to us.

The PRC legal system is similar to a civil law system based on written statutes. Unlike in common law systems, prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since many laws, rules and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us. For example, we may have to resort to

administrative and court proceedings to enforce the legal protections that we enjoy either by law or contract. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate and predict the outcome of PRC administrative and court proceedings and the level of legal protection we enjoy in China as compared with more developed legal systems. These uncertainties may impede our ability to enforce our contracts with future partners, service providers and suppliers. The effect of future developments in the PRC legal system cannot be predicted, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

We are subject to strict supervision and inspections by the PRC governmental authorities. There is no assurance that we will not be subject to government penalties due to breach of applicable regulations and rules, which may have a negative impact on our business and reputation.

The PRC governmental authorities carry out multiple inspections and audits every year on financial, tax and pricing compliance on us. The government authorities may impose monetary and other penalties on enterprises found to have material noncompliance issues in the inspection. While we have always been committed towards operating our business pursuant to applicable laws and regulations, we cannot predict the outcome, or the impact thereof, of such governmental audits and inspections. We cannot assure you that we will not be found to be non-compliant with laws and regulations regarding specific matters in our operations, which may subject us to fines and other disciplinary actions imposed by government authorities, and our reputation, business, results of operations and financial condition may be materially and adversely affected.

There have been increased routine and/or ad-hoc examinations of PRC public accountants.

In recent years, as part of an effort to improve effective regulatory oversight, PRC regulators have increased their examinations of PRC public accountants. As a result, auditors in China have been subject to more frequent examinations. For instance, the CSRC has issued warning letters to ShineWing in the past with respect to its auditor work for certain companies unrelated to us or the audit team involved in our audits. There is no assurance that there would be no additional negative news about public accounting firms in the future.

RISKS RELATING TO THE NOTES ISSUED UNDER THE PROGRAMME

Risks Relating to the Notes and the Guarantee

The Notes will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, and effectively subordinated to the Issuer's and the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.

The Notes will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer whether or not secured. The Notes will not be guaranteed by any of the Issuer's and the Guarantor's subsidiaries, and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer or the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer and the Guarantor is subject to various restrictions under applicable law. Each of the Issuer's and the Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or make any funds available therefore, whether by dividends, loans or other payments. The

Issuer's and the Guarantor's right to receive assets of any of the Issuer's and the Guarantor's subsidiaries, respectively, upon that subsidiary's liquidation or reorganization will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer or the Guarantor are creditors of that subsidiary). Consequently, the Notes will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's and the Guarantor's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer or the Guarantor may in the future acquire or establish.

The Notes are the Issuer's and the Guarantor's unsecured obligations and will (i) rank equally in right of payment with all the Issuer's and the Guarantor's other present and future senior unsecured indebtedness; (ii) be effectively subordinated to all of the Issuer's and the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's and the Guarantor's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's or the Guarantor's bankruptcy, insolvency, liquidation, reorganization, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to investors rateably with all of the Issuer's and the Guarantor's other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid. As of the date of this Offering Circular, the Issuer does not have any subsidiaries.

The Notes and the Guarantee are unsecured obligations.

As the Notes and the Guarantee are unsecured obligations, the repayment of the Notes and the payment under Guarantee may be adversely affected if:

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

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

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

Following the occurrence of a Relevant Event (as defined in the Conditions), the Issuer may, at the option of any Noteholder, be required to redeem all, but not some only, of such holder's Notes at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with accrued interest. If such an event were to occur, the Issuer or Guarantor may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. There is also no assurance that the Issuer or the Guarantor would have sufficient liquidity at such time to make the required redemption of the Notes. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. The Issuer's and the Guarantor's failure to repay,

repurchase or redeem tendered Notes could constitute an event of default under the Notes, which may also constitute a default under the terms of the Issuer's, the Guarantor's or the Group's other indebtedness.

If the Issuer, the Guarantor or members of the Group are unable to comply with the restrictions and covenants in their debt agreements (if any), or the Notes, there could be a default under the terms of these agreements, or the Notes, which could cause repayment of their debt to be accelerated.

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

In the event that the Company fails to complete the registration of Guarantee required by SAFE, the Company may face operational obstacles when conducting cross-border fund payment under the Guarantees.

Pursuant to the Deed of Guarantee, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deed. The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration in accordance with, and within the time period prescribed by, the Foreign Exchange Administration Rules on Cross-border Security following the issuance of each series of the Notes under the Programme. Although the non-registration does not render the Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame. The Guarantor intends to register the Guarantee as soon as practicable and in any event before the Registration Deadline (being 120 Registration Business Days after the issuance date of each series of the Notes under the Programme). In addition, if the Guarantor fails to complete the SAFE registration following the issuance of each series of the Notes under the Programme, for holders of the relevant Notes who choose not to exercise their option to require the Issuer to redeem their Notes upon the No Registration Event (as defined in the Conditions), there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Deed of Guarantee in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

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

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

Developments in the international financial markets and world economic condition may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced substantial volatility. In addition, the global economy is facing significant uncertainties and disruptions caused by COVID-19. There have been extreme volatilities in the global markets across all asset classes: stocks, bonds, oil and metals and these volatilities may continue. The World Health Organization declared the COVID-19 to be a global epidemic on March 11, 2020. There has been rapid and widespread increase in new infections in the United States, Europe and other parts of the world and increased fatality rates in many countries. Many countries have declared state of emergency, closed their borders to international travellers, and restricted movements of their citizens with a view to contain the pandemic and there is no assurance that such measures will be effective. Citizens in many affected countries and areas are being advised or required to stay at their homes subject to limited exceptions. There are indications that COVID-19 is continuing to spread across the globe so it is possible that many more countries may be affected. The reduced consumption, commercial activities and industrial production will severely disrupt their economies and the global supply chain and may result in recessions in these economies. Governments and central banks around the globe have introduced or are planning fiscal and monetary stimulus measures including tax cuts, direct subsidies, rates cut, bond repurchase programs and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of the epidemic, stabilize the markets and provide liquidity easing to the markets.

There is no assurance that such measures may be introduced in time or will be sufficient or effective in delivering their policy objectives. There is no assurance that these measures will be successful in containing the economic impact of the epidemic or stabilizing the markets. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

An active trading market for the Notes may not develop.

The Notes are a new issue of securities for which there is currently no trading market unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued. There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Further, the Notes may be allocated to limited number of investors, in which case liquidity may be limited. The Dealers are not obligated to make a market in the Notes and any such market making, if commenced, may be discontinued at any time without notice at the sole discretion of the Dealers.

The ratings of the Notes may be downgraded, suspended or withdrawn.

The Programme is expected to be rated "A1" by Moody's and "A+" by Fitch. In addition, the Guarantor has been assigned a corporate rating of "A+" by S&P, "A1" by Moody's and "A+" by Fitch Ratings, Inc. ("Fitch"). Ratings are limited in scope and do not address all material risks relating to an investment in the Notes. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer to perform its obligations under the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawn at any time. Neither the Trustee nor any Agent shall be responsible for monitoring or maintaining any credit ratings and shall not be liable to the Noteholders or any other person for not doing so. The Issuer is not

obligated to inform holders of the Notes if the ratings are lowered or withdrawn. A reduction or withdrawal of the ratings may adversely affect the market price of the Notes and the Issuer's ability to access the debt capital markets.

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

As the Issuer was incorporated under the laws of the British Virgin Islands and the Guarantor was incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer or, as the case may be, the Guarantor would likely involve British Virgin Islands insolvency laws or 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 Notes are familiar.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts. There is also no assurance that the PRC courts will recognize and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Notes, the Trust Deed, the Deed of Guarantee and the Agency Agreement will be 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, Hong Kong courts may require certain additional procedures to be taken. Although 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", 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, albeit in limited circumstances, the PRC courts could refuse to recognize and enforce a Hong Kong court judgment on the ground of the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area yet.

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to the Offering Circular or any Pricing Supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes 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.

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

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

The Issuer is incorporated under the laws of the British Virgin Islands. Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT Law"), effective as of January 1, 2008 and revised in February 2017 and December 29, 2018, and its implementation regulations, enterprises that are established under the laws of foreign countries and regions but whose "de facto management bodies" are within the territory of the PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside China. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25 per cent. on its income sourced from both within and outside PRC.

Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment within the PRC must pay enterprise income tax at the rate of 10 per cent. or a lower rate if tax treaty benefits are available on its income sourced inside the PRC, and such income tax must be withheld by the PRC payer. In the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, interest paid on the Notes may be considered to be PRC sourced, in which case the Issuer would be required to withhold income tax from the payments of interest in respect of the Notes to any non-PRC enterprise holders of the Notes. Any capital gain realized by non-PRC enterprise from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly may be subject to a PRC tax of up to 10 per cent. if the Issuer is treated as a PRC tax resident. In accordance with the Individual Income Tax Law of the PRC which took effect on January 1, 2019 and its implementation regulations which took effect on January 1, 2019, if the Issuer is considered to be a PRC tax resident enterprise, interest payable to non-resident individual holders of the Notes may be treated as income derived from sources within the PRC and be subject to a 20 per cent. individual income tax; accordingly, the Issuer may be obliged to withhold such individual income tax on payments of interests to non-resident individual holders of the Notes. In addition, any capital gain realized by a non-resident individual holder from transfer of the Notes may be regarded as being derived from sources within the PRC and be subject to PRC tax of up to 20 per cent. The rates of PRC tax on interest and capital gains may be reduced under an applicable income tax treaty. See "Taxation – PRC."

If the Issuer is required under the relevant PRC tax laws to withhold PRC income tax on its interest payable to non-resident holders of the Notes who are "non-resident enterprises" or "non-resident individual holders," the Issuer will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will

increase the cost of servicing interest payments on the Notes, and could have an adverse effect on the Issuer's ability to pay interest on, and repay the principal amount of, the Notes, as well as the Guarantor's profitability and cash flow. In addition, if an investor is required to pay PRC income tax on the transfer of Notes, the value of an investment in the Notes may be materially and adversely affected. Prospective holders should consult their tax advisers as to whether they may be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas if the Issuer's considered a PRC "resident enterprise".

As of the date of this Offering Circular, the Issuer has not been given notice or informed by the PRC tax authorities that it is considered a PRC tax resident enterprise for the purpose of the EIT Law nor has it sought any clarification from the PRC tax authorities in this regard. On that basis, non-resident enterprise holders of the Notes would not be subject to income tax imposed by any governmental authority in the PRC in respect of the holding of the Notes or any repayment of principal and payment of interest made thereon. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

The Issuer may redeem the Notes in whole at a redemption price equal to 100 per cent. of the principal amount plus accrued and unpaid interest in the event the Issuer is required to pay additional amounts in respect of PRC withholding tax in excess of 10 per cent. because the Issuer is treated as a PRC "resident enterprise".

In the event the Issuer is treated as a PRC "resident enterprise" under the EIT Law, the Issuer may be required to withhold PRC tax on interest payable to certain of its non-resident investors, in which case the Issuer will, subject to certain exceptions, be required to pay additional amounts with respect to such withholding tax. As described in the Conditions, in such event where the Issuer is required to pay additional amounts as a result of certain changes in tax law, including changes in existing official position or the stating of an official position, that results in the Issuer being required to deduct or withhold additional amounts due to the Issuer being treated as a PRC "resident enterprise," the Issuer may redeem the Notes in whole but not in part.

The Trustee may request holders of the Notes to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances, including without limitation the giving of notice to the Issuer pursuant to Condition 10 of the Conditions and the taking of enforcement steps pursuant to Condition 12 of the Conditions, the Trustee may, at its sole discretion, request holders of the relevant Notes to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of holders of such Notes. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed (as defined in the Conditions) or the Conditions or in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the relevant Notes to take such actions directly.

Decisions that may be made on behalf of all holders of the Notes may be adverse to the interests of individual holders of the Notes.

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

The Conditions may be modified without the consent of Noteholders.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to any modification of the Conditions which is not materially prejudicial to the interests of the Noteholders, if of a formal, minor or technical nature or if made to correct a manifest error or to comply with any mandatory provision of law as described in Condition 11(b).

In addition, the Trustee may (but shall not be obliged to), without the consent of the Notes holders, authorize or waive any proposed breach or breach of the Notes, the Trust Deed or the Deed of Guarantee (other than a propose breach or breach relating to the subject of certain reserve matters) if, in the opinion of Trustee, the interest of the Notes holders will not be materially prejudiced thereby.

A change in English law which governs the Notes may adversely affect Noteholders.

The Conditions are governed by English law in effect as of the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s).

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes and Global Certificates will be deposited with a common depository for Euroclear and Clearstream, Luxembourg or lodged with the CMU, and Global Certificates may be deposited with the Custodian and registered in the name of Cede & Co. as nominee for DTC (each of Euroclear, Clearstream, Luxembourg, the CMU and DTC, a “Clearing System”). Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to the common depository for Euroclear and Clearstream, Luxembourg, to the relevant paying agent in the case of the CMU, or to, or to the order of, DTC’s nominee, as the case may be, for distribution to their account holders.

A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

Holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right under the respective Global Notes or Global Certificates to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Trust Deed.

Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note or Global Certificate and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (i) equal to, or integral multiples of, the minimum denomination, and (ii) the minimum denomination plus integral multiples of an amount lower than the minimum denomination. Definitive Notes will only be issued in certain circumstances such as if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announce(s) an intention to permanently cease business. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Notes.

The Issuer has no business activities of its own and will be dependent on funds from the Group to make payments under the Notes.

The Issuer was established by the Group specifically for the purpose of issuing debt securities and will on-lend the entire proceeds from the issue of the Notes to the Guarantor and/or other members of the Group. The Issuer does not and will not have any substantial assets other than such loan receivables and its ability to make payments under the Notes will depend on its receipt of timely payments under such loan agreement or other financing arrangements with the Guarantor and/or other members of the Group.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES UNDER THE PROGRAMME

A wide range of Notes may be issued under the Programme. Notes in a particular issuance may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At such times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes 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.

Dual Currency Notes have features which are different from single currency issues.

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected; and
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Failure by an investor to pay a subsequent instalment of Partly Paid Notes may result in an investor losing all of its investment.

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile.

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice-versa, may have lower market values than other Notes.

Fixed Rate Notes and Floating Rate Notes (as defined in the Conditions) may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility compared with conventional interest-bearing securities with comparable maturities.

Certain benchmark rates, including LIBOR and EURIBOR, may be discontinued or reformed in the future – including phasing-out of LIBOR after December 31, 2021 or June 30, 2023.

The London Interbank Offered Rate (“**LIBOR**”), the Euro Interbank Offered Rate (“**EURIBOR**”) and other interest rate or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

Regulation (EU) No. 2016/1011 (the “**EU Benchmarks Regulation**”) applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the “**UK Benchmarks Regulation**”) applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK. The EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to LIBOR, EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmark Regulation or UK Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain “benchmarks,” trigger changes in the rules or methodologies used in certain “benchmarks” or lead to the discontinuance or unavailability of quotes of certain “benchmarks”.

As an example of such benchmark reforms, the UK Financial Conduct Authority announced on July 27, 2017 that it would no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 and confirmed on March 5, 2021 that most LIBOR benchmark tenors would cease or cease to be representative benchmarks from December 31, 2021 or (in the case of certain tenors of USD LIBOR only) from June 30, 2023. On March 5, 2021, the administrator for LIBOR (the ICE Benchmark Administration or IBA) similarly announced that it would cease the publication of the relevant LIBOR settings on December 31, 2021 or June 30, 2023, unless the FCA exercises its proposed new powers (which are included in the current UK Financial Services Bill as proposed amendments to the UK Benchmarks Regulation) to require the IBA to continue publishing such LIBOR settings using a changed methodology (also known as a “synthetic” basis). Such announcements indicate that LIBOR will not continue in its current form and the UK Financial Conduct Authority announcement of March 5, 2021 indicated that it is currently contemplating that any “synthetic” basis, if adopted, would be limited to a small number of currencies and settings. In addition, on November 29, 2017, the Bank of England and the FCA announced that, from January 2018, its working group on Sterling risk-free rates had been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (“SONIA”) over the next four years across sterling bond, loan and derivative markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

On September 21, 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a “risk free overnight rate” which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On September 13, 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate (“€STR”) as the new risk-free rate for the euro area. The €STR was published for the first time on October 2, 2019. Although EURIBOR has been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

The elimination of LIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions (as further described in Condition 5(b) of the Conditions), or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to LIBOR, EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes.

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, and LIBOR (or other similar indices) has been selected as the Reference Rate, the Conditions provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where LIBOR (or other similar indices) is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of LIBOR (or other similar indices)), the Rate of Interest may revert to the Rate of Interest applicable as of the last preceding Interest Determination Date before LIBOR (or other similar indices) was discontinued, and if LIBOR (or other similar indices) is discontinued permanently, the same Rate of Interest will continue to be the Rate of Interest for each successive Interest Period until the maturity of the Floating Rate Notes, so that the Floating Rate Notes will, in effect, become fixed rate notes utilising the last available LIBOR (or other similar indices) rate. In the event that a published LIBOR (or other similar indices) rate is unavailable after 2021 and banks are unwilling to provide quotations for the calculation of LIBOR (or other similar indices), the rate of interest on the Notes will become fixed and the value of the Notes may be adversely affected. Uncertainty as to the continuation of LIBOR (or other similar indices), the availability of quotes from reference banks, and the rate that would be applicable if LIBOR (or other similar indices) is discontinued may adversely affect the value of, and return on, the Floating Rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Conditions provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is a “LIBOR” (or other similar indices) Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If LIBOR (or other similar indices) is permanently discontinued and the relevant screen rate or, failing that, quotations from banks are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Notes.

If the Issuer were to issue any Notes linked to or referencing LIBOR or other similar indices, it may introduce additional provisions in the relevant Pricing Supplement applicable to that particular tranche of Notes to cater for the permanent discontinuation of LIBOR or other similar indices. Related risk disclosure may also be introduced in the relevant Pricing Supplement, which may supersede the disclosure in this Offering Circular.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulation reforms or possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark.

RISKS RELATING TO THE MARKET GENERALLY

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. The liquidity of the Notes could be affected by various factors, and in particular, if a limited number of investors subscribes for a significant portion of the Notes. Such investors may include the Issuer and entities affiliated with the Issuer. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application will be made for the Notes issued under the Programme to be admitted to listing on the HKSE, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes that may be issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of the Notes.

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

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the “Specified Currency”). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “Investor’s Currency”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency

may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

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

Changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Legal investment considerations may restrict certain investments.

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 (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Investors should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

Notes denominated in Renminbi ("**RMB Notes**") may be issued under the Programme. RMB Notes contain particular risks for potential investors.

Renminbi is not freely convertible and there are significant restrictions on remittance of Renminbi into and outside the PRC.

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

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

Although since October 1, 2016, the Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi. Each investor should consult its own advisors to obtain a more detailed explanation of how the PRC regulations and rules may affect their investment decisions.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and the Issuer's ability to source Renminbi outside the PRC to service such RMB Notes.

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. While the People's Bank of China (the "PBOC") has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centers and cities (the "Renminbi Clearing Banks") and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "Settlement Arrangements"), the current size of Renminbi denominated financial assets outside the PRC is limited.

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

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC rules and regulations will not be promulgated or amended or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of RMB Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its RMB Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all. If Renminbi is not available in certain circumstances as described under the Notes, the Issuer can make payments under the Notes in a currency other than Renminbi.

Investment in RMB Notes is subject to exchange rate risks.

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and other factors. In August 2015, the PBOC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made with respect to RMB Notes in Renminbi. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the RMB Notes in that foreign currency will decline. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in the RMB Notes entails foreign exchange related risks, including possible significant changes in the value of RMB relative to the currency by reference to which an investor measures its investment returns. Depreciation of the Renminbi against such currency could cause a decrease in the effective yield of the RMB Notes below their stated coupon rates and could result in a loss when the return on the RMB Notes is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in RMB Notes.

Payments in respect of RMB Notes will only be made to investors in the manner specified in such RMB Notes.

All payments to investors in respect of RMB Notes will be made solely:

- when RMB Notes are represented by global certificates, by transfer to a Renminbi bank account maintained in Hong Kong, in accordance with prevailing CMU rules and procedures, or
- when RMB Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations.

In the event that a holder of RMB Notes fails to maintain a valid Renminbi account with a bank in Hong Kong, as the case may be, and accordingly, payments are unsuccessful, it is possible that such amounts may be settled in a currency other than Renminbi. The Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by check or draft or by transfer to a bank account in the PRC).

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, save for the words in italics and subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by a Trust Deed (as amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”), the “**Trust Deed**”) dated on or about April 17, 2017 between State Grid Overseas Investment (2016) Limited (the “**Issuer**”), State Grid Corporation of China (the “**Guarantor**”), and The Bank of New York Mellon, London Branch (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An Agency Agreement (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated on or about April 17, 2017 has been entered into in relation to the Notes between the Issuer, the Trustee, The Bank of New York Mellon, London Branch as initial issuing and paying agent and calculation agent, The Bank of New York Mellon, Hong Kong Branch as the CMU lodging and paying agent, registrar and transfer agent (in respect of CMU Notes), The Bank of New York Mellon as DTC paying agent, registrar and transfer agent (in respect of DTC Notes), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar and transfer agent (in respect of ICSD Notes) and the other agents named in it. The issuing and paying agent, the CMU lodging and paying agent, the DTC paying agent, the other paying agents, the registrars, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**CMU Lodging and Paying Agent**”, the “**DTC Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent, the CMU Lodging and Paying Agent and the DTC Paying Agent), the “**Registrars**”, the “**Transfer Agents**” (which expression shall include the Registrars) and the “**Calculation Agent(s)**”. The Notes have the benefit of a deed of guarantee dated the Issue Date (the “**Deed of Guarantee**”) entered into by the Guarantor and the Trustee relating to the Notes. The giving of the Guarantee (as defined in Condition 3(b)) was authorised by resolutions of the Executive Board of the Guarantor and the Executive Meeting of the Chairman of the Board on March 23, 2017. For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and, with respect to a Series of Notes to be held in the DTC, be deemed to be a reference to the DTC Paying Agent, and all such references shall be construed accordingly.

Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available for inspection upon prior written notice during usual business hours at the principal office of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders, the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) and the holders of the receipts for the payment of instalments of principal (the “**Receipts**”) relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee and are deemed to have notice of those provisions applicable to them of the Agency Agreement. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Guarantee and the Agency Agreement.

As used in these Conditions, “**Tranche**” means Notes which are identical in all respects, and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series with such Tranche of Notes and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or issue price.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates (“**Individual Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Upon issue, each Series of Registered Notes may be represented by one or more unrestricted global certificates (“Unrestricted Global Certificate(s)”) in the case of Registered Notes sold outside the United States to non-U.S. persons in reliance on Regulation S under the U.S. Securities Act of 1933 (the “Securities Act”) (“Unrestricted Notes”) and/or one or more restricted global certificates (“Restricted Global Certificates”, together with Unrestricted Global Certificates, “Global Certificates” and, together with Individual Certificates and Unrestricted Global Certificates, “Certificates”) in the case of Registered Notes sold to “qualified institutional buyers” as defined in and in reliance on Rule 144A under the Securities Act (“Restricted Notes”).

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the relevant register that the Issuer shall procure to be kept by the relevant Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

Upon issue, each Series of Bearer Notes may be represented by one or more temporary global notes (“Temporary Global Notes”) or one or more permanent global notes (“Permanent Global Notes”, together with the Temporary Global Notes, “Global Notes”).

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon or in the Trust Deed, as applicable, and the absence of any such meaning indicating that such term is not applicable to the Notes.

Global Certificates and Global Notes may be deposited on the issue date with (and in the case of Global Certificates, registered in the name of a nominee for) a common depository on behalf of Euroclear and Clearstream, Luxembourg or with a sub-custodian for the CMU or with a custodian for, and registered in the name of a nominee of, DTC.

Except in limited circumstances described in the Global Note or the Global Certificate, as the case may be, owners of interests in Notes represented by a Global Note or a Global Certificate will not be entitled to receive definitive Notes or Individual Certificates, as the case may be, in respect of their individual holdings of Notes.

2. NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** Subject to Conditions 2(f) and 2(g), one or more Registered Notes may be transferred upon the surrender (at the specified office of the relevant Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the relevant Registrar or the relevant Transfer Agent may require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the relevant Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the relevant Registrar and the Trustee or by the relevant Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection by the relevant Registrar to any Noteholder upon prior request in writing and satisfactory proof of holding.

Transfers of interests in the Notes represented by a Global Note or evidenced by a Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer’s or Noteholders’ option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered

Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the relevant Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within seven business days of receipt of a duly completed form of transfer or Exercise Notice (as defined in Condition 6(f)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d) and in Condition 2(f), “**business day**” means a day, other than a Saturday or Sunday or public holiday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the relevant Registrar (as the case may be).
- (e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrars or the Transfer Agents, but upon payment by the relevant Noteholders of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the relevant Registrar or the relevant Transfer Agent may require).
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered during the period of 10 business days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of seven business days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption where not all the Notes are so called or (iv) during the period of seven days ending on (and including) any Record Date.

3. STATUS AND GUARANTEE

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

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

The Guarantor has agreed that its obligations under the Guarantee will be as if the Guarantor were the sole principal debtor and not merely a surety. Accordingly, the Guarantor's obligations will not be discharged, nor will its liability be affected, by anything that would not discharge it or affect its liability if it were the sole principal debtor, including (1) any time, indulgence, waiver or consent at any time given to the Issuer or any other person, (2) any amendment to any other provisions of the Deed of Guarantee or to the Trust Deed or the Conditions or to any security or other guarantee or indemnity, (3) the making or absence of any demand on the Issuer or any other person for payment, (4) the enforcement or absence of enforcement of the Deed of Guarantee, the Trust Deed, the Notes or of any security or other guarantee or indemnity, (5) the taking, existence or release of any security, guarantee or indemnity, (6) the dissolution, amalgamation, reconstruction or reorganisation of the Issuer or (7) the illegality, invalidity or unenforceability of or any defect in any provision of the Deed of Guarantee, the Trust Deed, the Notes or any of the Issuer's obligations under any of them. Further, the Guarantor has waived its right to require the Trustee and the holders of the Notes to pursue or exhaust their legal or equitable remedies against the Issuer prior to exercising their rights under the Guarantee. The Guarantee will not be discharged with respect to any Note and if any, Receipts and the Coupons relating to them, except by payment in full of the principal thereof, interest thereon and all other amounts payable thereunder (including any Additional Tax Amounts payable in respect thereof pursuant to Condition 8). Moreover, if at any time any amount paid under any Notes is rescinded or must otherwise be restored, the rights of the holders of such Notes under the relevant Guarantee will be reinstated with respect to such payment as though such payment had not been made. All payments with respect to any Notes under the relevant Guarantee will be made in the currency in which such Notes are denominated.

4. COVENANTS

- (a) **Negative Pledge:** So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), the Guarantor will not, and will not permit the Issuer or any Principal Subsidiary to, create, incur, assume or permit to exist any Lien upon any of its property or assets, now owned or hereafter acquired, to secure any Relevant Indebtedness of the Guarantor, the Issuer or such Principal Subsidiary (or any guarantee or indemnity in respect thereof) without, in any such case, making effective provision whereby the Notes, the Coupon and the Guarantee will be secured either at least equally and rateably with such Relevant Indebtedness or by such other Lien as shall have been approved by the holders of each outstanding Tranche of Notes as provided in the Trust Deed, for so long as such Relevant Indebtedness will be so secured; unless after giving effect to the issuance thereof, the aggregate outstanding principal amount of all such secured Relevant Indebtedness entered into after the date of the Trust Deed does not exceed 10 per cent. of the Guarantor's Adjusted Consolidated Net Worth.

The foregoing restriction will not apply to:

- (i) any Lien which is in existence prior to the date of issuance of any Tranche of Notes, but only with respect to such Tranche, and any replacement thereof created in connection with the refinancing (together with interest, fees and other charges attributable thereto) of the Relevant Indebtedness originally secured (but the principal amount secured by any such Lien may not be increased);

- (ii) any Lien arising or having already arisen automatically by operation of law which is promptly discharged or disputed in good faith by appropriate proceedings;
 - (iii) any Lien either over any asset acquired after the date of issuance of any Tranche of Notes, which is in existence at the time of such acquisition or in respect of the obligations of any Person which becomes the Guarantor's Subsidiary or which merges with and into the Guarantor after the date of such issuance which is in existence at the date on which it becomes the Guarantor's Subsidiary and in both cases any replacement thereof created in connection with the refinancing (together with interest, fees and other charges attributable thereto) of the Relevant Indebtedness originally secured (but the principal amount secured by any such Lien may not be increased); provided that any such Lien was not incurred in anticipation of such acquisition or of such company becoming the Guarantor's Subsidiary;
 - (iv) any Lien created on any property or asset acquired, leased or developed (including improved, constructed, altered or repaired) after the date of issuance of any Tranche of Notes; provided, however, that (a) any such Lien shall be confined to the property or asset acquired, leased or developed (including improved, constructed, altered or repaired); and any such Lien shall be created concurrently with or within two years following the acquisition, lease or development (including construction, improvement, repair or alteration) of such property or asset;
 - (v) any Lien created or outstanding in favour of the Guarantor or any of the Guarantor's Subsidiaries;
 - (vi) any Lien on any property or asset to secure all or part of the cost of development, production, gathering, processing or marketing of such property or asset or to secure Relevant Indebtedness incurred to provide funds for any such purpose;
 - (vii) any Lien arising in connection with industrial revenue, development or similar bonds or other Relevant Indebtedness or means of project financing (not to exceed the value of the project financed and limited to the project financed);
 - (viii) any Lien in respect of Relevant Indebtedness of the Guarantor or any of the Guarantor's Subsidiaries with respect to which the Guarantor or such Subsidiary has paid money or deposited money or securities with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Guarantor and the Guarantor's Subsidiary in respect thereof; or
 - (ix) any Lien arising out of the refinancing, extension, renewal or refunding of any Relevant Indebtedness secured by any Lien permitted by any of the foregoing clauses; provided that such Relevant Indebtedness is not increased and is not secured by any additional property or assets.
- (b) **Undertaking relating to the Guarantee:** In respect of each Series of Notes, the Guarantor undertakes that it will (i) register or cause to be registered with SAFE the Deed of Guarantee in accordance with, and within the time period prescribed by, the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) (“**Cross-border Security Registration**”) so long as such rules are still in effect, (ii) use its best endeavours to complete the Cross-border Security Registration and obtain a registration record from SAFE on or before the Registration Deadline and (iii) comply with all applicable PRC laws and regulations in relation to the Guarantee. In addition, the Guarantor shall procure that within five Registration Business Days after such delivery, the Issuer delivers to the Trustee

and the Issuing and Paying Agent a notice addressed to the Noteholders confirming the completion of the Registration Conditions and requests that the Issuing and Paying Agent arrange for such notice to be published to the Noteholders on behalf of the Issuer. Neither the Trustee nor any Agent shall have any obligation to assist with the registration of the Deed of Guarantee with SAFE or to monitor whether or not, or to ensure that, the registration of the Deed of Guarantee with SAFE is completed on or before the Registration Deadline and shall not be liable to Noteholders or any other person for not doing so.

In accordance with the Notice on the Administrative Reform for the Registration of Offshore Debt Issuances issued by the NDRC on 14 September 2015, if any onshore PRC entity or any offshore entity which is controlled by any onshore PRC entity intends to issue any offshore debt and the term of such debt is more than one year, the onshore PRC entity is required to

(1) provide an application to the NDRC for registration of such offshore debt before the issuance of such offshore debt and (2) report the issuance information to the NDRC within 10 business days after the completion of such issuance.

Guarantees by a PRC-incorporated entity of foreign indebtedness arising from offshore bond issuances are subject to registration by the SAFE. The Guarantor will promptly make or cause to be made the Cross-border Security Registration with SAFE.

The Guarantor understands from its discussion with SAFE that under PRC law:

- (i) the Guarantee will be legal, valid and binding obligations of the Guarantor upon execution;*
- (ii) the Guarantor is required to register the Guarantee with the Beijing Branch of SAFE (the “**Beijing Branch**”) as soon as possible and in any event before 15 Registration Business Days after the execution of the Guarantee. If the Guarantor does not complete the registration of the Guarantee promptly in accordance with the requirement of SAFE, there may be operational obstacles to cross-border payment under the Guarantees. See “Risk Factors – Risks Relating to the Notes and the Guarantee” and “Enforceability of Foreign Judgments and Civil Liabilities”; and*
- (iii) the Guarantees will cover all sums due under any Notes issued (including any principal, interest and related financial obligations).*

Under the Conditions, upon completion of registration of the Guarantee with the Beijing Branch of SAFE, the Guarantor is required to deliver to the Trustee a certificate signed by an Authorised Signatory of the Guarantor attaching a copy of the relevant certificate of registration from the Beijing Branch of SAFE and certifying that such copy is a true and correct copy. If the registration is not completed within 120 Registration Business Days after the issuance of any Notes, the Issuer will be required under the Conditions to make an offer to repurchase all such Notes at a price equal to 100 per cent. of the principal amount of such Notes, plus accrued and unpaid interest to but excluding the date of repurchase, as described below under Condition 6(e).

The Guarantor intends to execute and register the Guarantee with respect to any Notes denominated in a currency other than Renminbi as soon as reasonably practicable on or after the date of the Pricing Supplement in respect of such Notes. After the Guarantor completes the registration of the Guarantee with SAFE, funds may be remitted through commercial banks on the basis of the registration documents if the Guarantor is called upon to fulfil its obligations under the Guarantee.

- (c) **Consolidation, Merger and Sale of Assets:** For so long as any Note or Coupon remains outstanding, neither the Guarantor nor the Issuer may consolidate with or merge into any other Person in a transaction in which the Guarantor or the Issuer, as the case may be, is not the surviving entity, or convey, transfer or lease their properties and assets (computed on a consolidated basis) substantially as an entirety to any Person unless:
- (i) any Person formed by such consolidation or into which the Guarantor or the Issuer, as the case may be, is merged or to whom the Guarantor or the Issuer, as the case may be, has conveyed, transferred or leased its properties and assets substantially as an entirety is a corporation validly existing under the laws of the PRC, Hong Kong or the British Virgin Islands and such Person expressly assumes by deeds supplemental to the Trust Deed and the relevant Deed of Guarantee all the obligations of the Guarantor or the Issuer under the Trust Deed, the Notes or the Guarantee, as the case may be;
 - (ii) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing under any Tranche of Notes;
 - (iii) any such Person not organised and validly existing under the laws of (or any such Person resident for tax purposes in a jurisdiction other than) the PRC (in the case of the Guarantor) or the British Virgin Islands or any successor jurisdiction (in the case of the Issuer) shall expressly agree in a supplemental trust deed that its jurisdiction of organisation or tax residence (or any political subdivision, territory or possession thereof, any taxing authority therein or any area subject to its jurisdiction) will be added to the list of Relevant Jurisdictions; and
 - (iv) if, as a result of the transaction, any property or asset of the Guarantor or any of the Guarantor's Principal Subsidiaries would become subject to a Lien that would not be permitted under Condition 4(a) above, the Guarantor, the Issuer or such successor Person takes such steps as shall be necessary to secure the Notes and the Guarantee at least equally and rateably with the Relevant Indebtedness secured by such Lien or by such other Lien as shall have been approved by holders of the Notes pursuant to the Trust Deed.
- (d) **Issuer Activities and Related Matters:** For so long as any Note or Coupon remains outstanding:
- (i) the Issuer will conduct no business or any other activities other than to finance the business operations of the Guarantor or one or more companies controlled by the Guarantor through the offering, sale or issuance of securities and borrowings of indebtedness and investing in or lending the proceeds thereof to the Guarantor or a company controlled by the Guarantor, and any other activities in connection therewith;
 - (ii) the Guarantor will cause State Grid Overseas Investment Limited to remain a "company controlled by the parent company" with respect to the Guarantor as such item is defined in Rule 3a-5 under the U.S. Investment Company Act of 1940, as amended;
 - (iii) the Guarantor will cause State Grid Overseas Investment Limited to maintain 100 per cent. equity ownership of the Issuer; and

- (iv) the Guarantor will cause the Issuer to remain to be treated as a disregarded entity for U.S. federal income tax purposes, and none of the Issuer, State Grid Overseas Investment Limited nor the Guarantor will take any action that is inconsistent with the Issuer being treated as a disregarded entity.

(e) **Financial Statements:**

- (i) So long as any Note or Coupon remains outstanding:
 - (A) the Guarantor shall send to the Trustee as soon as they are available, but in any event within 180 calendar days after the end of each fiscal year of the Guarantor, copies of its financial statements in the English language (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of independent accountants; and
 - (B) as soon as they are available, but in any event within 120 calendar days after the end of each first semi-annual fiscal period of the Guarantor, copies of its unaudited financial statements in the English language (on a consolidated basis) in respect of such semi-annual period (including a statement of income, balance sheet and cash flow statement) prepared on a basis consistent with the audited financial statements of the Guarantor, together with a certificate signed by the person then authorised to sign financial statements on behalf of the Guarantor, to the effect that such financial statements are true in all material respects and present fairly the financial position of the Guarantor, as at the end of, and the results of its operations for, the relevant semi-annual period,

provided that, if at any time the Capital Stock of the Guarantor is listed for trading on a recognised stock exchange, the Guarantor will file with the Trustee, as soon as they are available but in any event not more than 10 calendar days after any financial or other reports of the Guarantor are filed with any recognised exchange on which the Guarantor's Capital Stock is at any time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified in clauses (i) and above, if such financial or other report is in English language.

- (ii) For so long as any Note or Coupon remains outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Guarantor, during any period in which it is not subject to and in compliance with Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") or it is not exempt from such reporting requirements pursuant to and in compliance with Rule 12g3-2(b) under the Exchange Act, will furnish, upon the request of any Noteholder or a holder of a beneficial interest in a Note, such information as is specified in paragraph (d)(4) of Rule 144A, to such holder or beneficial owner or to a prospective purchaser of any Note or a beneficial interest in any Note who is a qualified institutional buyer within the meaning of Rule 144A, in order to permit compliance by the holder or beneficial owner with Rule 144A in connection with the resale of any such Note or beneficial interest in any such Note in reliance on Rule 144A.
- (iii) For so long as any Note or Coupon remains outstanding, each of the Issuer and the Guarantor will notify the Trustee, immediately upon becoming aware of the occurrence of any event which constitutes, or which, after notice or lapse of time or both, would become, an Event of Default under any Note and provide a certificate signed by an

Authorised Signatory of the Issuer or, as the case may be, by an Authorised Signatory of the Guarantor setting forth the details thereof and the action the Issuer or, as the case may be, the Guarantor is taking or proposes to take with respect thereto.

(f) In these Conditions:

“**Adjusted Consolidated Net Worth**” means the sum of the Guarantor’s (a) shareholders’ equity as determined under PRC GAAP and (b) Subordinated Indebtedness;

“**Capital Stock**” means any and all shares, interests (including joint venture interests), participations or other equivalents (however designated) of capital stock of a corporation or any and all equivalent ownership interests in a Person (other than a corporation);

“**Indebtedness**” of any Person means, at any date, without duplication, (i) any outstanding indebtedness for or in respect of money borrowed (including bonds, debentures, notes or other similar instruments, whether or not listed) that is evidenced by any agreement or instrument, excluding trade payables, (ii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, and (iii) all Indebtedness of others guaranteed by such Person;

“**Lien**” means any mortgage, charge, pledge, lien, encumbrance, hypothecation, title retention, security interest or security arrangement of any kind;

“**NDRC**” means the National Development and Reform Commission;

“**Person**” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity;

“**PRC GAAP**” means generally accepted accounting principles in the PRC consistently applied as in effect from time to time;

“**Principal Subsidiary**” at any time shall mean one of the Guarantor’s Subsidiaries:

(a) as to which one or more of the following conditions is/are satisfied:

(i) its net profit or (in the case of one of the Guarantor’s Subsidiaries which has one or more Subsidiaries) consolidated net profit attributable to the Guarantor (in each case before taxation and exceptional items) is at least 10 per cent. of the Guarantor’s consolidated net profit (before taxation and exceptional items); or

(ii) its net assets or (in the case of one of the Guarantor’s Subsidiaries which has one or more Subsidiaries) consolidated net assets attributable to the Guarantor (in each case after deducting minority interests in Subsidiaries) are at least 10 per cent. of the Guarantor’s consolidated net assets (after deducting minority interests in Subsidiaries),

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Guarantor’s Subsidiary and the Guarantor’s then latest consolidated financial statements, provided that: in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest relevant audited financial statements relate, the reference to the then latest audited financial statements for the purposes of the calculation above shall, until audited financial statements for the financial period in which the acquisition is made are

published, be deemed to be a reference to the financial statements adjusted to consolidate the latest audited financial statements of the Subsidiary in the financial statements; (2) if, in the case of a Subsidiary of the Guarantor which itself has one or more Subsidiaries, no consolidated financial statements are prepared and audited, its consolidated net assets and consolidated net profits shall be determined on the basis of *pro forma* consolidated financial statements of the relevant Subsidiary and its Subsidiaries prepared for this purpose and opined on by its auditors; or (3) if the financial statements of a Subsidiary of the Guarantor (not being a Subsidiary referred to in (1) above) are not consolidated with those of the Guarantor then the determination of whether or not the Subsidiary is a Principal Subsidiary shall, if the Guarantor requires, be based on a *pro forma* consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements of the Guarantor and its Subsidiaries; or

- (b) to which is transferred all or substantially all of the assets of the Guarantor's Subsidiary which immediately prior to the transfer was a Principal Subsidiary, provided that, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (but without prejudice to paragraph (i) above) and the Guarantor's Subsidiary to which the assets are so transferred shall become a Principal Subsidiary.

A certificate of the Guarantor's auditors as to whether or not the Guarantor's Subsidiary is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error;

“**PRC**” means the People's Republic of China, and for the purpose of these Conditions only, excluding Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan;

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

“**Registration Deadline**” means the day falling 120 Registration Business Days after the Issue Date;

“**Relevant Indebtedness**” of any Person means, at any date, Indebtedness (1) that has a final maturity date of one year or more from the date of incurrence or issuance of such Indebtedness and (2) is in the form of, or is represented or embodied by, bonds, notes, debentures or other securities which are, or are intended to be, commonly quoted, listed or dealt in or traded on any stock exchange or over-the-counter securities market;

“**SAFE**” means the State Administration of Foreign Exchange or its local branch;

“**Subordinated Indebtedness**” means the Guarantor's indebtedness (including perpetual debt, which the Guarantor is not required to repay) which (i) has a final maturity and a weighted average life to maturity longer than the remaining life to maturity of any outstanding Tranche of Notes and (ii) is issued or assumed pursuant to, or evidenced by, an indenture or other instrument containing provisions for the subordination of such Indebtedness to any outstanding Tranche of Notes including (a) a provision that in the event of the Guarantor's bankruptcy, insolvency or other similar proceeding, the holders of any outstanding Tranche of Notes shall be entitled to receive payment in full in cash of all principal, Additional Tax Amounts and interest on such Notes (including all interest arising after the commencement of such proceeding whether or not an allowed claim in such

proceeding) before the holder or holders of any such Subordinated Indebtedness shall be entitled to receive any payment of principal, interest or premium thereon, (b) a provision that, if an Event of Default has occurred and is continuing under any outstanding Tranche of Notes, the holder or holders of any such Subordinated Indebtedness shall not be entitled to payment of any principal, interest or premium in respect thereof unless or until such Event of Default shall have been cured or waived or shall have ceased to exist, and (c) a provision that the holder or holders of such Subordinated Indebtedness may not accelerate the maturity thereof as a result of any default relating thereto so long as any Note is outstanding;

“**Subsidiary**” means, as applied to any Person, any corporation or other entity of which a majority of the outstanding Voting Shares is, at the time, directly or indirectly, owned by such Person; and

“**Voting Shares**” means, with respect to any Person, the Capital Stock having the general voting power under ordinary circumstances to vote on the election of the members of the board of directors or other governing body of such Person (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

In addition to the foregoing covenants in this Condition 4, the Trust Deed will (subject to exceptions, qualifications and materiality thresholds, where appropriate) contain covenants regarding the Issuer’s and the Guarantor’s payment of taxes and other claims and the maintenance of an agent for service of process in Hong Kong.

5. INTEREST AND OTHER CALCULATIONS

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).
- (b) **Interest on Floating Rate Notes**
- (i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each *subsequent* such date shall be the last Business Day of the month in which such date would have fallen had it not been

subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

- (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified *hereon* and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified *hereon*.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified *hereon* as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (1) the Floating Rate Option is as specified *hereon*;
- (2) the Designated Maturity is a period specified *hereon*; and
- (3) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified *hereon*.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

- (1) Where Screen Rate Determination is specified *hereon* as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (x) the offered quotation; or
- (y) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11:00 a.m. (London time in the case of LIBOR, Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or if, at or around that time it is notified that the fixing will be published at 2:30 p.m. (Hong Kong time), then as of 2:30 p.m. (in the case of CNH HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest

quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR, EURIBOR or HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon;

- (2) if the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or if sub-paragraph (x)(2) above of this Condition 5(b)(iii)(B) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall notify the Issuer and the Issuer shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Issuer with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11:00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11:00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11:00 a.m. (Hong Kong time) on the Interest Determination Date in question, and the Issuer shall advise the Calculation Agent of each offered quotation received by it as aforesaid. If two or more of the Reference Banks provide the Issuer Agent with such offered quotations and the Issuer advises the Calculation Agent of the same as aforesaid, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (3) if paragraph (y) above of this Condition 5(b)(iii)(B) applies and the Issuer determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to the Issuer by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11:00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11:00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11:00 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Issuer with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal

to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11:00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11:00 a.m. (Hong Kong time), on the relevant Interest Determination Date, any one or more banks informs the Issuer it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be,, and the Issuer shall advise the Calculation Agent of each offered rate for deposits received by it as aforesaid, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) *Linear Interpolation*

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“**Applicable Maturity**” means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).
- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

- (e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).
- (g) **Margin, Maximum Rates of Interest/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**
 - (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
 - (ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the countries of such currency.
- (h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (i) **Determination and Publication of Rates of Interest, Interest Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and

calculate the Interest Amounts for the relevant Interest Accrual Period, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (j) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Business Day” means:

- (i) in the case of Notes denominated in a currency other than euro or Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of Notes denominated in euro, a day on which the TARGET System is operating (a **“TARGET Business Day”**); and/or
- (iii) in the case of Notes denominated in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or
- (iv) in the case of Notes denominated in a currency and/or one or more Business Centres a day (other than a Saturday, a Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the **“Calculation Period”**):

- (i) if **“Actual/Actual”** or **“Actual/Actual – ISDA”** is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (ii) if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30;

(vii) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30;

(viii) if “**Actual/Actual-ICMA**” is specified hereon,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(1) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

- (2) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“**Determination Date**” means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“**Interest Amount**” means:

- (a) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (b) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified hereon.

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR; or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi; or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro; or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR.

“**Interest Period**” means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon.

“**Interest Period Date**” means each Interest Payment Date unless otherwise specified hereon.

“**ISDA Definitions**” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“**Reference Banks**” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market, in each case selected by and contacted by the Issuer or as specified hereon.

“**Reference Rate**” means the rate specified as such hereon.

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

“**Specified Currency**” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

- (k) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount or to comply with any other requirement, the Issuer shall (with prior notification to the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by

the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. REDEMPTION, PURCHASE AND OPTIONS

(a) **Redemption by Instalments and Final Redemption:**

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below of this Condition 6(b)(i), the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above of this Condition 6(b)(i), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the

Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) **Other Notes:** The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(b)(i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d), Condition 6(e) or Condition (f) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.
- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or, if the Guarantee is called, the Guarantor) satisfies the Trustee immediately prior to the giving of such notice that the Issuer (or, if the Guarantee is called, the Guarantor) has or will become obliged to pay **Additional Tax** Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes then payable. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer (or, if the Guarantee was called, the Guarantor) shall deliver to the Trustee (a) a certificate signed by a Director of the Issuer who is also an Authorised Signatory of the Issuer (or by an Authorised Signatory of the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(c) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective); and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(c), in which event the same shall be conclusive and binding on Noteholders and Couponholders.

For the purposes of this Condition 6(c) and Condition 8, "**Relevant Jurisdiction**" means the British Virgin Islands, Hong Kong and the People's Republic of China (which for this purpose excludes Hong Kong, Macau and Taiwan) or any political subdivision or any authority therein or thereof having power to tax to which the Issuer or the Guarantor becomes subject in respect of payments made by it of any sums due in respect of the Notes or Coupons.

- (d) **Redemption at the Option of the Issuer:** If Issuer Call Option is specified hereon, the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so

provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (**which** may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, in subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (e) **Redemption for Relevant Events:** Following the occurrence of a Relevant Event, if redemption on the occurrence thereof is specified hereon, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Notes on the Put Settlement Date (as defined below in this Condition 6(e)) at 101% (in the case of a redemption for a Change of Control, as defined below in this Condition 6(e)) or 100% (in the case of a redemption for a No Registration Event, as defined below in this Condition 6(e)) of their principal amount, together in each case with accrued interest to the Put Settlement Date. To exercise such right, the holder of the relevant Note must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) or (in the case of Registered Notes) the Certificate evidencing such Notes to be redeemed, by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer or the Guarantor in accordance with Condition 16. The "**Put Settlement Date**" shall be the date specified in the Put Exercise Notice for the redemption of such Notes, which date will be no earlier than 30 days and no later than 60 days from the date the Put Exercise Notice is given.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes the subject of Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

Not later than 30 days (in the case of a redemption for a Change of Control) or 15 days (in the case of a redemption for a No Registration Event) following the day on which the Issuer or the Guarantor becomes aware of a Relevant Event, the Issuer or the Guarantor shall procure that notice regarding such Relevant Event shall be delivered to the Trustee in writing and to the holders (in accordance with Condition 16) stating:

- (i) the Put Settlement Date;
- (ii) the date of the Relevant Event and, briefly, the events causing, as applicable, the Change of Control and the Rating Downgrade (in the case of a Change of Control) or the No Registration Event (in the case of a No Registration Event);
- (iii) the date by which the Put Exercise Notice must be given;

- (iv) the redemption amount and the method by which such amount will be paid;
- (v) the names and addresses of all Paying Agents;
- (vi) the procedures that holders must follow and the requirements that holders must satisfy in order to exercise the Relevant Event Put Right; and
- (vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

The Trustee shall have no obligation or duty to verify the accuracy, validity and/or genuineness of any documents provided or delivered to it in relation to or connection with the Relevant Event and/or the Registration Conditions and shall not be liable to holders or any other person for not doing so. The Trustee shall be entitled to assume that if no notice of the occurrence of a Relevant Event has been received by it that no Relevant Event has occurred, and shall not be liable to holders or any other person for so doing.

For the purpose of this Condition 6(e):

a “**Change of Control**” means the occurrence, at any time, of any of the following:

- (a) the Guarantor ceasing to own and control directly or indirectly 100 per cent. of the Voting Shares of the Issuer; or
- (b) the government of the People’s Republic of China or Persons controlled by the government of the People’s Republic of China ceasing to own and control directly or indirectly or in combination (through controlled entities) 100 per cent. of the Voting Shares of the Guarantor;

“**Investment Grade**” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; a rating of “Aaa,” “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s or any of its successors or assigns; a rating of “BBB-” or better by Fitch or any of its successors or assigns; or the equivalent ratings of any United States nationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Guarantor as having been substituted for S&P, Moody’s, or Fitch or any combination thereof, as the case may be;

a “**No Registration Event**” occurs when the Registration Conditions are not complied with on or before the Registration Deadline (as defined in Condition 4);

a “**Person**” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity;

“**Rating Agencies**” means (i) S&P Global Ratings, a division of The McGraw-Hill Companies, Inc., and its successors (“**S&P**”); (ii) Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors (“**Moody’s**”); (iii) Fitch Inc., a subsidiary of Fimalac, S.A., and its successors (“**Fitch**”); and (iv) if one or more of S&P, Moody’s or Fitch shall not make a rating of the Notes publicly available, any United States nationally recognised securities rating agency or agencies, as the case may be, selected by the Guarantor, which shall be substituted for S&P, Moody’s or Fitch or any combination thereof, as the case may be;

“**Rating Date**” means, in connection with a Relevant Event involving a Change of Control, that date which is 90 days prior to the earlier of (i) a Change of Control and (ii) a public notice of the occurrence of a Change of Control or of the intention by the Guarantor or any other Person or Persons to effect a Change of Control;

“**Rating Decline**” means, in connection with a Relevant Event involving a Change of Control, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Guarantor or any other person or persons to effect a Change of Control (which period shall be extended (by no more than an additional three months after the consummation of the Change of Control) so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below: (i) in the event the Notes are (a) on the Rating Date (x) rated by three Ratings Agencies and (y) rated Investment Grade by each such Rating Agency, and (b) cease to be rated Investment Grade by at least two of such Rating Agencies; or (ii) in the event the Notes are (a) on the Rating Date (x) rated by two but not more Ratings Agencies and (y) rated Investment Grade by each such Rating Agency, and (b) cease to be rated Investment Grade by both such Rating Agencies;

“**Registration Conditions**” means the receipt by the Trustee of (i) a certificate signed by any one Director or one duly authorised officer (including the Deputy General Manager – Finance) of the Guarantor, in each case who is also an Authorised Signatory of the Guarantor, confirming the completion of the Cross-border Security Registration together with a copy of the relevant SAFE registration record and (ii) a legal opinion as to PRC law issued by a reputable PRC law firm which could be the counsel to the Issuer in connection with the issue of the Notes, addressed to the Trustee and otherwise in form and substance satisfactory to the Trustee, that the Guarantee (x) constitutes legal, valid and binding obligations of the Guarantor and (y) is enforceable against the Guarantor; and

a “**Relevant Event**” will be deemed to occur if (i) there is a No Registration Event; or (ii) there is a Change of Control, provided that, in the event that the Notes are, on the Rating Date, rated Investment Grade by two or more Rating Agencies, a Relevant Event under (ii) of this definition shall mean the occurrence of both a Change of Control and a Rating Decline. No Relevant Event will be deemed to have occurred in connection with any particular Change of Control: (A) unless and until such Change of Control has actually been consummated or (B) if a third party makes an offer to purchase outstanding Notes substantially in the manner, at the times and in compliance with the requirements set forth above in connection with a Change of Control (and for at least the same purchase price payable in cash) and such third party purchases all Notes properly tendered and not withdrawn under its offer.

- (f) **Redemption at the Option of Noteholders:** If Investor Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 30 nor more than 60 days’ notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the relevant Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (an “**Exercise Notice**”) in the form obtainable from any

Paying Agent, the relevant Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (g) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.
- (h) **Purchases:** Each of the Issuer, the Guarantor and any of their respective Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may be held, reissued, resold or surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 10 and Condition 11(a) and as provided in the Trust Deed.
- (i) under this Condition 6 shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Note (which shall include any notice given by the Issuer pursuant to Condition 6(c) or Condition 6(d) and any Put Exercise Notice given by a Noteholder pursuant to Condition 6(e)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail. Neither the Trustee nor any Agent shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption and shall not be liable to Noteholders or any other person for not doing so.

7. PAYMENTS AND TALONS

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be:
 - (i) in the case of Notes denominated in a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; and
 - (ii) in the case of Notes denominated in Renminbi, by transfer from the Paying Agent's office outside the United States to a Renminbi account maintained by or on behalf of the Noteholder with a Bank in Hong Kong.

In this Condition 7(a) and in Condition 7(b), “**Bank**” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Registered Notes:**

- (i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the relevant Registrar and in the manner provided in Condition 7(b)(ii).
- (ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the relevant Register at the close of business on the fifth (in the case of Notes denominated in Renminbi) and fifteenth (in the case of Notes denominated in a currency other than Renminbi) day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made:
 - (A) in the case of Notes denominated in a currency other than Renminbi, in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the relevant Register. Upon application by the holder to the specified office of the relevant Registrar or any Transfer Agent before the Record Date or at the discretion of the relevant Paying Agent, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank; and
 - (B) in the case of Notes denominated in Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b)(ii), “**registered account**” means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the relevant Register at the close of business on the fifth business day before the due date for payment.

- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments subject to Laws:** Payments will be subject in all cases to (i) any fiscal or other laws, regulations and directives applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulations or agreements thereunder, any official interpretations

thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

- (e) **Appointment of Agents:** The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the DTC Paying Agent, the other Paying Agents, the Registrars, the other Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the DTC Paying Agent, the Paying Agents, the Registrars, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, the DTC Paying Agent, any other Paying Agent, the Registrars, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) a DTC Paying Agent in relation to Notes accepted for clearance through DTC, (vi) one or more Calculation Agent(s) where the Conditions so require, and (vii) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case, as approved in writing by the Trustee.

In addition, the Issuer may appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c) above.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Noteholders in accordance with Condition 16.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes), such Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note or a Dual Currency Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexpired Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity and/or security as the Issuer may require.
- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “**business day**” means a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “**Financial Centres**” hereon and:
 - (i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day; or
 - (iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8. TAXATION

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Relevant Jurisdiction, unless such withholding or deduction is required by law. Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the aggregate rate applicable on the date on which agreement is reached to issue the first Tranche of the Notes (the “**Applicable Rate**”), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Noteholders

equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. If the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within a Relevant Jurisdiction other than the PRC, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts (“**Additional Tax Amounts**”) as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) **Other connection:** to a holder, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note, Receipt or Coupon; or
- (b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment (where presentation is required) more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on presenting it for payment on the thirtieth day;

As used in these Conditions, “**Relevant Date**” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relevant Certificate), Receipt or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

9. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. EVENTS OF DEFAULT

If any of the following events (each an “**Event of Default**”) occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have first been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

- (a) **Non-Payment of principal and premium:** the Issuer and the Guarantor each fails to pay the principal of or any premium (if any) on any of the Notes on the date such amount is due and payable, upon optional redemption, acceleration or otherwise; or
- (b) **Non-Payment of interest:** the Issuer and the Guarantor each fails to pay interest on any Note within 30 calendar days after the due date for such payment; or
- (c) **Breach of Certain Covenants:** the Issuer or the Guarantor fails to comply with its obligations set out under Condition 4(c) or Condition 6(e); or
- (d) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its respective obligations in the Notes, the Trust Deed or the Deed of Guarantee, which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 60 days after notice of such default shall have been given to the Issuer or the Guarantor, as the case may be, by the Trustee; or
- (e) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or the Guarantor or any Principal Subsidiary for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity following a default by the Issuer, the Guarantor or such Principal Subsidiary, if such Indebtedness is not discharged, or such acceleration is not annulled, within 10 days after receipt by the Trustee of the written notice from the Issuer or the Guarantor as provided in the Trust Deed, or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any Principal Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised if such obligation is not discharged or otherwise satisfied within 10 days after receipt by the Trustee of written notice as provided in the Trust Deed; provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(e) have occurred equals or exceeds US\$200,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollars as quoted by any leading bank on the day on which this Condition 10(e) operates); or
- (f) **Judgments or Orders:** one or more final judgments or orders for the payment of money are rendered against the Issuer, the Guarantor or any Principal Subsidiary and are not paid or discharged, and there is a period of 30 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$200,000,000 (or its equivalent in any other currency) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect; or

- (g) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries and is not discharged or stayed within thirty days; or
- (h) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of the Principal Subsidiaries over all or a material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged within thirty days; or
- (i) **Insolvency:** the Issuer, the Guarantor or any of the Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of the Principal Subsidiaries; or
- (j) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or the Guarantor or any of the Principal Subsidiaries, or the Issuer, the Guarantor or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or a material part of its business or operations, except (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the Noteholders, or (B) in the case of a Principal Subsidiary, hereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or another Principal Subsidiary, or (ii) a disposal on an arm's length basis where the assets resulting from such disposal are vested in the Guarantor or any of the Principal Subsidiaries; or
- (k) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes, the Trust Deed and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and
- (l) (iii) to make the Notes, the Trust Deed and the Deed of Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (m) **Illegality:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes, the Trust Deed or the Deed of Guarantee; or
- (n) **Unenforceability of Guarantee:** the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or
- (o) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(a) to 10(m) (both inclusive).

11. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any of the provisions of the Trust Deed or the Deed of Guarantee. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested in writing to do so by Noteholders holding not less than 10 per cent in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution or (viii) to modify or cancel the Deed of Guarantee (subject to Condition 11(b)), in which case the necessary quorum shall be two or more persons holding or representing not less than 66 per cent, or at any adjourned meeting not less than 33 per cent, in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

- (b) **Modification, Waiver, Authorisation and Determination:** The Trustee may (but shall not be **obliged** to) agree, without the consent of the Noteholders or Couponholders, to any modification (except as mentioned in the Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, or any failure to comply with any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee, the Notes, the Receipts or the Coupons which in the opinion of the Trustee is not materially prejudicial to the interests of the Noteholders, or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such

modification, waiver or authorisation shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, such modification, waiver or authorisation shall be notified by the Issuer, failing whom the Guarantor, to the Noteholders as soon as practicable thereafter in accordance with Condition 16.

- (c) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 11), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any **Noteholder** or Couponholder be entitled to claim, from the Issuer, the Guarantor or the Trustee, indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

12. ENFORCEMENT

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

13. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability. The Trustee and any entity related to the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders on any report, information, confirmation, opinion or certificate or any advice or opinion of any accountants, auditors, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, information, confirmation, certificate, advice or opinion and such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor and the Noteholders.

The Trustee shall have no obligation to monitor whether an Event of Default, Potential Event of Default, Rating Downgrade, Change of Control or Relevant Event has occurred, and shall not be liable to Noteholders or Couponholders or any other person for not so doing.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Noteholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Guarantor, the

Noteholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Noteholders or in the event that no direction is given to the Trustee by the Noteholders. None of the Trustee or any Agent shall be liable to any Noteholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Noteholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer or the Guarantor or any other person appointed by the Issuer and/or the Guarantor in relation to the Notes of the duties and obligations on their part expressed in respect of the same.

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

14. REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer or the relevant Agent may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders to create and issue further securities (“Additional Notes”) either (i) having the same terms and conditions as the Notes in all respects (or in all respects save for the first payment of interest on them) and so that the same shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (ii) upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any Additional Notes issued pursuant to this Condition 15 and forming a single series with the Notes. Any Additional Notes which are to form a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other future securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed, provided that if any such Additional Notes are not fungible with the Notes for U.S. federal income tax purposes, such Additional Notes will have a separate ISIN, CUSIP, Common Code, CMU Instrument Number or other identifying number (as applicable) from those of the Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series in certain circumstances where the Trustee so decides.

16. NOTICES

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing and, so long as the Notes are listed on the Stock Exchange and the rules of that Exchange so require, published in a leading newspaper having general circulation in Asia (which is expected to be the Asian Wall Street Journal). Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Asia and, so long as the Notes are listed on the Stock Exchange and the rules of that Exchange so require, published in a daily newspaper with general circulation in Asia (which is expected to be the Asian Wall Street Journal). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear or Clearstream, Luxembourg or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate or (ii) the CMU Service, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the Persons shown in the CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18. GOVERNING LAW AND JURISDICTION

- (a) **Governing Law:** The Trust Deed, the Agency Agreement, the Deed of Guarantee, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons, the Trust Deed, the Agency Agreement and the Deed of Guarantee and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons, the Trust Deed, the Agency Agreement and the Deed of Guarantee (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed, and the Guarantor has in the Deed of Guarantee, irrevocably **submitted** to the jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

- (c) **Service of Process:** Each of the Issuer and the Guarantor has in the Trust Deed irrevocably agreed to receive service of process at State Grid Overseas Investment Limited's principal place of business in Hong Kong (being, at the Issue Date, 1304, 13F, Great Eagle Center, 23 Harbour Road, Wanchai, Hong Kong) to receive, for it and on its behalf, service of process in any Proceedings in Hong Kong.

- (d) **Waiver of immunity:** To the extent that the Issuer or the Guarantor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or the Guarantor, or its assets or revenues, each of the Issuer and the Guarantor agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

INITIAL ISSUE OF NOTES

Notes may be issued in bearer form or in registered form. Registered Notes will not be exchangeable for Bearer Notes and vice versa.

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a common depository or sub-custodian for Euroclear, Clearstream, Luxembourg and/or as the case may be, the CMU and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If TEFRA D is specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Registered Notes will be represented by registered Certificates; one definitive Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Registered Notes sold to non-U.S. persons in an "offshore transaction" within the meaning of Regulation S will initially be represented by an Unrestricted Global Certificate. Registered Notes sold in the United States to QIBs within the meaning of Rule 144A will initially be represented by a Restricted Global Certificate.

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depository for Euroclear and Clearstream, Luxembourg (the "Common Depository") or a sub-custodian for the HKMA as operator of the CMU.

Upon the initial deposit of a Global Note with the Common Depository or with a sub-custodian for the HKMA as operator of the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream, Luxembourg or (ii) the HKMA and delivery of the relevant Global Certificate to the Common Depository or the sub-custodian for the HKMA as operator of the CMU (as the case may be), Euroclear or Clearstream, Luxembourg or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Upon the initial deposit of a Global Certificate in respect of, and registration of, Registered Notes in the name of a nominee for DTC and delivery of the relevant Global Certificate to the Custodian for DTC, DTC will credit each participant with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with the CMU and/or Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with the CMU, Euroclear, Clearstream, Luxembourg or other clearing systems.

RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system (an “Alternative Clearing System”) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled (in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

EXCHANGE

Temporary Global Notes

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with TEFRA C or in a transaction to which TEFRA is not applicable (as to which, see “Summary of the Programme – Selling Restrictions”), in whole, but not in part, for the Definitive Notes defined and described below; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a Permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

Permanent Global Notes

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “Partial Exchange of Permanent Global Notes” below, in part for Definitive Notes or, in the case of (i) below, Registered Notes:

- (i) if the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or the CMU;
- (ii) or an Alternative Clearing System and any such 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 in fact does so; or
- (iii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of the CMU, Euroclear or Clearstream, Luxembourg.

Global Certificates

(a) Unrestricted Global Certificates

If the relevant Pricing Supplement states that the Notes are to be represented by an Unrestricted Global Certificate, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or the CMU or DTC or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2 of the Conditions may only be made:

- (i) in whole but not in part if the Unrestricted Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, the CMU or an Alternative Clearing System and such 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; or
- (ii) in whole but not in part, if such Notes are held on behalf of a Custodian for DTC and if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that Unrestricted Global Certificate or DTC ceases to be a “clearing agency” registered under the Exchange Act or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC;
- (iii) if principal in respect of any Notes is not paid when due;

provided that, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

(b) *Restricted Global Certificates*

If the relevant Pricing Supplement states that the Restricted Notes are to be represented by a Restricted Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear, Clearstream, Luxembourg or DTC or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from DTC. Transfers of the holding of Notes represented by that Restricted Global Certificate pursuant to Condition 2 of the Conditions may only be made:

- (i) in whole but not in part, if such Notes are held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System and any such 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;
- (ii) in whole but not in part, if such Notes are held on behalf of a Custodian for DTC and if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to that Restricted Global Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (iii) in whole or in part, with the Issuer's consent,

provided that, in the case of any transfer pursuant to (i) or (ii) above, the relevant Registered Noteholder has given the relevant Registrar not less than 30 days' notice at its specified office of the Registered Noteholder's intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Restricted Global Certificate shall bear the legend applicable to such Notes as set out in "Transfer Restrictions".

PARTIAL EXCHANGE OF PERMANENT GLOBAL NOTES

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

DELIVERY OF NOTES

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of,

an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, “Definitive Notes” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and, if applicable, a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

EXCHANGE DATE

“Exchange Date” means (i) in relation to an exchange of a Temporary Global Note to a Permanent Global Note, the day falling after the expiry of 40 days after its issue date or the completion of distribution of the relevant Tranche of the Notes, whichever later; or (ii) in relation to an exchange of a Permanent Global Note to a Definitive Note, a day falling not less than 60 days or in the case of exchange following failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the cities in which the relevant clearing systems are located.

AMENDMENT TO CONDITIONS

The Temporary Global Notes, Permanent Global Notes, and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Conditions set out in this Offering Circular. The following is a summary of certain of those provisions:

PAYMENTS

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with TEFRA D before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes.

Condition 7(f)(vi) will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of “business day” set out in Condition 7(h).

All payments made in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the relevant Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where “Clearing System Business Day” means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in a CMU Issue Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose.

CALCULATION OF INTEREST

So long as the Notes 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 Notes from the Issue Date in arrear at the rates, on the date of 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 Notes represented by such Global Certificate.

PRESCRIPTION

Claims against the Issuer in respect of Notes that are represented by a Permanent Global Note or a Global Certificate will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

MEETINGS

The holder of a Global Note or of the Notes represented by a Global Certificate shall (unless such Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Global Note or a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

CANCELLATION

Cancellation of any Note represented by a Global Note or Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Global Note or Global Certificate.

PURCHASE

Notes represented by a Global Note or Global Certificate may only be purchased by the Issuer, the Guarantor or any of their respective Subsidiaries if they are purchased together with the right to receive all future payments of interest and Instalment Amounts (if any) thereon.

ISSUER'S OPTIONS

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note or Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain, the certificate numbers of Notes drawn in respect of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, DTC, the CMU or any other clearing system (as the case may be).

NOTEHOLDERS' OPTIONS

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note or Global Certificate may be exercised by the holder of the Global Note (in accordance with the standard procedures of the relevant clearing system) giving notice to the Issuing and Paying Agent or (in respect of Notes represented by a Global Certificate) the Registrar or Transfer Agent or (in respect of Notes lodged with the CMU) the CMU Lodging and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the Global Note or Global Certificate to the Issuing and Paying Agent, the relevant Registrar, a Transfer Agent or the CMU Lodging and Paying Agent (or, in each case, to a Paying Agent acting on their behalf), as the case may be, for notation.

TRUSTEE'S POWERS

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Global Certificate and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

NOTICES

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream, Luxembourg, DTC or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Issue Position Report issued by the CMU on the second business day preceding the date of dispatch of such notice as holding interests in the relevant Global Note or Global Certificate.

PARTLY PAID NOTES

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes or Global Certificates. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note or Global Certificate representing such Notes may be exchanged for an interest in a Permanent Global Note, a Global Certificate, Definitive Notes or definitive Certificates (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**EU MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**EU Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**EU PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.]

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

[EU MIFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the [Notes] has led to the conclusion that: (i) the target market for the [Notes] is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**EU MiFID II**”)]/[EU MiFID II]; or (ii) all channels for distribution of the [Notes] to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any [person subsequently offering, selling or recommending the [Notes] (a “**distributor**”)] should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the [Notes] (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

[UK MIFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the [Notes] is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the [Notes] to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a “**distributor**”)]/[distributor] should take into consideration the manufacturer[‘s/s’] target market

assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the [Notes] (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes 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).

Pricing Supplement dated

State Grid Overseas Investment (BVI) Limited

(国家电网海外投资(BVI)有限公司)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] due [●]
under the US\$15,000,000,000 Guaranteed Medium Term Note Programme guaranteed by State Grid
Corporation of China

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “Conditions”) set forth in the Trust Deed dated on or about April 17, 2017. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular (as defined below). Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular dated August 30, 2021 (the “Offering Circular”).

[The following language applies where the relevant Series of Notes will be listed on the Hong Kong Stock Exchange]

This Pricing Supplement is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”)) (“Professional Investors”) only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, The Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, or the Issuer, the Guarantor and the Group, or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the

contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.]

The Pricing Supplement includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the purpose of giving information with regard to the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in the Pricing Supplement and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date], save in respect of the Conditions which are extracted from the Offering Circular dated August 30, 2021 and are attached hereto.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Italics denote directions for completing the Pricing Supplement.]

- 1 Issuer: State Grid Overseas Investment (BVI) Limited 国家电网海外投资(BVI)有限公司 (formerly known as State Grid Overseas Investment (2016) Limited 国家电网海外投资(2016)有限公司)

- 2 Guarantor: State Grid Corporation of China
 - [(i)] Series Number: [●]
 - [(ii)] Tranche Number: [●]
 - [(iii)] Date on which the Notes will be consolidated to form a single Series: The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/ exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [1] below, which is expected to occur on or about [date]] [Not Applicable]

- 3 Specified Currency or Currencies: [●]

- 4 Aggregate Nominal Amount:
 - [(i)] Series: [●]
 - [(ii)] Tranche:¹ [●]

- 5 [(i)] Issue Price: [●]% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]

¹ NB consider registration of guarantee and whether further Notes can only be fungible after registration.

- [(ii) Net proceeds: *(Required only for listed issues)*]
- [(iii) Use of proceeds: *(Required if different from Offering Circular)*]
- 6** (i) Specified Denominations:² [●]
- (ii) Calculation Amount: [●]
- (iii) Issue Date: [●]
- (iv) Interest Commencement Date: [Specify/Issue date/Not Applicable]
- 7** Maturity Date: [specify date *(for Fixed Rate Notes)* or *(for Floating Rate Notes)* Interest Payment Date falling in or nearest to the relevant month and year]³
- Interest Basis: [[●]% Fixed Rate]
 [specify reference rate] +/--%
 [Floating Rate]
 [Zero Coupon]
 [Dual Currency Interest]
 [Other *(specify)*]
 (further particulars specified below)
- 8** Redemption/Payment Basis: [Redemption at par]
 [Dual Currency Redemption]
 [Partly Paid]
 [Instalment]
 [Other *(specify)*]
- 9** Change of Interest or Redemption/
 Payment Basis: [*Specify details of any provision for change of Notes into another interest basis or redemption/payment basis*]
- 10** Put/Call Options: [Investor Put Option]⁴
 [Issuer Call Option]
 [Relevant Event Put Option]
 [(further particulars specified below)]
- 11** Date of [Board] approval for issuance
 of Notes and Guarantee obtained: [and, respectively]
(Only relevant Board (or similar) authorisation is required for the particular tranche of Note or related Guarantees)

² If the specified denomination is expressed to be C100,000 or its equivalent and multiples of a lower principal amount (for example C1,000), insert the additional wording set out in the Guidance Note published by ICMA in November 2006 (or its replacement from time to time) as follows: “C100,000 and integral multiples of C1,000 in excess thereof up to and including C199,000. No notes in definitive form will be issued with a denomination above C199,000. No notes in definitive form will be issued with a denomination above C199,000. In relation to any issue of Notes which are a “Global Note exchangeable to definitive Notes” in circumstances other than in the limited circumstances specified in the Global Note, such Notes may only be issued in denominations equal to, or greater than, C100,000 (or equivalent) and multiples thereof.”

³ Note that for Renminbi and Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

⁴ For as long as Bearer Notes issued in accordance with TEFRA D are represented by a Temporary Global Note, an Investor Put shall not be available unless the certification required under TEFRA D with respect to non-U.S. beneficial ownership has been received by the Issuer or the Agent.

12 Listing: [The Stock Exchange of Hong Kong Limited/Other (specify)/None] (*For Notes to be listed on the [Hong Kong Stock Exchange], insert the expected effective listing date of the Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13 Method of distribution: [Syndicated/Non-syndicated]

14 Fixed Rate Note Provisions [Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Rate[(s)] of Interest: [●]% per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear] (*If payable other than annually, consider amending Condition 5*)

(ii) Interest Payment Date(s): in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]

(iii) Fixed Coupon Amount[(s)]: per Calculation Amount⁵
(*applicable to Notes in definitive form*)

(iv) Broken Amount: (*applicable to Notes in definitive form*) per Calculation Amount, payable on the Interest Payment Date falling [in/on] [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate*]

(v) Day Count Fraction: [30/360 or Actual/Actual (ICMA/ISDA) or Actual/365 (Fixed)⁶ or Other] (*Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in U.S. dollars or Hong Kong dollars, unless the client requests otherwise*)

(vi) Determination Date(s): in each year. [Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]

(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]

⁵ For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards in the case of Renminbi denominated Fixed Rate Notes and to the nearest HK\$0.01, HK\$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

⁶ Applicable to Hong Kong dollar denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes.

| | | |
|----|---|---|
| 15 | Floating Rate Note Provisions | [Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| | (i) Specified Period(s)/Specified Interest Payment Dates: | [●] |
| | (ii) Business Day Convention: | [Floating Rate Note Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other <i>(give details)</i>] |
| | (iii) Additional Business Centre(s): | [●] |
| | (iv) Manner in which the Rate(s) of Interest and Interest Amount is to be determined: | [Screen Rate Determination/ISDA Determination/other <i>(give details)</i>] |
| | (v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent): | [●] |
| | (vi) Screen Rate Determination: | |
| | ● Reference Rate: | <i>(Either LIBOR, EURIBOR, CNH HIBOR, HIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)</i> |
| | ● Interest Determination Date(s): | <i>(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling, Hong Kong dollar or euro LIBOR), first day of each Interest Period if Sterling LIBOR or Hong Kong dollar LIBOR or HIBOR, the second business day in Hong Kong prior to the start of each Interest Period if CNH HIBOR, and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)</i> |
| | (vii) ISDA Determination: | |
| | ● Floating Rate Option: | [●] |
| | ● Designated Maturity: | [●] |
| | ● Reset Date: | [●] |
| | (viii) Margin(s): | [+/-] [●]% per annum |
| | (ix) Minimum Rate of Interest: | [●]% per annum |
| | (x) Maximum Rate of Interest: | [●]% per annum |

- (xi) Day Count Fraction: [Actual/Actual or Actual/Actual (ISDA)]
 [Actual/365 (Fixed)]
 [Actual/365 (Sterling)]
 [Actual/360]
 [30/360, 360/360 or Bond Basis]
 [30E/360 or Eurobond Basis]
 [30E/360 (ISDA)]
 [Other]
 (See Condition 5 for alternatives)
- (xii) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the
 [long/short] [first/last] Interest Accrual Period shall be
 calculated using Linear Interpolation (*specify for each
 short or long interest period*)]
- (xiii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [●]
- 16** Zero Coupon Note Provisions [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Accrual Yield: [●]% per annum
- (ii) Reference Price: [●]
- (iii) Day Count Fraction in relation to Early Redemption Amounts and late payment: (*Consider applicable day count fraction if not U.S. dollar denominated*)
- (iv) Any other formula/basis of determining amount payable: [●]
- 17** Dual Currency Note Provisions [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [Give or annex details]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Issuing and Paying Agent): [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]

- (iv) Person at whose option Specified [●]
Currency(ies) is/are payable:

PROVISIONS RELATING TO REDEMPTION

- 18 Issuer Call Option** [Applicable/Not Applicable] *(If not applicable, delete the Remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [per Calculation Amount/specify other/see Appendix]
- (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): [●]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [●]
- (b) Maximum Redemption Amount: [●]
- (iv) Notice period (if other than as set out in the Conditions): *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee)*
- 19 Investor Put Option⁷** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): *per Calculation Amount*
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee)
- 20 Final Redemption Amount:** [per Calculation Amount/specify other/see Appendix]

⁷ In the case of Bearer Notes which were issued in accordance with TEFRA D and are represented by a Temporary Global Note exchangeable for interests in a Permanent Global Note or Definitive Notes, certification of non-U.S. beneficial ownership must be received as required under TEFRA D.

- 21 Early Redemption Amount payable on [●]
redemption for taxation or on event of
default and/or the method of
calculating the same (if required or if
different from that set out in the
Conditions):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 22 Form of Notes: **[Bearer Notes:**⁸

[Temporary Global Note exchangeable for a Permanent
Global Note which is exchangeable for Definitive Notes
in the limited circumstances specified in the Permanent
Global Note] [Temporary Global Note exchangeable for
Definitive Notes on days' notice⁹] [Permanent Global
Note exchangeable for Definitive Notes in the limited
circumstances specified in the Permanent Global Note]]¹⁰

[Registered Notes: Global Certificate exchangeable for
Individual Note Certificates in the limited circumstances
specified in the Global Certificate]
- 23 Additional Financial Centre(s) or [Not Applicable/give details] [*Note that this item relates*
other special provisions relating to *to the date and place of payment, and not interest period*
payment dates: *end dates*]
- 24 Talons for future Coupons or Receipts [Yes/No. *If yes, give details*]
to be attached to Definitive Bearer
Notes (and dates on which such
Talons mature):
- 25 Details relating to Partly Paid Notes: [Note Applicable/give details] [*N.B.: a new form of*
amount of each payment comprising *Temporary Global Note and/or Permanent Global Note*
the Issue Price and date on which *may be required for Partly Paid issues*]
each payment is to be made and
consequences of failure to pay,
including any right of the Issuer to
forfeit the Notes and interest due on
late payment:
- 26 Details relating to Instalment Notes: [Not Applicable/give details]

⁸ Bearer Notes with a term of more than 365 days (taking into account any unilateral rollover or extension rights) must be issued in compliance with TEFRA C or TEFRA D. If such Bearer Notes are held through the CMU, they must be issued under TEFRA C if at the time of issuance the CMU Lodging and Paying Agent does not have in place certification procedures necessary to comply with TEFRA D.

⁹ Not applicable to Bearer Notes issued in compliance with TEFRA D, which must initially be represented by a Temporary Global Note.

¹⁰ Not applicable to Bearer Notes issued in compliance with TEFRA D, which must initially be represented by a Temporary Global Note.

27 Redenomination applicable: [Redenomination [not] applicable] *[(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)]*

28 Other terms or special conditions: [Not Applicable/*give details*]

DISTRIBUTION

29 (i) If syndicated, names and addresses of Managers and commitments: [Not Applicable/*give names*]

(ii) Date of Subscription Agreement: [●]

(iii) Stabilising Manager (if any): [Not Applicable/*give name*]

If non-syndicated, name of Dealer: [Not Applicable/*give name*]

30 Total commission and concession: [●]% of the Aggregate Nominal Amount

31 Private bank rebate: [Not Applicable/*give details*]

32 U.S. Selling Restrictions: [Reg. S Category 2; TEFRA D/TEFRA C/TEFRA; Rule 144A; Not Applicable]¹¹

33 Prohibition of Sales to EEA and UK Retail Investors: [Applicable/Not Applicable] *(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.)*

34 Additional selling restrictions: [●]

OPERATIONAL INFORMATION

35 ISIN Code: [●]

36 Common Code: [●]

37 CMU Instrument Number: [●]

38 CUSIP Number: [●]

39 Any clearing system(s) other than Euroclear, Clearstream, Luxembourg, the CMU Service, DTC and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]

¹¹ “TEFRA not applicable” is only available for Bearer Notes with a term of 365 days or less (taking into account any unilateral extensions and rollovers) or Registered Notes.

- 40 Delivery: Delivery [against/free of] payment
- 41 Additional Paying Agents (if any): [●]
- 42 Issuer's Legal Entity Identifier (LEI) Code: 3003006V8BHG5158QO96
- 43 The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of, producing a sum of (for Notes not denominated in U.S. dollars): [Not Applicable/US\$]
- 44 In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong: [Not Applicable/Luxembourg]
- 45 In the case of Bearer Notes, specify the location of the office of the Issuing and Paying Agent if other than London: [Not Applicable/Hong Kong]

[LISTING APPLICATION]

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the US\$15,000,000,000 Medium Term Note Programme of State Grid Overseas Investment (BVI) Limited 国家电网海外投资(BVI)有限公司.]

[USE OF PROCEEDS]

Give details if different from the "Use of Proceeds" section in the Offering Circular.]

[STABILISATION]

In connection with the issue of any Tranche of Notes, one or more of the Dealers named as Stabilising Manager (or persons acting on behalf of any Stabilising Manager(s)) in this Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no obligation on the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager) to do this. Such stabilising if commenced may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.]

[MATERIAL ADVERSE CHANGE STATEMENT]

[Except as disclosed in this document, there/There] has been no significant change in the financial or trading position of the Issuer or of the Group since [insert date of last audited accounts or interim accounts (if later)] and no material adverse change in the financial condition or prospects of the Issuer or of the Group since [insert date of last published annual accounts].]

RESPONSIBILITY

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: _____
Duly authorised

Signed on behalf of the Guarantor:

By: _____
Duly authorised

INDUSTRY OVERVIEW

OVERVIEW OF THE PRC'S ECONOMY AND POWER INDUSTRY

The PRC is one of the fastest growing economies in the world. Between 2008 and 2020, its GDP grew at an average year-on-year rate of 7.5%, with a growth rate of 2.3% in 2020.

The growth of the PRC's GDP is highly related to the growth of total power consumption in the PRC. The rapid growth of power consumption has largely been driven by rapid industrialization and rising residential electricity demand caused by the increase in as per capita income increased since 2008. According to the China Electricity Council, total power consumption grew from 3,438.0TWh in 2008 to 7,521.4TWh in 2020, representing an average year-on-year growth rate of 6.7%.

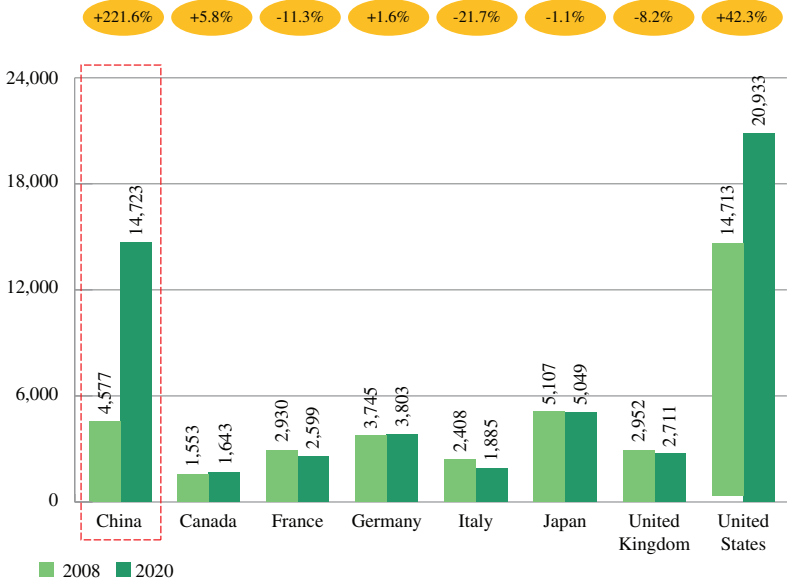
Exhibit 1: GDP Growth vs. Power Consumption Growth

| | GDP Growth Rate Over Preceding Year (%) | Power Consumption Growth Rate Over Preceding Year (%) |
|---------------------|--|---|
| 2008 | 9.7 | 5.9 |
| 2009 | 9.2 | 6.5 |
| 2010 | 10.6 | 14.8 |
| 2011 | 9.5 | 12.0 |
| 2012 | 7.9 | 5.6 |
| 2013 | 7.8 | 7.6 |
| 2014 | 7.3 | 5.6 |
| 2015 | 6.9 | 1.0 |
| 2016 | 6.6 | 4.9 |
| 2017 | 6.8 | 6.6 |
| 2018 | 6.6 | 9.1 |
| 2019 | 6.1 | 5.0 |
| 2020 | 2.3 | 3.1 |
| 2008–2020 | 7.5 | 6.7 |

Source: IMF (GDP), China Electricity Council (Power Consumption)

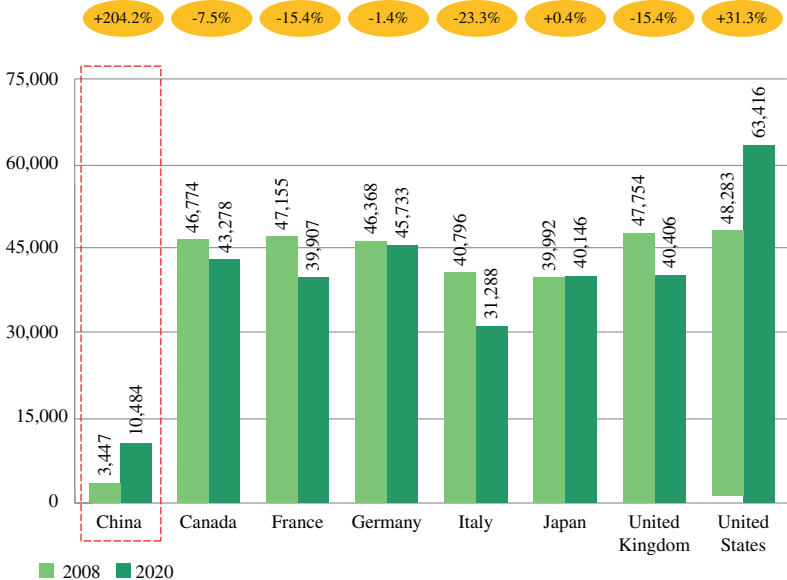
As the charts below show, the growth rate for China GDP, GDP per capita, urbanization, electricity consumption, electricity consumption per capita, total installed capacity and capacity per capita grew faster in the PRC from 2008 to 2020 than those in the G7 countries. However, the PRC's urbanization rate, per capita power consumption and per capita power installed capacity are still much lower than those of the G7 countries, which indicate strong growth potential for the PRC's power industry.

Exhibit 2: GDP – The PRC vs. G7 Countries



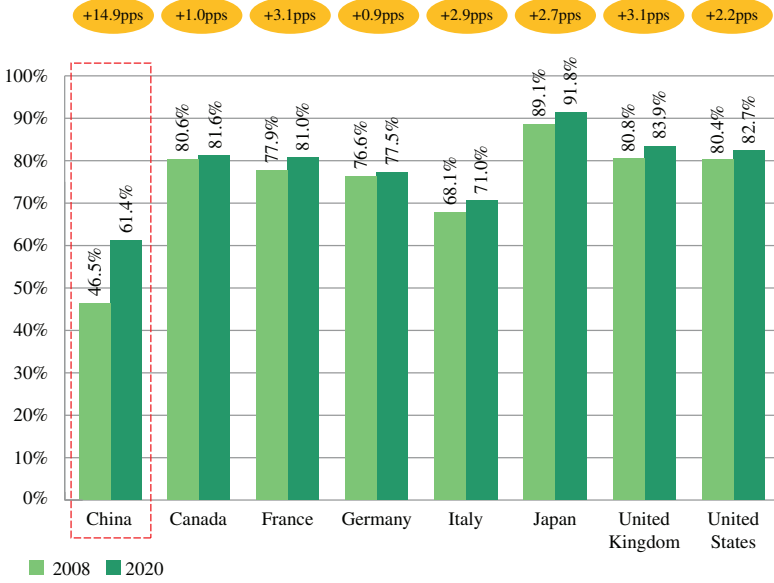
Source: IMF

Exhibit 3: Per Capital GDP – The PRC vs. G7 Countries



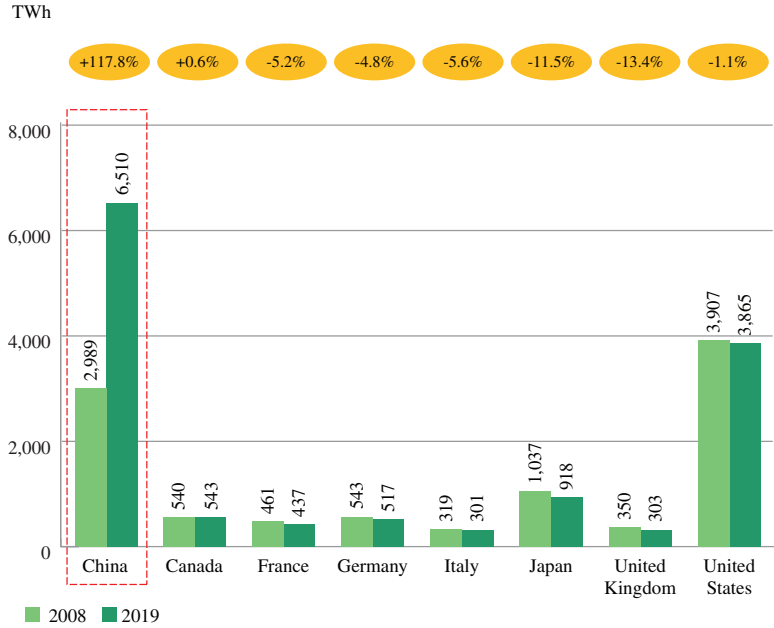
Source: IMF

Exhibit 4: Urbanization Rate – The PRC vs. G7 Countries



Source: United Nations

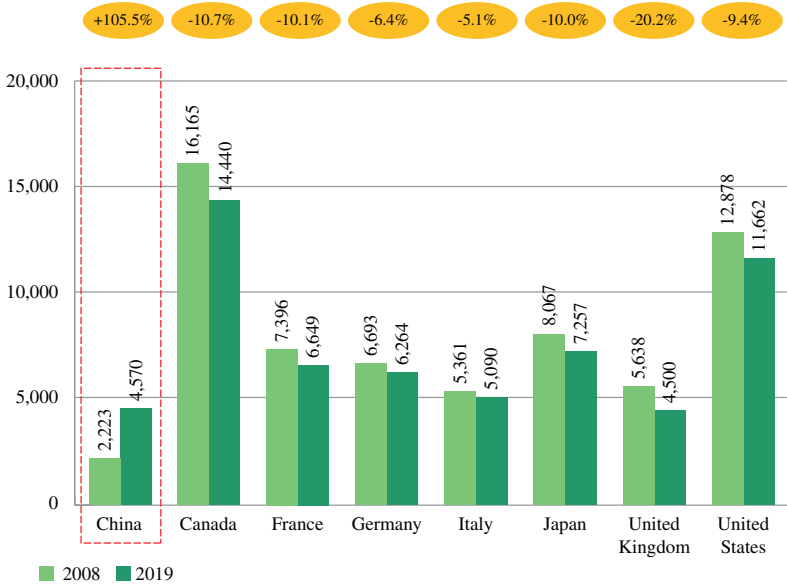
Exhibit 5: Power Consumption – The PRC vs. G7 Countries



Source: China Electricity Council and Enerdata

Note: because not all of the G7 countries have disclosed 2020 data, this table uses 2019 data as comparison.

Exhibit 6: Per Capita Power Consumption – The PRC vs. G7 Countries



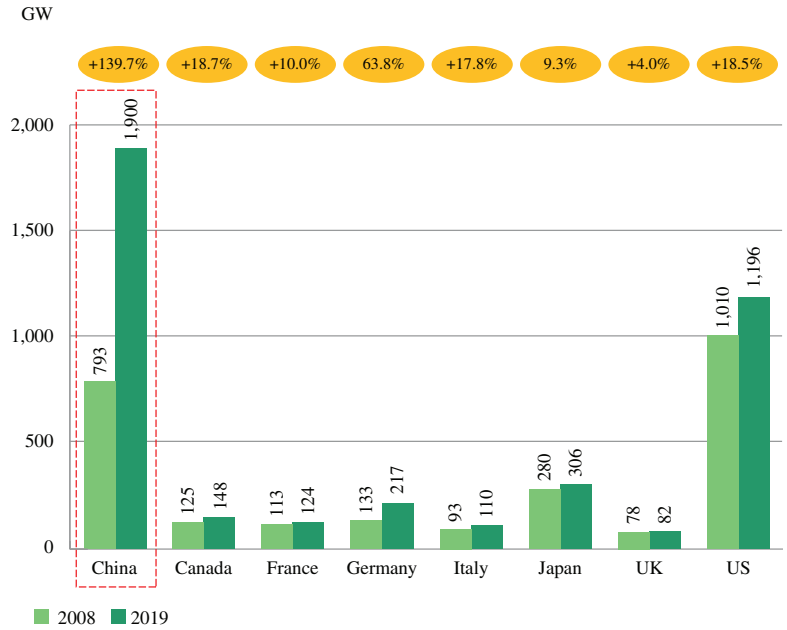
Source: China Electricity Council, Enerdata (Power Consumption) and UN (Population)

Note: because not all of the G7 countries have disclosed 2020 data, this table uses 2019 data as comparison.

POWER SUPPLY AND DEMAND IN THE PRC

In the past decade or so, total power installed capacity, total power generation and total power consumption in the PRC have experienced rapid growth. As of the end of 2020, according to statistics from China Electricity Council, the PRC’s total installed capacity was approximately 2,200GW. The total power generation was 7,626.4TWh in 2020, and total social power consumption increased from 3,438TWh in 2008 to 7,521.4TWh in 2020.

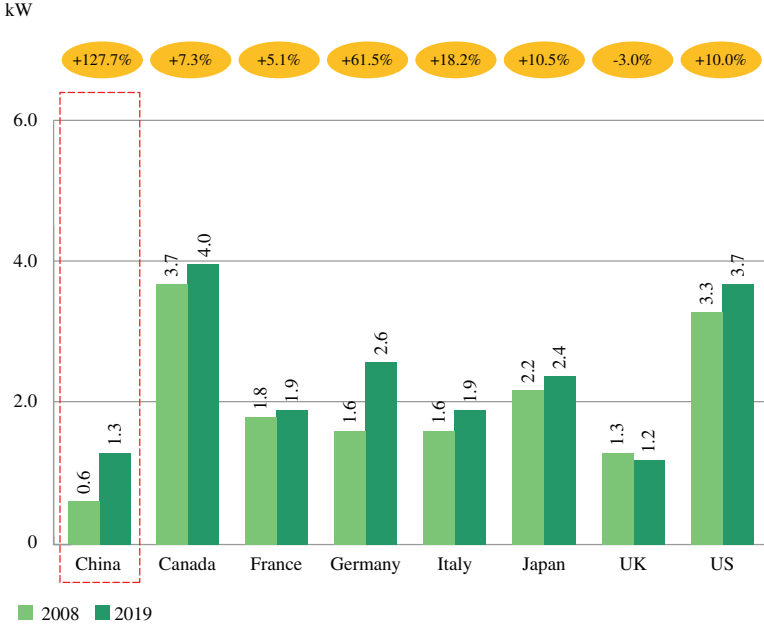
Exhibit 7: Total Power Installed Capacity – The PRC vs. G7 Countries



Source: China Electricity Council (China); Eurostat (France, Germany, Italy, UK); Energy Information Administration (US, Japan 2008); Statistics Canada (Canada 2008); Canada Energy Regulator (Canada 2018); and Japan Electric Power Information Center (Japan 2018)

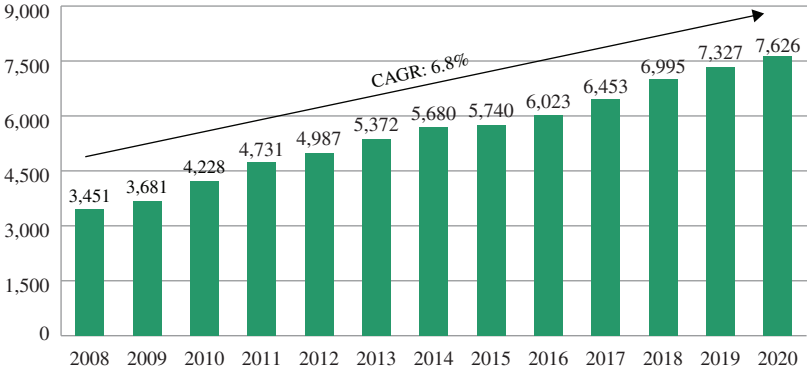
Note: because not all of the G7 countries have disclosed 2020 data, this table uses 2019 data as comparison.

Exhibit 8: Per Capita Power Installed Capacity – The PRC vs. G7 Countries



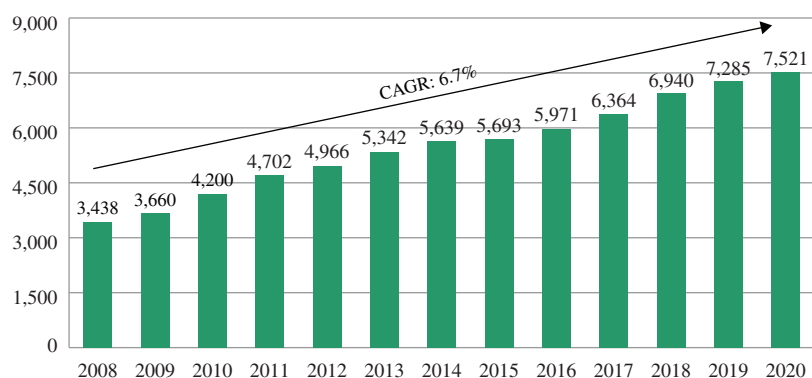
Source: China Electricity Counsel, Eurostat, Energy Information Administration, Canada Energy Regulator, Statistics Canada and Japan Electric Power Information Center (Total Power Installed Capacity), UN (Population)

Exhibit 9: Total Power Generation



Source: China Electricity Council

Exhibit 10: Total Social Power Consumption



Source: China Electricity Council

The table below shows the breakdown of the PRC’s total power installed capacity by power type as of December 31, 2018, 2019 and 2020.

Exhibit 11: Installed Capacity Breakdown by Power Type in the PRC

| | As of December 31, 2018 | | As of December 31, 2019 | | As of December 31, 2020 | |
|-------------------------|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|
| | Installed Capacity (GW) | Percentage (%) | Installed Capacity (GW) | Percentage (%) | Installed Capacity (GW) | Percentage (%) |
| Fuel Type | | | | | | |
| Thermal Power | 1,144 | 60.2 | 1,191 | 59.2 | 1,245 | 56.6 |
| Hydropower | 353 | 18.6 | 356 | 17.7 | 370 | 16.8 |
| Wind Power | 184 | 9.7 | 210 | 10.4 | 282 | 12.8 |
| Solar Power | 174 | 9.2 | 205 | 10.2 | 253 | 11.5 |
| Nuclear Power | 45 | 2.4 | 49 | 2.4 | 50 | 2.3 |
| Total | 1,900 | 100.0 | 2,011 | 100.0 | 2,200 | 100.0 |

Source: China Electricity Council

DEVELOPMENT OF RENEWABLE ENERGY AND CHALLENGES TO POWER GRIDS

On September 22, 2020, President Xi Jinping announced at the General Debate of the Seventy-fifth UN General Assembly that China will adopt stronger policies and measures to strive to reach the peak of carbon dioxide emissions by 2030 and to achieve it carbon neutral by 2060. On December 12, 2020, President Xi Jinping further announced at the Climate Ambition Summit that by 2030, China’s carbon dioxide emissions per unit of GDP will drop by more than 65per cent. from 2005 and non-fossil energy will account for about 25 per cent. of primary energy consumption. The total installed capacity of wind power and solar power will exceed 1.2 billion kilowatts. The goal of “Carbon Peak and Neutrality” (“碳達峰、碳中和”) has pointed out the direction for the future development of China’s power system. It is estimated that by 2030, the total installed capacity of wind power and solar power generation in the Company’s service area will reach more than 1 billion kilowatts.

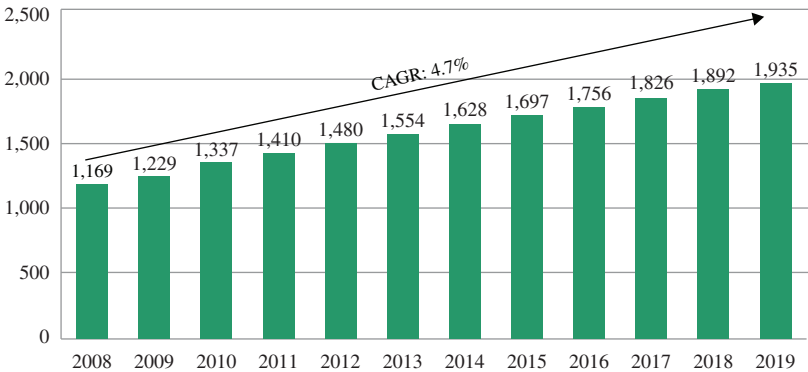
The rapid development of renewable energy also poses challenges to the construction of power grids. The most abundant wind and solar resources in the PRC are concentrated in the “Three North” (Northeast, Northwest and North China) regions, which are a long distance from the load centers in central and east China. Therefore, the development of renewable energy relies heavily on the development of grid infrastructure.

ELECTRICITY TRANSMISSION AND DISTRIBUTION

Overview

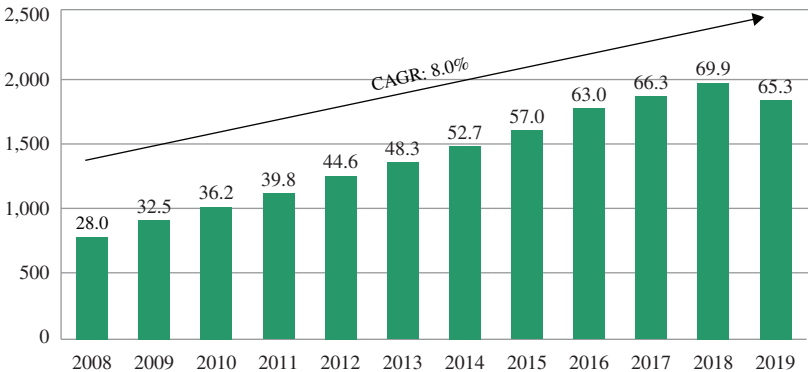
The PRC’s electricity transmission and distribution industry draws significant attention from the government and has developed in an orderly manner. As the charts below show, the length of transmission lines and transformation capacity enjoyed rapid growth from 2008 to 2019. The length of transmission lines over 35 kV increased from 1,169 thousand km in 2008 to 1,935 thousand km in 2019, representing a CAGR of 4.7%, while the transformation capacity increased from 2,800 GVA in 2008 to 6,530 GVA in 2019, representing a CAGR of 8.0%.

Exhibit 12: Length of Transmission Lines (35kV and above)



Source: China Electricity Council

Exhibit 13: Transformation Capacity (over 35kV)



Source: China Electricity Council

Major power grid companies

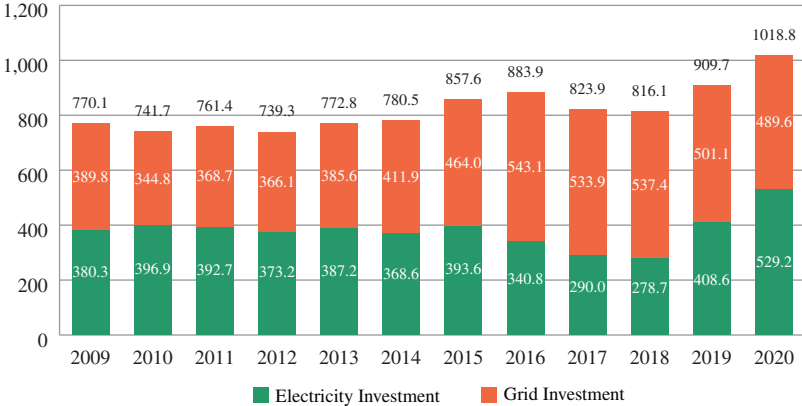
In December 2002, the PRC power industry restructuring was carried out with the principle of separating power generation and power grid. As a result, the State Power Corporation was reorganized into two power grid companies, five power generation groups and four support groups.

The PRC’s main electricity transmission and distribution companies include 1.) State Grid Corporation with business covering 26 provinces, autonomous regions or centrally managed municipalities 2.) China Southern Power Grid Co., Ltd. with business covering 5 provinces (Guangdong, Guangxi, Yunnan, Guizhou and Hainan), and 3.) Inner Mongolia Electric Power Group Co., Ltd., a provincial electricity transmission and distribution company with business covering the western part of Inner Mongolia.

Investment in the power industry

The PRC government has made significant investment in the power industry in recent years to support its development. The chart below shows total investment in the PRC power sector from 2009 to 2020.

Exhibit 14: Total Investment in Power Sector



Source: China Electricity Council

Investment in power generation increased from RMB380.3 billion in 2009 to RMB529.2 billion in 2020, representing a CAGR of 3.05%. Investment in the power grid increased from RMB389.8 billion in 2009 to RMB489.6 billion in 2020, representing a CAGR of 2.09%.

The construction of China’s power grid still faces many new demands. The “Outline of the 14th Five-Year Plan for the National Economic and Social Development of the People’s Republic of China” has proposed to build a modern power system, promote the energy revolution, build a clean, low-carbon, safe and efficient energy system, and improve the ability of energy supply. Improve the utilization rate of UHV transmission channel. It also emphasized to speed up the intelligent transformation of power grid infrastructure and the construction of smart micro grid, improve the complementary and mutual aid and intelligent regulation capacity of power system, strengthen the connection of load and storage of source network, enhance the capacity of clean energy consumption and storage, enhance the capacity of transmission and distribution to remote areas, promote the flexible transformation of coal power, and speed up the construction of pumped storage power station and the large-scale application of new energy storage technology.

Safety and Reliability of the Power Grid

The PRC government attaches great importance to the safety of the power grid, which has an outstanding record of safety and reliability. There has been no large-scale power outage since our establishment. In recent years, no power grid safety accident above the level of “ordinary accident”, as defined under PRC law, has occurred, and no equipment safety accident defined as “relatively serious” or above has occurred. The power grid provides a stable supply of electricity with high reliability. According to the latest 2019 data, the reliability indices of 13 types of transmission and transformation facilities with voltage levels of 220 kV and above are maintained at a high level. Specifically, the

availability factors of overhead lines, transformers and circuit breakers with voltage levels of 220kV and above in the Company's service area are 99.362%, 99.736% and 99.879%, respectively. The average power supply reliability rate (ASAI-1) of 10 kV users in cities (including city centers, urban areas, and towns) across China is 99.9697%.

Strong and Smart Grid

By leveraging advanced communication, information and control technologies, the Company proposes to build a "strong and smart grid" characterized by informatization, automation and interaction, with ultra-high-voltage ("UHV") transmission as the centrepiece in coordination with the development of power grids at all levels. By 2021, the Company had completed 31 UHV transmission projects, comprising of 14 UHV AC transmission projects and 12 ultra-high-voltage direct currents ("UHV DC") transmission projects. UHV lines in operation and under construction total 41,800 km, with substation capacity of 1,680 GVA and converter capacity of 426 GW. Several major innovative demonstration projects for a smart power grid system have been completed, including certain projects that are designated as "National Wind Solar Storage and Transmission Projects". A total of 520 million intelligent watt-hour meters have been installed, realizing almost complete coverage of automatic information collection of electricity consumption. A fast charging network for electric vehicles covering China's "ten vertical, ten horizontal and two rings" highway network will also be built.

The Company has achieved many technological breakthroughs in construction of UHV power grid-it obtained 2,103 international authorizations for patented technologies, created 184 national and industry standards for the UHV transmission, and completed 434 research projects related to key UHV technologies.

The China Southern Power Grid has completed two ± 800 kV DC transmission projects and issued the technical specifications for UHV DC transmission.

Power Price

The on-grid tariffs are the prices paid by a power grid company to a power generation company. The on-grid tariffs are determined based on the nature of the power units. The on-grid tariffs of the provincially coordinated power units are approved by the NDRC, and the local pricing authority approves the on-grid tariffs of lower-level power units.

In the past, based on the cost of typical coal-fired units representing the level of advancement in technology for the community, the NDRC approved the benchmarking on-grid price of coal-fired units and implemented desulphurization electricity prices, denitrification electricity prices, dust removal electricity prices and ultra-low emission electricity prices for the power units installed with corresponding environmental protection facilities, and implemented a coal-electricity linkage policy. In October 2019, the NDRC issued "Guidance on Deepening the Reform of the Formation Mechanism of On-Grid Price for Coal-Fired Power Generation" (the "Guidance"), establishing a market-oriented pricing mechanism of "base price + floating" to replace the coal-fired benchmarking price system, and the linkage mechanism of coal and electricity prices has been abolished. The Guidance has been in full implementation since January 1, 2020. The base price is determined based on the current local benchmark coal-fired on-grid price, with a floating range of no more than 10% above the base price and no more than 15% below the same in principle. Spot transactions are not subject to this restriction. The NDRC would adjust the base price and the floating range in accordance with the development of the market on a timely basis. If a local power market is ideal for trading, the on-grid price of the portion of electricity that was subject to benchmarking should then be determined by power generation companies, power sales companies, power users and other market entities through bilateral negotiation or on-site centralised bidding (including listed transactions). The on-grid price shall be within the range of "base price + floating". Such an on-grid price should mainly be determined by medium-and long-term

contracts such as annual contracts. If market trading is not practical or if the industrial and commercial users do not participate in market transactions, the corresponding amount of electricity shall continue to be priced according to the base price. The price of the amount of coal-fired electricity used by consumers and agricultural users shall be determined according to the base price.

A differential on-grid pricing mechanism is implemented for natural gas generator units-electricity generated by natural gas cogeneration units that are newly put into use should be priced based on the benchmark on-grid price. Electricity generated by natural gas peak-shaving generator units that are newly put into use should be priced by referring to the benchmark on-grid price of natural gas cogeneration units, and the difference between them should be duly considered. A linkage mechanism of natural gas and on-grid price should also be established. However, the maximum on-grid price of natural gas generator units shall not exceed the benchmark on-grid price of local coal-fired units or the average purchase price of power grid companies by more than 0.35 RMB per kilowatt-hour. Benchmark pricing mechanism will be implemented for nuclear, wind power, photovoltaic power, biomass direct-fired and other renewable energy generation units. Hydropower is gradually being priced based on the classified benchmark price according to the average cost in the society; and the portion of the renewable energy on-grid price that is higher than the local desulphurized, denitrified and dedusted coal-fired units' benchmark on-grid price is apportioned throughout China through the addition of renewable energy on-grid price. From January 1, 2020, all types of power units will no longer be adjusted in reference to coal-fired power generation benchmark prices are then adjusted with reference to coal-fired power generation base price.

Following the transmission and distribution tariffs reform, the transmission and distribution price will follow the method of "approved cost + reasonable returns" to assess approved revenue. Approved revenue is comprised of approved costs, approved returns and taxes. Approved costs include depreciation costs and operation and maintenance costs. Approved costs are further divided into base approved costs and estimated approved costs. Base approved costs are determined by the government pricing authority based on a cost review of the most recent three years' costs. The costs are included in the pricing after removing any unreasonable part. Estimated approved costs are assessed according to future increasing power grid assets, historical cost rates and local reality. Approved return is assessed based on the financing costs of invested assets of the grid enterprise. The new methods stipulate that such rate of financing costs can be assessed according to the RMB loan market rate. If the assets are generated from self-owned funds, the return rate shall not exceed the return of assets based on SASAC's assessment of the enterprise's performance. The recognition of such return rate shall also refer to provincial average return on assets of the last regulatory circle, and the east-west aid.

Electricity sale prices are those offered to the end user by the power grid company. They are composed of power purchase costs, line loss, transmission and distribution prices and governmental funds. Power purchase costs are prices paid by power grid company for electricity power from power generation company (on-grid tariffs); line loss is normal loss during the transmission and distribution process; governmental funds are fund surcharges collected under related law, governmental regulations or the approval of the State Council or its authorized departments.

As of December 31, 2020, all of our provincial subsidiaries (excluding that in Tibet) have followed the sale prices level assessed by NDRC (according to the sum of market price + assessed price (line loss included) + governmental levies and surcharges) for market transactions and the adjusted the catalogue prices according to the assessed price to the same extent for non-market transactions. For non-market users, the sale priced offered by provincial grids (excluding those in Tibet) were formulated by the NDRC and are regulated by a catalogue. Tibet, city-level and county-level grid sale prices are regulated by the pricing department of the local government. Market users' sale prices are the sum of market price + assessed price (line loss included) + governmental levies and surcharges. Electricity sale prices are generally determined by whether the electricity is being used for residential, large-scale industrial,

general commercial and industrial, or agricultural purposes. In addition, local independent grid companies are subject to a whole-sale pricing policy. To encourage rational energy use by end users, the government has put in place several pricing programs such as two-part prices, peak-valley time-of-use and season-of-use prices, and price adjustments based on customers' power factor. The government has also launched a differential pricing policy, a punitive pricing policy and an incremental pricing policy in order to speed up the phasing out of high energy-consuming businesses. The government also collects levies and surcharges through electricity sale prices, including for the Major Water Conservancy Construction Fund, the Large-and Medium-sized Reservoir Immigration Support Fund, the Small-sized Reservoir Immigration Support Fund, the Rural Power Grid Loans Repayment Fund and the Renewable Energy Development Fund.

Wholesale electricity prices are the prices we charge for the electricity we sell to local independent power distribution companies (the "IPDCs") within our service areas. Wholesale electricity prices are determined by deducting power distribution costs incurred by the IPDCs from electricity sales prices paid by end users to them.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of December 31, 2020. You should read this table in conjunction with our audited consolidated financial statements as of and for the three years ended December 31, 2020, and related notes included elsewhere in this Offering Circular.

| | As of December 31, 2020 ⁽¹⁾ | |
|---|--|----------------|
| | RMB | US\$ |
| | (in millions) | |
| Indebtedness⁽²⁾ | | |
| Indebtedness – due within one year | 439,261 | 67,320 |
| Indebtedness – due after one year | 450,930 | 69,108 |
| Total indebtedness⁽³⁾ | 890,191 | 136,428 |
| Owners' equity | | |
| Paid-in capital | 1,437,825 | 220,356 |
| Capital surplus | 217,770 | 33,375 |
| Special reserve | 500 | 77 |
| Surplus reserve | 83,968 | 12,869 |
| Common risk provision | 5,321 | 815 |
| Undistributed profit | 123,161 | 18,875 |
| Other comprehensive income | (45,636) | (6,994) |
| Minority interest | 77,278 | 11,843 |
| Total owners' equity | 1,900,187 | 291,216 |
| Total capitalization⁽⁴⁾ | 2,790,378 | 427,644 |

Notes:

- (1) Except as disclosed herein, there have been no material changes in our capitalization and indebtedness since December 31, 2020.
- (2) Indebtedness does not include amounts due to our subsidiaries.
- (3) Total indebtedness = short term borrowings + long-term borrowings + long-term debt due within one year + bonds payable. Total interest-bearing debt does not include payables to our subsidiaries.
- (4) Total capitalization = total interest-bearing indebtedness + total owners' equity.

USE OF PROCEEDS

We intend to use the net proceeds from each issue of Notes (“Net Proceeds”) for general corporate purposes, subject to compliance with the relevant laws and regulations.

The foregoing represents our current intentions based upon our present plans and business conditions to use and allocate the Net Proceeds. Our management, however, will have significant flexibility and discretion to apply the Net Proceeds subject to applicable PRC laws and regulations. If an unforeseen event occurs or business conditions change, we may use the Net Proceeds differently than as described in this Offering Circular subject to the applicable PRC laws and regulations.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer was incorporated with limited liability on April 15, 2016 in the British Virgin Islands under the BVI Business Companies Act, 2004. Its registration number is 1911506. Its registered office is located at Vistra Corporate Services Center, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The telephone number of the Issuer is +852-2511-6390. The Issuer is wholly owned by us through our wholly owned subsidiary, State Grid Overseas Investment Limited, a company incorporated with limited liability in Hong Kong.

BUSINESS ACTIVITY

Under the Issuer's memorandum and articles of association, the Issuer has full capacity to carry on or undertake any business or activity, do any act or enter into any transaction that is not prohibited under any law for the time being in force in the British Virgin Islands. The Issuer's primary purpose is to act as one of our financing subsidiaries. As of the date of this Offering Circular, the Issuer has no employees and no material assets, and will conduct no business except in connection with the issuance of the Notes and other securities and borrowings of indebtedness, and to loan or advance the net proceeds from the issuance of the Notes and such other securities and borrowings to offshore subsidiaries controlled by the Guarantor, or to repay the offshore indebtedness of the Guarantor.

In May 2016, the Issuer issued two tranches of USD notes in an aggregate principal amount of USD1 billion and two tranches of EUR notes in an aggregate principal amount of EUR1 billion.

In April 2017, the Issuer established the Programme, with an initial program size of USD7.7 billion and issued four tranches of USD notes in an aggregate principal amount of USD5 billion.

In April 2018, the Issuer further updated the Programme with size increase to USD10 billion and issued two tranches of USD notes in an aggregate principal amount of USD1.75 billion and two tranches of EUR notes in an aggregate principal amount of EUR850 million.

In April 2019, the Issuer through private placement issued two tranches of HKD notes in an aggregate principal amount of HKD3 billion and one tranche of USD notes in an aggregate principal amount of USD250 million.

In April 2019, the Issuer further through private placement issued one tranche of HKD notes in an aggregate principal amount of HKD675 million.

In July 2020, the Issuer has further updated the Programme with size increase to USD15 billion and has issued two tranches of USD notes in an aggregate principal amount of USD1.45 billion and two tranches of EUR notes in an aggregate principal amount of EUR1.6 billion.

In the future, the Issuer may, either itself or through direct and indirect subsidiaries and associated companies, issue further bonds and engage in other business activities related to us and may incur substantial liabilities and indebtedness.

DIRECTORS AND OFFICERS

The directors of the Issuer are Sun Jianxing, Li Yong and Chen Lei. Their business address is at 1304 Great Eagle Center, 23 Harbour Road, Wanchai, Hong Kong. The directors of the Issuer do not hold any shares or options to acquire shares of the Issuer. There are no potential conflicts of interest between any duties of our directors to the Issuer, and their private interests and/or other duties.

SHARE CAPITAL

The Issuer is authorized to issue a maximum of 10 ordinary shares of US\$1.00 each, all of which have been issued and are fully paid. No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

SUMMARY FINANCIAL INFORMATION OF THE ISSUER

Save as disclosed above, as of the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation, the authorization, execution and issue of the Notes and the documents and matters referred to or contemplated in this Offering Circular to which the Issuer is or will be a party and matters which are incidental or ancillary to the foregoing.

Save as disclosed above, as of the date of this Offering Circular, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unused), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

There are no other outstanding loans or subscriptions, allotments or options in respect of the Issuer.

The financial year of the Issuer runs from January 1 to December 31. Save as disclosed above, there has been no material change in the activities of the Issuer since its incorporation.

The Issuer has not prepared any financial statements since its incorporation.

CHANGE OF NAME OF THE ISSUER

On June 25, 2021, the Issuer changed its name from State Grid Overseas Investments (2016) Limited (国家电网海外投资(2016)有限公司) to State Grid Overseas Investments (BVI) Limited (国家电网海外投资(BVI)有限公司).

THE HISTORY AND CORPORATE STRUCTURE OF THE COMPANY

OUR HISTORY

Our predecessor was the former State Power Corporation of China founded in January 1997 by the State Council. State Power Corporation was historically the dominant force in the electric power generation, transmission and distribution industry in China.

In March 2002, the State Council promulgated the Electric Power System Restructuring Plan (“Restructuring Plan”). According to the Restructuring Plan, the former State Power Corporation was divided into two grid companies, five generation groups and four ancillary business group companies. As part of such restructuring, the Company was founded on May 13, 2003, and is principally engaged in power transmission, distribution and sale. We inherited relevant transmission and distribution grid assets from the former State Power Corporation. As of the date of this Offering Circular, our power grid operations cover 26 provinces, autonomous regions or centrally managed municipalities across China. The other grid company, China Southern Power Grid, carries out power grid operations that cover Guangdong, Guangxi, Guizhou, Yunnan and Hainan provinces.

As part of the Restructuring Plan, in 2003, we became one of the shareholders in China Southern Power Grid with 26.4% equity interest.

In June 2011, a reorganization organized and led by the SASAC and the NDRC was launched regarding the Company and China Southern Power Grid for the separation of core and ancillary businesses and the integration of power design and construction. In September 2011, we transferred 121 companies engaged in design, construction, maintenance and manufacturing businesses to two newly established power ancillary business group companies.

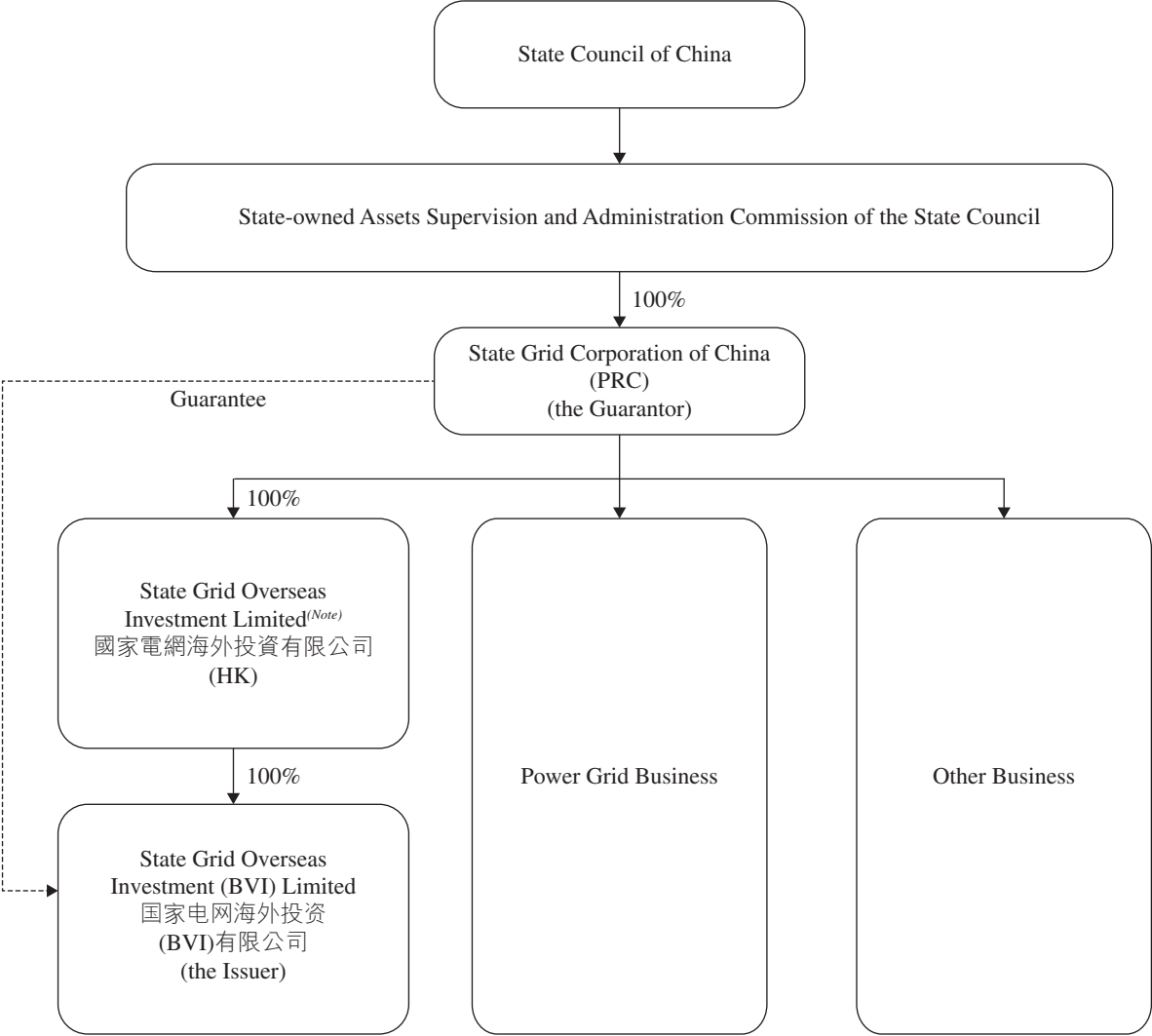
According to a notice issued by the SASAC in December 2012, we transferred the 26.4% equity interest we held in China Southern Power Grid to another state-owned enterprise.

In 2015, the State Council launched a new round of power system reform. This round of reform promotes and adheres market-based reforms and clean, effective, safe and sustainable development. The reform aims to speed up the structuring of market structure and market system with effective competition, and form mechanisms through which the market will determine the prices of energy, thereby enhancing the healthy and sustainable development of the PRC electric power industry. The reform is focused on the establishment of market mechanisms and does not involve significant changes to, or restructuring of, power grid corporations.

In November 2017, according to the arrangements of the SASAC and in accordance with the Company law of the PRC, the Company was restructured from an enterprise owned by the whole people into a wholly state-owned company. The word “limited”, indicating limited liability, was added to the Chinese name of the Company in accordance with the PRC Company Law, while the English name of the Company remains unchanged.

OUR CORPORATE STRUCTURE

We are a wholly state-owned limited liability company directly under the control of Chinese central authorities. The following chart briefly illustrates our shareholding structure and group structure.



Note: it also holds 100% of State Grid Overseas Investment (2013) Limited and State Grid Overseas Investment (2014) Limited, which issued senior notes guaranteed by us in 2013 and 2014, respectively.

DESCRIPTION OF THE COMPANY

As of the end of 2020, we are the largest utility corporation in the world in terms of total assets having considerable competitive advantage within the power transmission, power distribution and power sale industries in China. We are principally engaged in power transmission, power distribution and power sale operator within our service area in China, which covers 26 provinces, autonomous regions and centrally managed municipalities, reaches more than 88% of the national territory and serves a population of over 1.1 billion, including six branches, 27 provincial companies and second tier city and county level companies. The scale of the power grid has nearly doubled since 2010, fulfilling the demands for energy and electricity to support economic and social development. In 2020, within SGCC's service area, the maximum power load achieved 884GW. We have built a power grid network that has the world's largest transmission and distribution capacity and highest voltage level, and have maintained a long-term record of safe and stable operation. We ranked seventh for five consecutive years from 2011 to 2015, second for three consecutive years from 2016 to 2018, fifth in 2019, third in 2020 and second in 2021 in the "Fortune Global 500". We generated revenue of RMB2,667,668 million in 2020, accounting for three per cent. of China National GDP. As the world's largest utility corporation and the largest electricity power corporation in China, we bear important responsibilities of implementing China's energy strategy and safeguarding China's energy security and power supply.

We were established in December 2002 as a state-owned enterprise directly managed by the SASAC. In 2020, we were awarded "Grade A in SOEs' Annual Performance Review" by the SASAC, the highest ranking in such review, for 17 consecutive years. We have been assigned China's national sovereign level credit ratings by the three major international rating agencies ("A+" by S&P, "A1" by Moody's and "A+" by Fitch), which are the highest among Chinese enterprises and also the highest among global power companies, for nine consecutive years. In addition, we ranked 1st among "China's 500 Most Valuable Brands" for six consecutive years, which serves as a testament to our position as an innovative enterprise with industry-leading edge and international influence.

We believe our large-scale operation enables us to optimally allocate resources and to invest in the development and application of key technologies, which allow us to further stabilize our operation and enhance our ability to respond to any single policy changes and regional natural disasters. We promote coordination and prioritization of clean energy in China. In 2020, we achieved an average comprehensive utilization of 2,585 hours for pumped-storage units connected to our grid used for optimizing the large-scale hydropower absorption and peak regulation.

We believe we are in a world-leading position in terms of power technology research and development. We have expertise in the relevant core technologies and acquired the relevant equipment manufacturing capabilities in the fields of ultra-high voltage transmission and smart grid technology through our independent innovation and the construction and operation of demonstration projects. As of the date of this Offering Circular, our UHV AC and DC demonstrative projects have recorded safe and stable operations of more than ten years, respectively, with substantial verification of the safety, economy and environmental friendliness of UHV power transmission technology. Our power grid operations extend outside China to countries such as the Philippines, Brazil, Portugal, Italy, Australia, Greece, Oman and Chile.

We have established a corporate governance structure which comprises the board of directors and the senior management. According to this structure:

- our board of directors comprises eight directors; and
- our senior management comprises six persons.

As of December 31, 2020, we had 65 directly owned and managed subsidiaries, of which 27 were engaged in the power grid business; 30 were engaged in electric technology research and development, electric power equipment manufacturing and overseas businesses related to power grids; and eight were engaged in financial businesses.

As of December 31, 2020, our power transmission lines of 110(66) kV and above had reached a total length of 1,151,853 km, our power transformation (commutation) equipment of 110(66) kV and above had reached an aggregate capacity of 5,289.31 GVA/GW, and our grid-integrated generation capacity was approximately 1,704.78 GW. For the year 2020, our inter-provincial power transaction volume had reached 1,157.7 TWh. As of December 31, 2020, the installed capacity of renewable energy power generation had reached 705GW, representing 41 per cent. of the total installed capacity of power generation within our service area, achieving the 1st rank in the world. Among that, grid-integrated clean energy reached 472GW.

For the three years ended December 31, 2018, 2019 and 2020, we sold 4,236TWh, 4,454TWh and 4,578TWh of electricity, respectively. For the same periods, we recorded revenue of RMB2,567,857 million, RMB2,665,983 million and RMB2,667,668 million, respectively, and net income of RMB61,735 million, RMB59,059 million and RMB42,021 million, respectively.

OUR STRENGTHS

We are the largest utility corporation in the world and have a dominant presence in China's power transmission, distribution and sale sectors.

We are a dominant operator of integrated power transmission, distribution and sale businesses within our service area. Through integrated management of our transmission, distribution and sales activities, we have built a power grid network that has the world's largest transmission and distribution capacity and highest voltage level, and have maintained a record of long-term safe and stable operation. In terms of population serviced, total assets, volume of electricity sold and operating income, we ranked first among our peers internationally. As of December 31, 2020, our power transmission lines of 110(66) kV and above had reached a total length of 1,151,853 km, our power transformation (communication) equipment of 110(66) kV and above had reached an aggregate capacity of 5,289.31 GVA, and our grid-integrated generation capacity had reached approximately 1,704.78 GW, accounted for 77.5% of the national total capacity. For the year of 2020, our inter-province power transaction volume had reached 1,157.7 TWh. We ranked seventh for five consecutive years from 2011 to 2015, second for three consecutive years from 2016 to 2018, fifth in 2019, third in 2020 and second in 2021 in the "Fortune Global 500". Our revenue for the year ended December 31, 2020 was RMB2,667,668 million.

As of the date of this Offering Circular, we have completed the construction and put into operation of 14 UHV AC strong grid transmission projects and 12 UHV DC strong grid transmission projects and we have been constructing 2 UHV AC transmission projects and 3 UHV DC transmission projects, operating and constructing 31 strong grid transmission projects, the length of such transmission lines in operation and in construction exceeded 41,800 kilometres, with the power transformation and conversion capacity exceeded 1,680 GVA and 426 GW respectively and a cumulative transmission volume of more than 2.1 trillion kilowatts. At the same time, our inter-province power capacity exceeded 2.6 trillion kilowatts. Compared with international standards, the electricity prices offered by us are at an average to

low level, while our transmission efficiency and cost efficiency are among the highest. As of December 31, 2020, the capacity of grid-connected clean energy generators in areas we operate in reached 450 million kW, accounting for 85% of China's total, with a utilisation rate of 97.1%.

We believe that the large scale of our operations enhances our resource allocation capabilities and enables us to concentrate our investment in the development and implementation of key technologies. It also strengthens the stability of our operations and our ability to withstand the impact of changes in individual government policies and regional natural disasters.

Our future development is driven by the growing PRC economy and increasing power demand in China.

China is one of the world's fastest growing countries. From 2009 to 2020, China's GDP grew at an average year-on-year rate of 7.30%. According to the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035 (the "14th Five-Year Plan"), the PRC government estimated that China's GDP will continue to grow at a steady rate. According to the Government Work Report of the NPC and CPPCC published in March 2021, the target growth rate for China's GDP is over 6%.

The growth of China's GDP is highly correlated to the growth in electricity consumption. The rapid growth in electricity consumption since 2008 has been largely driven by the rapid pace of industrialisation, as well as an increase in demand from residential users due to higher income per capita. According to statistics gathered by the China Electricity Council, China's annual electricity consumption increased from 3,659.8 TWh in 2009 to 7,511.0 TWh in 2020, with a CAGR of 6.75%.

By 2020, China will be the first of the world's major economies to achieve positive growth, demonstrating the country's institutional strengths and development advantages. As the strategic planning of China accelerates, and plans for self-reliance and self-improvement through science and technology, coordinated regional development, rural revitalization, urban renewal, and establishment for a modern economic system become fully implemented, the domestic demand will continue to rise, and China's GDP growth is expected to remain at a medium to high rate. It is estimated that during the 14th Five-Year Plan period, electricity consumption will grow at an average annual rate of approximately 5%, which will foster significant opportunities for us. From the industry perspective, the goal of "Carbon Peak and Neutrality" drives the acceleration of transition to clean energy, which in turn hastens the demand for an upgraded power grid. It was proposed by President Xi Jinping that China should reach a carbon peak by 2030 and become carbon neutral by 2060, and that by 2030, the total installed capacity of wind power and solar power shall reach more than 1.2 billion kilowatts and non-fossil energy shall account for approximately 25% of the total energy consumption.

The Fifth Plenary Session of the 19th CPC Central Committee also put forward clear requirements for promoting the energy revolution and building a smart energy system. During the 14th Five-Year Plan period, a large number of clean energy, micro grid and interactive equipment will be connected, and the "double high" and "double peak" characteristics of the power system will be further highlighted. We face great challenges in ensuring the safe operation of the power grid and reliable power supply. At the same time, we also face major opportunities to accelerate the upgrading of power grid technology, functions and forms, and build a smarter, greener, safer and more user-friendly energy network.

We receive policy support from the PRC government.

In view of the significant role we play in the implementation of national energy strategies and ensuring national energy security, the PRC government has launched a variety of initiatives and policies to promote and support our business development. In particular:

- **Tax policy:** We benefit from favorable tax treatment. For example, our subsidiaries incorporated in central and west China are subject to a favorable enterprise income tax rate of 15 per cent.; our projects eligible under the Catalog for Favorable Enterprise Income Tax on Public Infrastructure Projects benefit from an enterprise income tax exemption for the first three years starting from the year when the project first generates revenue, and a 50 per cent. income tax deduction for three years thereafter; and we are exempt from (i) enterprise income tax when taking over the ownership and operation of electricity distribution and other assets from customers free of charge, which amounted to RMB33.0 billion in the three years ended December 31, 2019; (ii) value-added tax in our collection of rural low-voltage power grid maintenance fees; (iii) land use tax on use of land for construction of power transmission and transformation facilities; and (iv) stamp duty on purchase and sales agreements between power grid companies within our Group. Since April 1, 2019, the value-added tax rate applicable to our power grid business has been lowered from 16 per cent. to 13 per cent.;
- **Industrial policy:** The NDRC sets transmission and distribution tariffs designed to cover our costs and ensure we receive a reasonable return; the government has clearly expressed its support for the research, development and construction of ultra-high voltage transmission lines and smart grids in the Eleventh Five Year Plan and the Twelfth Five Year Plan and the national mid-to-long-term science and technology development planning outline; the NDRC listed (i) the development and application of technology on the transmission of AC and DC electricity of 500 kV and above and trans-regional power grid interconnection projects; (ii) the promotion and application of energy conservation and environmental protection technology in power transmission and transformation; (iii) the promotion and application of power-grid connection of distributed power and micro-grid; (iv) the development of electric vehicle charging facilities, distributed energy and smart energy system among others in the “encouraged” category in its latest industrial restructuring guidance catalogue in 2019. A series of industrial policy plans, including the 13th Five-Year Plan, the National Medium- and Long-Term Science and Technology Development Plan, and the Made in China 2025 Plan, explicitly propose to support the research, development and construction of UHV and smart grid. The NDRC listed (i) the development and application of trans-regional power grid interconnection projects; (ii) the promotion and application of power-grid connection of distributed power; (iii) the promotion and application of energy conservation and environmental protection technology in power transmission and transformation among others in the “encouraged” category in its latest industrial restructuring guidance catalogue in 2011; and
- **Overseas investments:** Like many Chinese enterprises, we receive strong government support in terms of foreign affairs, policy formation and government approvals in carrying out the “Going Out” strategy, which encourages overseas investments.

We are an innovative enterprise with world-leading power grid technology and have developed and implemented advanced technologies such as world-leading UHV and smart grid technology while maintaining an excellent safety record.

We believe we are in a world-leading position in terms of power technology research and development. We have mastered the core technologies in the fields of UHV transmission, which can achieve long-distance and high-efficiency power transmission. We have independently developed, constructed and commissioned 14 UHV AC demonstration projects and 12 UHV DC demonstration projects.

We believe that our technological advantages have further enhanced our operational capabilities and efficiency and increased our influence in the global electrotechnical engineering field. We have completed projects including phase one and two of the Belo Monte UHV DC ± 800 KWh Power Transmission Project in Brazil and the UHV AC ± 500 KWh Power Transmission Project in Ethiopia. We are also moving forward with the UHV DC ± 660 KWh power transmission project in Pakistan. The UHV AC voltage level and insulation level proposed by us have been incorporated into international standards. We also led the formulation of 62 international standards at the International Electrotechnical Commission (IEC), three international standards at the International Organization for Standardization (ISO), one international standard at the International Telecommunication Union (ITU) and 35 international standards at the Institute of Electrical and Electronics Engineers (IEEE).

In addition, we promote the research, development, application and engineering practice of smart grid technologies. We have applied modern information technologies and mobile interconnection and AI widely to realize universal connectivity and human machine interaction throughout the power system, and built the Internet of Things in electricity with real-time performance monitoring, effective information analysis and flexible configuration. We have completed large technology demonstrative projects such as a DC project in Zhangbeiyou, flexible DC projects in Zhoushan and Xiamen, unified power flow controller project in Nanjing and Suzhou, national-level wind and solar power storage and transmission project, International Energy Reform Model City of Suzhou and new generation smart transformer station projects, which we believe further consolidated and enhanced our technology competitiveness in the global grid business. As of December 31, 2020, we have constructed a cumulative total of 171,700 charging piles. The charging piles of our internet of vehicles platform (“IoV platform”) exceeded over 1.03 million, accounting for approximately 93% of the total number of public charging piles nationwide. Our IoV platform are connected to 4.8 million electric vehicles, with over 5.5 million registered users. The percentage of charging piles that are online amounts to 99.65%. A total of 3,411 merchants are registered on the IoV platform, with a transaction amount of approximately RMB1,479 million. The charging volume of electric vehicles reached 2,144 million kWh, representing a year-on-year growth of 33.5%, accounting for approximately 23.76% of the total charging volume in general. We have accumulatively built and transformed 6,384 smart substations and installed 520 million smart meters, reaching an information collection coverage ratio of 99.75%, covering substantially all of our service area except for county companies that are newly taken over by us. We connected 110,000 users in 2019 for integrated meter information collection on electricity, water, gas and heat, and have accumulatively connected 6.75 million users. We also realized the online monitoring of major electricity transmission and distribution systems with voltage levels of 110(66) kV and above and online monitoring of major electricity quality distribution grid with voltage levels of 35kV and above. We realized unattended operation for substations of 750 kV or below, and intelligent monitoring with helicopters and drones for major transmission lines of 220 kV or above.

We use smart grid technology to facilitate grid connection of clean energy. As of December 31, 2020, our solar power grid-integrated installed capacity had reached 216GW, our wind power grid-integrated installed capacity had reached 232GW, and our hydro power grid-integrated installed capacity had reached 233GW, representing an year on year increase of 22 per cent., 37 per cent., and two per cent., respectively, which made us the largest power grid in the world in terms of clean energy connection scale. As of December 31, 2020, we held more than 100,000 patents in total patents in total.

We are world-leading in the fields of ultra-high voltage power transmission, large power grid safety control, smart grid, clean energy access, and electric vehicle charging and changing. We have won 85 national science and technology awards, including two grand prizes and nine first prizes. We have accumulated more than 100,000 patents, and the number of patent applications and cumulative ownership has ranked 1st among Chinese state-owned enterprises for ten consecutive years. In total, we led the preparation of 101 international standards. We are the world’s only large scale power grid in the past 20 years without any major power failure.

We are an international power transmission and distribution enterprise with overseas power transmission and distribution regulated assets of excellent quality.

Since 2007, we leveraged our subsidiary State Grid International Development Limited, as the platform for international investments and operations and completed a series of equity investments in relevant key energy network in countries and regions such as the Philippines, Brazil, Portugal, Australia, Italy, Greece, Oman, Chile and Hong Kong. We actively develop our international business and maintained prudent operations. We invested in and operated 13 national-level energy infrastructure projects in nine countries and regions, with a cumulative overseas investment of US\$26.3 billion and overseas assets of US\$39.9 billion with ten overseas representative offices. The total contract value of overseas power project contracting and technical services reached 47 billion US dollars. We also completed a number of major national-level power transmission and transformation projects, including a UHV DC transmission project in Brazil. Ten transnational power transmission lines have been built, and new projects of networking with neighbouring countries are currently underway. The core focus of our internationalization strategy has been to invest in electricity transmission and distribution assets that operate under well-established regulatory frameworks that provide for stable and visible cash flows, and attractive risk-adjusted returns, over time. As of the date of this Offering Circular, we believe that our overseas portfolio reflects these principles.

We have a management team with extensive industry experience and highly qualified employees.

Our senior management has relatively long working experience in the power industry, with extensive experience in operation management, financial management, capital management and building of corporate culture.

We also have highly qualified employees. As of December 31, 2020, 83.6% of our employees had junior college diplomas or above and 10.2% had postgraduate diplomas. Among our employees, there are seven academicians (three on the job) of the Chinese Academy of Sciences and the Chinese Academy of Engineering and 158 experts entitled to special permitted allowance granted by the State Council. We have 39,000 personnel engaged in research and development and approximately 323,300 employees holding mid-level or higher professional titles. Our flexible internal human resources redeployment mechanisms allow cross-sector, cross-company and cross-region flow of talent, thereby enhancing the utilization of our human resources and providing our employees with more growth opportunities. We provide various continuous training programs to our employees to further elevate their capabilities, adhering to people-oriented policy, promoting the growth and development of employees. As of December 31, 2020, we provide various staff training, including skilled staff training, services staff training, managerial staff training, operational staff training, new staff training and technical staff training, reaching 1,817,400, 15,500, 942,300, 37,200, 17,000, and 230,600 person-times respectively.

Upholding our corporate values of integrity, commitment, innovation and dedication, we are committed to building up a responsible and reliable state grid corporation that guarantees safe and sustainable energy supply, takes responsibility for all stakeholders, sets an example of green development, carries out international operations in a responsible manner and runs a transparent business accountable to the general public.

We practice the concept of green development.

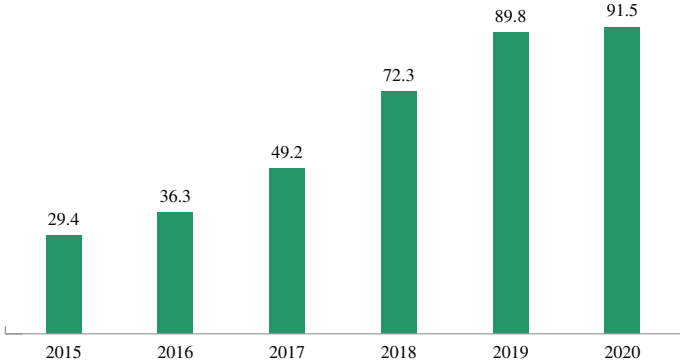
We promote the gradual and orderly construction of clean energy power grids and achieving the balanced transmission of clean energy power. In 2020, we built a total of 14 key transmission channels in the province to increase the clean energy consumption capacity. Projects including the Zhangbei flexible DC power grid pilot demonstration project and the Qingyu UHVDC were put into operation, further improving the capacity of large-scale resource optimization allocation. The total investment in clean energy grid connection supporting project is RMB11.9 billion, which meets the grid connection

requirements of 1,161 centralized clean energy power generation projects and 420,000 distributed clean energy power generation projects. In December 2020, the increased installed capacity of clean energy reached a record high of 56.37 million kW. From 2016 to 2020, we have invested RMB55 billion in clean energy grid connection supporting projects, which can meet the needs of grid connection and transmission of 310 million kW clean energy power generation projects. As of December 31, 2020, the peak shaving auxiliary service market of five regions and 13 provincial power grids in our service area have been officially put into operation. In 2020, the peak shaving auxiliary service market in the “Three North” region generated 44.8 billion kWh of clean energy power, representing year-on-year growth of 261.3 per cent. From 2016 to 2020, the peak shaving auxiliary service market in the “Three North” region increased by 79.64 billion kWh of clean energy power, effectively promoting clean energy consumption. At the same time, we make full use of pumped storage. In 2020, the average comprehensive utilization hours of pumped storage power stations in our service area reached 2,585 hours, and the additional power consumption of clean energy reached 30.6 billion kWh. From 2016 to 2020, pumped storage power stations in our service area absorbed 86.43 billion kWh of clean energy power volume.

We improve the market trading system, actively organize inter provincial clean energy trading, and have innovated intra-provincial clean energy trading. We took the lead on the revision of The Rules for Intermediate and Long-term Inter-providence Electricity Transactions under the Beijing Power Exchange Center, contributing to the improvements in the medium- and long-term clean energy trading mechanism. We compiled The Work Plan of Power Absorption Responsibility for Provincial Grid Enterprises, released the country’s first excess renewable energy electricity trading rules, and promoted the implementation of the guaranteed mechanism of power absorption. In November 2020, China’s first renewable energy consumption voucher trading platform was launched. It supported multiple functions, including account opening and accounting of renewable energy absorption and excess renewable energy electricity trading. In 2020, trading power volume of the clean energy market in the operation area was 65.7 billion kWh, with year-on-year growth of 15.1 per cent., including direct power volume trading of 53.4 billion kWh and generation right power volume trading of 12.3 billion kWh. From 2016 to 2020,

within our service area, interprovincial clean energy power volume trading of 337.2 billion kWh was completed, with an average annual growth rate of 25.5 per cent. The chart below indicates the interprovincial clean energy trade from 2016 to 2020:

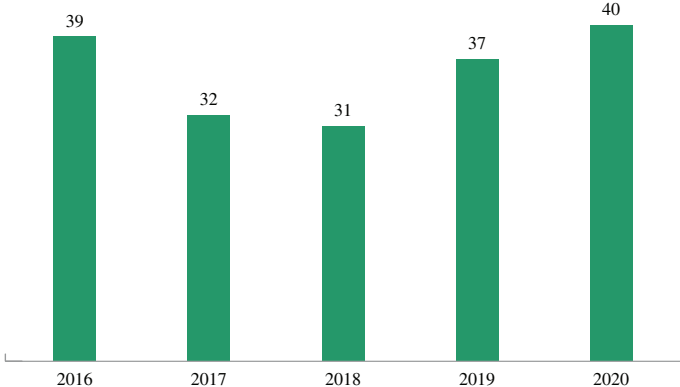
Exhibit 15: Inter-provincial New Energy Trade (bn kWh)



Source: Company Material

We also actively participate in the research and development of clean energy-related technologies to promote the development of the clean energy vehicle industry and clean energy cloud. In 2020, we carried out a total of 40 clean energy-related research and development projects, with a total investment of RMB161 million. The chart below indicates the clean energy-related research and development projects from 2016 to 2020:

Exhibit 16: New Energy related R&D Projects from 2016 to 2020



Source: Company Material

Under the support of research and development forces, we have not only launched the charging “UnionPay” mode, but also built the world’s largest intelligent vehicle networking platform which has the widest coverage and strongest service ability; we have also launched clean energy cloud platform covering 15 platforms ranging from resources to planning, network connection to consumption, subsidy declaration to audit, monitoring to operation and maintenance, and policy technology to carbon neutrality services. We provided a one-stop subsidy declaration service, and cooperated with the financial department to issue renewable energy power generation subsidies to new energy power generation enterprises through the new energy cloud. As of December 31, 2020, we have published a list of 10 batches of projects, with renewable energy power generation subsidies on 15,845 projects, among which, solar accounted for 15,338 projects, wind accounted for 376 projects, while there were 131 Biomass accounted for 131 projects, with approved/recorded capacity of 87.99 million kW. At the same time, we have built the largest clean energy station monitoring platform in China, which has been connected to 1.98 million clean energy power stations, and the amount of access data exceeds 12TB, which can be described as highly successful.

In addition, we released the “Carbon Peak and Neutrality” action plan, which identified 18 measures in 6 areas, striving to be a leader, promoter, and pioneer of clean and low-carbon energy transformation. Below is a summary of measures in the 6 areas:

1. We promote the upgrade of the power grid to an internet of energy, striving to build a clean energy platform:
 - speeding up the construction of a stable smart grid;
 - Strengthening clean energy across regions transformation;
 - ensuring that clean energy is synchronized and connected to the grid in time;
 - supporting the development of distributed power sources and microgrids; and
 - accelerating the upgrade of the power grid to an internet of energy.
2. We promote the coordinated development and optimizing the dispatching, supporting the absorption of clean energy:
 - keeping to improve system adjustment capabilities;
 - optimizing power grid dispatching and operation; and
 - utilizing the market for power absorption.
3. We promote energy saving and efficiency improvement, improving the level of electrification:
 - expanding electric energy substitution; actively promoting integrated energy services; and
 - facilitating the operation of the national carbon market.
4. We speed up the company’s implementation of energy saving and emission reduction, reducing company’s carbon emission levels:
 - fully implementing power grid energy saving management;
 - strengthening the energy saving and emission reduction in company’s office; and
 - enhancing the company’s carbon asset management capabilities.
5. We promote energy and power technology innovation improving operational safety and efficiency:
 - coordinating and carrying out major scientific and technological research; and
 - building an energy digital economy platform.
6. We promote the deepening of international exchanges and cooperation, focusing on gathering synergies of energy green transformation:
 - deepening international cooperation and publicity and guidance; and
 - strengthening work organization and implement responsibilities.

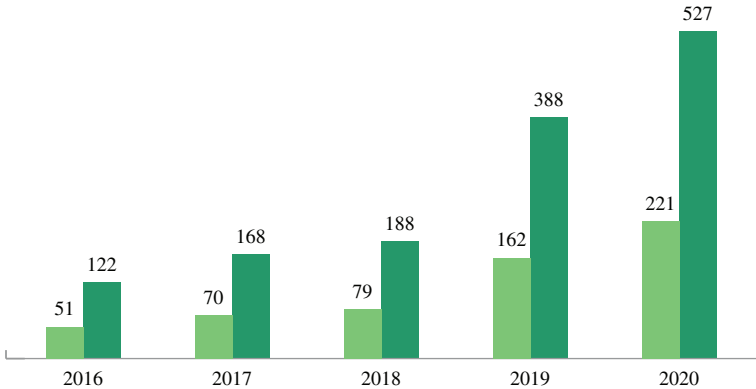
We also take actions for “Carbon Peak and Neutrality”, including transmission, development, peak-shaving, substitution, innovation and so on:

1. Transmission — the western region focuses on power transmission projects to deliver clean electricity to all parts of the country;
2. Development — the eastern region overcomes the inherent deficiency of resource endowments and develops zero-carbon energy in accordance with local conditions;
3. Peak-shaving — pumped storage power station, electrochemical energy storage, and hydrogen storage are used to improve the peak shaving capacity;
4. Substitution — SGCC actively promotes electric energy substitution with electric vehicles, port shore power, road and railway electrification; and
5. Innovation—SGCC carries out technological and business model innovations and in energy storage, new energy transactions, electric vehicles, etc.

Many projects undertaken by the company have become model projects of environmental protection. In 2008, the “Three Gorges – Shanghai ±500kV DC transmission Project” was awarded the National Environment-friendly Project. In 2011, the “Xiangjiaba – Shanghai ±800kV UHVDC transmission Project” was awarded the National Model project of Water and Soil Conservation in Production. In 2014, the “Qinghai – Tibet AC/DC Interconnection Project” won the Ecological Protection Award of the 8th China (Baosteel) Environmental Awards, while the “Belo Monte UHVDC Bipole II ±800kV UHVDC transmission” received the 2019 Best Commission’s Brazilian Social Environmental Management Practice Award. We persist in the concept of green development in all aspects of SGCC’s development and operation, and strive to create a first-class environmental protection management system that strictly abides by the law with a well-established system, operates efficiently, and is led by green development. In addition, our UHV power transmission technology has the advantages of large capacity, long-distance, high efficiency and low loss. We have mastered the electromagnetic environment characteristics of UHV transmission lines and the influence of high altitudes, overcome the problem of UHV electromagnetic environment control, and achieved the environmentally friendly goals in UHV engineering.

In terms of controlling sulfur hexafluoride, we have developed key technologies including detection and recycling of that gas. From 2016 to 2020, we recycled 583 tonnes of sulfur hexafluoride, equivalent to reducing carbon dioxide emissions by 1,393 tonnes. The chart below indicates the sulfur hexafluoride recycled from 2016 to 2020:

Exhibit 17: Sulfur Hexafluoride Recycled from 2016 to 2020 (Tonnes)



Source: Company Material

We have also adopted various measures to protect biodiversity, conducted landscape designs for power transmission facilities, strengthened environmental protection cooperation, conducted environmental protection research, and promote environmental protection knowledge.

Additionally, we will build a new power system focusing on the new energy to promote the realization of Carbon Peak and Neutrality goals. The new power system focusing on new energy initiates the historical responsibility of energy transition. It is an important part of a clean, safe, and efficient energy system. It focuses on new energy. Ensuring the safety of energy and power is the foundation. Fulfilling the social and economic needs is the primary goal. The intelligent power grid is the hub platform, supported by source-load-storage interaction and multi-energy grid complementation. It is a power system with the characteristics of clean and low-carbon safe and controllable, open and interactive, flexible and efficient, intelligent and friendly. The new power system includes the following seven initiatives:

1. Strengthening the coordinated development of power grid at all levels, improving the ability to optimize the allocation and absorption of clean energy:
 - Speeding up the construction of UHV power grids;
 - Improving the transmission of clean energy across provinces and regions; and
 - Increasing investment in distribution network construction;
2. Strengthening the digital transformation of the power grid, enhancing the development of the energy internet:
 - Improving the intelligence level in the distribution network;
 - Building a digital platform for the power grid; and
 - Building an energy internet ecosystem;
3. Strengthening the construction of regulation capacity, improving system flexibility:
 - Speeding up the construction of pumped storage power stations;
 - Promoting the flexibility transformation of thermal power;
 - Supporting large-scale applications of new energy storage; and
 - Expanding the adjustable load resource pool;
4. Strengthening the transformation and upgrading of power grid dispatching, improving the ability to control new power systems:
 - Constructing a new power safety and stability control system;
 - Building a balanced new energy control and dispatch system that adapts to the green and low-carbon transition; and
 - Building a new distribution dispatching system that adapts to the development of distributed power sources;

5. Strengthening the coordinated development of the source network, improving the development and utilization of new energy:
 - Promoting the connection services for new energy;
 - Supporting the development of distributed new energy and microgrid; and
 - Expanding the scale of clean energy transactions;
6. Strengthening energy saving and efficiency improvement of the society, enhancing the level of electrification:
 - Promoting low-carbon energy-saving production and transformation;
 - Expanding the breadth and depth of electric energy substitution; and
 - Carrying out integrated energy services;
7. Strengthening the construction of mechanisms, improving safety support and guarantee capabilities:
 - Promoting the construction of a unified national power market; and
 - Building an early warning system for energy and power safety.

We maintain diversified financing channels and a strong financing capability

We maintain sufficient total bank credit lines. We have a good credit profile, and maintain long-term healthy relationships with major commercial and international banks. We have entered into strategic cooperation agreements with banks to secure prime interest rates and sufficient credit lines. As of the end of 2020, our committed banking facilities from onshore and offshore banks amounted to RMB2,246.3 billion, of which 68.7 per cent., was not utilized.

Our direct financing increased steadily. Domestic and overseas bond financing accounts for 45.36 percent.. The types of bonds issued by us include corporate bonds, MTN, CP and SCP, etc., affirming our significant financing advantages in domestic bond market. In overseas markets, since 2013, we have issued multiple offshore bonds denominated in USD, EUR, HKD, etc. with sound issuance outcomes. We have diversified financing channels internationally.

Our financial management has won many awards. In 2020, we won first prize in the 27th National Enterprise Management Modernization Innovation Achievement Awards. In 2019, we won the Tao Zhu Award (sponsored by EuroFinance) for best fund manager/best fund management team and best risk management. In the same year, we were awarded as IMA annual management accounting outstanding contribution enterprise and our multi-dimensional lean management innovation won first prize in the 26th Chinese Enterprise Management Modernization Innovation Achievement. In 2017, our USD5 billion bond issuance won China's best corporate bond award from The Asset magazine. In 2016, we were awarded best corporate bonds in USD and EURO, best investment grade bond and best corporate bond in China by Financial Magazine.

We maintain long-term healthy relationships with major onshore and offshore banks, including policy banks such as China Development Bank, The Export-Import Bank of China and Brazilian Development Bank; onshore commercial banks such as Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China, Bank of Communication, China Merchant Bank, China Citic Bank, Postal Savings Bank of China, Shanghai Pudong Development Bank, China Minsheng

Banking Corp., Ltd., Industrial Bank of China, China Everbright Bank, China Guangfa Bank, PingAn Bank, HuaXia Bank; and offshore commercial banks such as Morgan Stanley, Citi, J.P. Morgan, Bank of America Merrill Lynch, ING, BNP Paribas, Natexis Banques Populaires, Banco Santander de Negocios, Intesa Sanpaolo, Deutsche Bank, Mizuho, MUFG, SMBC, Sumitomo Mitsui Banking Corporation, ANZ Bank New Zealand Ltd, DBS Bank Ltd., United Overseas Bank, OCBC Bank, Nanyang Commercial Bank, Goldman Sachs, UBS, Credit Suisse, etc.

BUSINESS STRATEGIES

In 2020, we established our corporate strategic goal to build a world-class energy internet enterprise with Chinese characteristics. Fundamentally, we will (1) “operate with Chinese traditional values” and (2) continue our aim of becoming “world-leading” in six fields, including management, corporate governance, green development, service quality and brand value, (3) with “an interconnected energy system” including energy grid system, information support system and value creation system as our ultimate goal. These three leading principles highlight corporate social responsibility and serve as the beacons to guide our future development. We have eight major strategic projects internally focusing on team corporation, corporate governance, grid upgrading, technology innovation, business improvement, service excellence, international cooperation and corporate ecosystem. Our strategic goal is to basically build an international leading energy internet company with Chinese characteristics by 2025 and to build an internationally leading energy internet company with Chinese characteristics in all respects by 2035.

We have enacted specific strategies including grid upgrades, continued developments in technology and international expansion as shown below:

Grid Upgrade

We strive to actively adapt to the development trend of the integration of energy and digital technology, adhere to the power grid business as our core (“one core”), accelerate the establishment of an interconnected energy system with electricity at its center (“one network”), and promote the comprehensive upgrade of the form, technology, function and value of the power grid (“four upgrades”), in order to achieve the five aims of (i) clean and low-carbon, (ii) safe and reliable, (iii) seamless interconnection, (iv) intuitive, (v) intelligent and open-ended (“five aims”). We will endeavour to adhere to the “one core and one network”, promote the “four upgrades”, and achieve the “five aims”.

Continued Development in Technology

We focus on capacity building for independent innovations and leverage on the new national system promoting core technology, in order to implement five strategic measures to continue our technology development and stay true to our goals of being led by our strategy, oriented by demand, with people as our priority and to be law abiding. We shall keep abreast of the development needs of the interconnected energy system, and construct a research framework in relation to power grids, information support, value creation.

Through five key workstreams, (i) technical research, (ii) system optimization, (iii) management innovation, (iv) strengthening our foundation and (v) value enhancement, we shall work towards the aim of being a leading enterprise that has strong ability in terms of technology, provision and value creation, with internationally leading technology, and provide strong impetus to the achievement of our strategic goals.

International Expansion

Our international expansion strategy is to set our strategic objectives as guides and actively internationalise our investment, construction, operation and technical equipment standards. We shall carry out a market-wide, long-term, localized operation and showcase our service, our contribution, our risk prevention and control measures and our standardized operation. In particular, we plan to:

- actively build a new development pattern of mutual promotion of domestic and foreign markets, and to make full use of both domestic and international markets and resources;
- Promote power interconnection and strengthen international cooperation on energy and electricity. We will leverage our advantages in the whole industrial chain of power grid investment, construction and operation, promote the connectivity of transnational infrastructure, and carry out in-depth connectivity with neighbouring countries;
- optimize the layout of overseas investment and steadily carry out asset mergers and acquisitions. We will adopt differentiated investment strategies, leverage our financing advantages, deepen cooperation in market expansion, and promote investment projects with high impact, manageable risks, and stable and transparent revenue models;
- promote the implementation of major projects and deepen international cooperation on production capacity, and utilise our comprehensive advantages, strengthen internal and external collaborative operation, innovate business models, and actively capture the opportunities of high-quality green space development and other engineering projects. We will focus on developing large-scale energy and power infrastructure construction projects with strong driving force and great international influence, such as equipment manufacturing, construction services, power grid operation and technical standards, and create influential exemplary projects of high-quality;
- continue our steady operation of overseas assets with the goal of increasing the benefit contribution of our overseas operations. We shall adhere to the principle of mutual benefit and win-win cooperation and carry out business in a “marketized, long-term, localized” manner. We will utilise our existing overseas operating platforms and carry out cooperation in various ways to achieve high-quality synergy and continuous development. We will actively participate in the governance of overseas project companies and protect the rights of our shareholders;
- strengthen our risk prevention and control of international business to ensure safe, stable and high-quality development. We shall be resolved to our principles, develop a strong awareness of risk prevention and compliance with the law, actively respond to various unstable and uncertain factors in the external environment, deeply investigate the risks of overseas projects and improve response measures and contingency plans;
- fully implement various laws and regulations to ensure the proper establishment and operation of overseas projects. We will Establish and improve an overseas control system for the entire project workstream and strengthen the supervision of decision-making and implementation. We strictly abide by domestic and foreign laws and regulations, strengthen the prevention and control of overseas integrity risks, and strengthen the prevention and supervision of overseas corruption.;
- be an active participant in global energy governance and enhance international exchanges and cooperation. We shall implement the company’s action plan of “Carbon Peak and Neutrality” to promote transition to clean energy. We will host international forums on energy reform, disseminate the concept of green and low-carbon development, lead the development of

international energy transformation, strengthen cooperation with the International Energy Organization and relevant energy institutions, actively share the company's energy transformation concept and experience, and actively contribute in promoting energy reform;

- strengthen the construction of overseas soft power and greatly enhance the company's international influence. We shall actively fulfil corporate social responsibilities, participate in social welfare activities such as education, poverty alleviation and medical treatment and continue to enhance the company's international image. We shall actively participate in the formulation of international standards and accelerate the transformation of the company's independent innovation achievements to international standards;
- strengthen team morale and provide assessment incentive as strong foundation for our international development. We will expand the source of overseas personnel and improve the mechanism for training and encouraging international personnel. We shall enhance the assessment and incentive for the international development, utilise our collective advantage, and form a strong resultant force to promote our international development.

In addition, we have enacted integrated business plans with power grid upgrade as our focus, and plans on strengthening the development of four major businesses including financial business, manufacturing business, overseas business and emerging business, as well as comprehensive development on innovation, management, data and talents as shown below:

Core Business — Power Grid Upgrade

- Persisting in ECO development. We upgrade our power grid continuously, coordinate the construction of urban and rural power grid to support the development and utilization of clean energy.
- Focusing on R&D. We actively promote our in-depth integration and application of advanced information and communication technologies, controlling technologies and energy support the complementarity of solar, wind, hydro, and fossil fuel power and coordinate among power supply, grid, power load and energy storage.
- Strengthening security. We coordinate grid infrastructures, technology, equipment, management, etc. to improve the security defence system and strengthen information security.
- Creating values. We apply digital technology, relying on the resource advantages of the grid platform to cultivate new businesses and extend the value chain.

Financial Business — Developing Financial Business Actively and Steadily to Build a Strong Brand

- Focusing on the integration between finance and other business to serve the core business. To meet the needs of the power grid and value chain services accurately, our financial business strives to create more high-quality financial products to fulfil the demands of the real economy.
- Operating in line with compliance and risk requirements. Strictly following the regulatory requirements, We have built a well-established risk-control system covering the entire business process.
- Optimizing corporate governance and internal coordination. To reinforce the coordination of financing business and financial resources and achieve business coordination, we built up a one-stop comprehensive online financial platform and improves the efficiency of financial resources allocation.

Manufacturing Business — Optimizing the Development of Manufacturing Business to Support the Implementation of our Strategies

- Improving R&D capacity. We optimize and reform R&D resources allocation to develop edge-cutting technologies in the area of power grids safe operations and clean energy.
- Developing intelligent manufacturing. Deep diving into core technologies, we serve to produce domestic substitutes of imported goods and high-end intelligent equipment.
- Strengthening the soft power. We strive to reinforcing our think tank, building a multi-media communication platform and strengthening its diversified training and talents.

Overseas Business — Expanding Overseas Business Steadily and Utilizing both International and Domestic Resources

- Exploring international markets. We proactively explore opportunities in Europe, with a special focus on South America. It expands to projects in the Middle East and Africa, mainly targeting regulated energy grid assets;
- Operating overseas assets. We persist in long-term, market-oriented and localized operations, strengthening its research capacity and risk coping ability;
- Construction of international talent team. We establish a domestic and international rotation system with a scientific and effective incentive and restraint system;
- Building a good brand image. We actively participate in the formulation of international standards and fulfilling social responsibilities.

Emerging Business — Developing Emerging Business Vigorously for the Sustainability of the Company

- Building core competence. We strengthen our R&D of core technologies, focusing on the integration and application of internet technologies. We innovate business models in energy e-commerce, electric vehicle services, and big data.
- Innovating systems. We establish a reasonable assessment and incentive mechanism to develop complementary advantages with the coordination of its affiliations.
- Strengthening cooperation. We serve to attract various market players to participate in the development of emerging industries, which help the companies among upstream and downstream of the industrial chain to develop together.

Comprehensive Development

- Innovation. We keep increasing our investment in R&D, improving independent innovation capabilities, and transforming innovation into productivity.
- Management. We benchmark ourselves with international leading positions. We optimize our management and operations continuously by identifying shortcomings accurately.
- Data. We apply digital technologies such as cloud, big data, IoT, mobile internet and AI to promote digitalization of our business.

- Talents. We value our talents by improving the talent acquisition, employment, transformation and incentive mechanism.

RECENT DEVELOPMENT

We have published our 2021 first quarter financial statements.

The Group has published its unaudited and unreviewed interim consolidated financial statements as at and for the three months ended March 31, 2021 (“**2021 First Quarter Financial Information**”), which was prepared according to PRC GAAP. Such financial information has only been prepared in Chinese and is available on the website China Foreign Exchange Trades System at <http://www.chinamoney.com.cn>.

The Group’s 2021 First Quarter Financial Information is not included in and does not form a part of this Offering Circular. The 2021 First Quarter Financial Information has not been audited or reviewed by the Group’s independent accountants, or any other independent accountants and may be subject to adjustments if audited and reviewed. Consequently, none of the Joint Lead Managers, the Trustee or any Agent (or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them) makes any representation or warranty, express or implied, regarding the accuracy of such financial statements or their sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate the Information’s financial condition, results of operations and results.

For the three months ended March 31, 2021, our revenue, operating profit, net income and net cash flow from operating activities have increased compared with the same period of the previous year, primarily as a result of the withdrawal of the national phased price reduction policy, the improvement in the epidemic situation within the PRC and the acceleration in macroeconomic recovery. The group’s sales in the first quarter increased compared with the same period in the previous year, and its profitability recovered significantly.

OUR OPERATIONS

Our core business is the power grid business. Our other businesses mainly include power technology research and development, electrotechnical and electrical equipment manufacturing, overseas businesses, financial businesses and emerging businesses.

The following table sets out our revenue by business segment, and percentage contribution to our total revenue, before inter-segment elimination, for the years indicated:

| | For the year ended, December 31, | | | | | |
|-------------------------------|----------------------------------|------|-------------|------|-------------|-------|
| | 2018 | | 2019 | | 2020 | |
| | RMB billion | % | RMB billion | % | RMB billion | % |
| Power grid business | 2,355 | 88.6 | 2,448.4 | 88.4 | 2,444.48 | 87.53 |
| Other businesses | 303.6 | 11.4 | 321.4 | 11.6 | 348.40 | 12.47 |

Power Grid Business

We carry out the design, construction of power grids, the purchase, transmission, distribution and sale of power, as well as the operation and maintenance of power grids. We operate the largest network of AC/DC hybrid grids with the highest voltage level in the world. We have the abilities to design, construct and operate AC/DC projects over a full range of voltages, and carry out centralized planning, construction, dispatch and monitoring. We also manage power trading within our service area.

We make significant investments in power grid construction, and actively seek to optimize power grid structure. We lead the development and commercialization of UHV AC/DC grids and smart grids. We integrate inspection, repair and maintenance work to ensure the safe and stable operation of the power grids.

Our Grid

Our power grid comprises five main synchronous grids, namely north-central China, east China, northeast China, northwest China and southwestern China grids. Of such grids, north China and central China grids are connected by 1,000 kV UHV AC transmission lines.

Transmission Capacity

The following table sets out certain information in relation to our transmission capacity as of the dates, or for the years, indicated:

| | <u>As of, or for the year ended, December 31,</u> | | |
|---|---|-------------|-------------|
| | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| Length of transmission lines (thousand km) ⁽¹⁾ | 1,038.2 | 1,092.2 | 1,151.9 |
| Transformation capacity (10MVA) ⁽¹⁾ | 465,290 | 496,334 | 528,931 |
| Integrated capacity (GW) | 14.7 | 15.6 | 17.1 |
| On-grid electricity (TWh) | 4,463.4 | 4,639.9 | 4,774.0 |
| Maximum power load in the company's service area (MW) . . . | 8,101.8 | 8,529.2 | 8,843.2 |
| Trans-regional and trans-provincial power trading (TWh) | 968.2 | 1,061.9 | 1,157.7 |

Note:

(1) Refer to lines and transformation equipment, respectively, of 110(66) kV and above.

In 2020, the electricity exchange between provinces was 1,157.7 TWh.

Assets

Our fixed assets mainly include power transmission lines, power transformation equipment, power distribution lines and equipment, as well as equipment for electricity usage measurement, communication and automation. Among our power transmission and transformation fixed assets, those of 500 kV and above are mainly owned and operated by the Company, the branches and provincial-level subsidiaries, while those of 330 kV and below are mainly owned and operated by provincial-level subsidiaries.

UHV Transmission

In China, energy resources such as coal, hydropower, wind power and solar power are concentrated in the northern, north-western and south-western areas, while high energy consumption areas are mainly located in the more developed eastern and south-eastern coastal regions. The inverse distribution of energy resources and energy consumption necessitates large-scale, cross-region and long-distance power transmission and reallocation within large areas. Our UHV transmission transmits electricity through UHV power lines at ultra-high voltage of 1,000 kV for AC transmission and \pm 800 kV for DC transmission, which can achieve high-capacity, long-distance transmission with lower voltages. We have completed 14 UHV AC demonstration project and 12 UHV DC demonstration projects.

| Project | Length (km) | Operation Time | Power Transmission (conversion) capacity (MVA/MW) | Notes |
|---|------------------------|--|--|--|
| <i>AC UHV transmission project</i> | | | | |
| 1000kV Jindongnan-Nanyang-Jingmen UHV AC test demonstration project (including expansion project) | 653 | December 2008 October 2011 (expansion project) | 6,000 | Relying on the test demonstration project, China has taken the lead in mastering the core technology of UHV AC transmission in the world, successfully developed a full set of UHV equipment, and established its leading advantage in the international high voltage transmission field. The project connects two power grids in North China and central China. After putting into operation, it has played an important role in power transmission, mutual aid between water and fire, and accident support networking. It has fully verified the technical feasibility, equipment reliability, system safety and environmental friendliness of UHV AC transmission. |
| 1000kV Eastern Anhui-Huainan-Shanghai UHV AC transmission demonstration project . . | 1,302 | September 2013 | 21,000 | Meet the power transmission of Huainan large coal power base, ensure the reliable power supply of Shanghai and Zhejiang, and effectively solve the problem of 500 kV short-circuit current capacity exceeding the standard of East China power grid. |
| 1000kV Northern Zhejiang-Fuzhou UHV AC transmission and transformation project . . | 1,192 | December 2014 | 18,000 | Improve the power transmission capacity of Zhejiang and Fujian, enhance the security and stability level of East China power grid, and enhance the ability of receiving external power and resisting serious faults, and enhance the ability of coastal nuclear power plants to deal with emergencies, meet the need of surplus power transmission in Fujian power grid in the near future. |
| 1000kV Ximeng-Shandong UHV AC power transmission and transformation project . . | 1,460 | July 2017 | 15,000 | Promote the development of Ximeng energy base, meet the demand of power load growth in Beijing Tianjin Hebei Shandong region, implement the national air pollution prevention and control action plan, and improve the quality of atmospheric environment. |
| 1000kV Huainan-Nanjing-Shanghai UHV AC transmission and transformation project . . | 1,575 | September 2016 | 12,000 | Build a ring network at the receiving end of East China UHV, improve the capacity of East China power grid to accept external power and internal power exchange, implement the national action plan for air pollution prevention and control, and solve the problem of large-scale short-circuit current exceeding the standard in the Yangtze River Delta. |
| 1000kV Mengxi-Southern Tianjin UHV AC power transmission and transformation project . . | 1,254 | November 2016 | 24,000 | Promote the development of energy bases in western Inner Mongolia and Northern Shanxi, meet the demand of power load growth in Beijing Tianjin Hebei region, implement the national action plan for air pollution prevention and control, and improve the quality of atmospheric environment. |

| Project | Length (km) | Operation Time | Power Transmission (conversion) capacity (MVA/MW) | Notes |
|--|------------------------|-----------------------|--|--|
| 1000kV Yuheng-Weifang UHV AC transmission and transformation project | 2,119 | August 2017 | 15,000 | Improve the power transmission capacity of coal bases in Northern Shaanxi and Shanxi, meet the load growth demand of Hebei and Shandong power grids, implement the national action plan for air pollution prevention and control, and improve the quality of ecological environment. |
| 1000kV Ximeng-Shengli UHV AC power transmission and transformation project | 470 | July 2017 | 6,000 | It is a supporting access system project of Ximeng-Shandong 1000kV UHV AC power transmission and transformation project and related power supply projects, which improves Inner Mongolia's coal power transmission capacity, meeting the demand of power grid load growth in Beijing Tianjin Hebei Shandong region, and improving regional atmospheric environment. |
| Weifang-Linyi-Zaozhuang-Heze-Shijiazhuang 1000kV UHV AC project | 1,652 | December 2019 | 6,000 | Enhance the ability of the system to withstand serious faults and provide grid support for Shandong to accept large-scale trans regional power. |
| 1000kV Beijing-Western Shijiazhuang UHV AC transmission and transformation project | 450 | June 2019 | | – Increase the connection between the two UHV transmission channels of Mengxi-Southern Tianjin-Yuheng-Weifang, and strengthen the mutual aid ability of the two channels, it is very important to improve the power transmission ability and reliability of the two UHV AC channels of Mengxi-Southern Tianjin-Yuheng-Weifang, improve the security and stability level of Beijing Tianjin Hebei and Northern China power grid, and ease the power shortage in Southern Hebei, It is of great significance to meet the power load growth needs of Beijing Tianjin Hebei (including xiong'an New Area) and promote the large-scale development and utilization of clean energy such as wind power and solar power in Zhangjiakou renewable energy demonstration zone. |
| Sutong-Gil utility tunnel project | 5 | September 2019 | | – After the completion of the project, the UHV AC double loop network of East China load center has realized closed loop operation, and the resource allocation capacity, security and stability level and the ability to accept large-scale external power have been greatly improved. |
| 1000kV Mengxi-Jinzhong UHV AC transmission and transformation project | 608 | September 2020 | | – Optimize the network structure, improve the reliability and flexibility of power supply, and improve the transmission capacity of UHV AC channel. |

| Project | Length (km) | Operation Time | Power Transmission (conversion) capacity (MVA/MW) | Notes |
|---|------------------------|-----------------------|--|---|
| 1000kV Zhumadian-Nanyang UHV AC transmission and transformation project . . . | 380 | September 2020 | 6,000 | Meet the access and delivery conditions of Qinghai Henan UHVDC project, improve the power receiving capacity of Henan Province, and ensure the power load growth demand of the whole province, especially in southern Henan. |
| 1000kV Zhangbei-Xiong'an UHV AC transmission and transformation project | 640 | August 2020 | 6,000 | Meet the needs of clean energy transmission in Zhangbei area and clean energy power supply in xiong'an area. |
| <i>UHV DC transmission project</i> | | | | |
| Xiangjiaba-Shanghai ± 800 kV UHV DC demonstration project . . . | 1,907 | July 2010 | 6,400 | Transport hydropower resources from Southwest China to Eastern China. As a demonstration project, it has been running safely up to now. |
| Jinping-Sunan ± 800 kV UHV DC transmission project | 2,059 | December 2012 | 7,200 | Transport clean hydropower from Yalong River Basin to Eastern China. |
| Southern Hami-Zhengzhou ± 800 kV UHV DC transmission project . . . | 2,210 | January 2014 | 8,000 | Realize the bundling of wind power and thermal power transmission, realize the standardized demonstration application of ± 800 kV and 8 million kW DC transmission technology, and promote the intensive development of coal power, wind power and solar energy in Northwest China. |
| Xiluodu Zhexi ± 800 kV UHV DC transmission project | 1,668 | July 2014 | 8,000 | Meet the needs of Sichuan Hydropower transmission to East China. |
| Lingzhou-Shaoxing ± 800 kV UHV DC transmission project . . . | 1,720 | August 2018 | 8,000 | Meet the power transmission needs of Ningdong thermal power base and the power demand of Zhejiang Province. It is one of the 12 power transmission channels to build in the national air pollution prevention and control action plan. |
| Jingbei-Jiangsu Nanjing ± 800 kV UHV DC transmission project . . . | 1,111 | June 2017 | 8,000 | Promote the power development and transmission of Jingbei coal power base to meet the demand of Jiangsu power load growth. It is one of the 12 power transmission channels to build in the national air pollution prevention and control action plan. |
| Jiuquan-Hunan ± 800 kV UHV DC transmission project | 2,385 | June 2017 | 8,000 | Promote the development and export of Gansu energy base, and ease the contradiction between power supply and demand in Central China. It is one of the 12 power transmission channels to build in the national air pollution prevention and control action plan. |

| Project | Length (km) | Operation Time | Power Transmission (conversion) capacity (MVA/MW) | Notes |
|--|------------------------|-----------------------|--|--|
| Shanghai-Linyi ± 800kV UHV DC transmission project . . . | 1,230 | January 2019 | 10,000 | Promote the power development and transmission of Shanghai temple energy base in Inner Mongolia to meet the demand of power load growth in Shandong Province. It is one of the 12 power transmission channels to build in the national air pollution prevention and control action plan. |
| Ximeng-Jiangsu Taizhou ± 800kV UHV DC transmission project . . . | 1,628 | August 2017 | 10,000 | Promote the development and transmission of electric power in Inner Mongolia-Ximeng energy base to meet the demand of Jiangsu Province's power load growth. It is one of the 12 power transmission channels to build in the national air pollution prevention and control action plan. |
| Zhalute-Shandong Qingzhou ± 800kV UHVDC transmission project | 1,234 | December 2017 | 10,000 | Promote clean energy consumption to meet the demand of electricity load growth in Shandong Province. |
| Zhundong-Wannan (Changji Guquan) ± 1100kV UHV DC transmission project . . . | 3,293 | September 2019 | 12,000 | Promote the coordinated development of Xinjiang region and ecological civilization construction, and ensure the energy security of East China. |
| Qinghai Henan UHV DC project | 1578 | December 2020 | 8,000 | meet the needs of Qinghai clean energy base power transmission and southern Henan power consumption. |

We believe that building a UHV power grid can optimize the energy allocation, facilitate the development of clean energy in China and enhance the safety of the energy supply. It can satisfy the demand for long-distance and large-scale power transmission as well as the demand for power grid safety and economy. Further, we believe UHV transmission will facilitate the coordination between the increase of power supply and economic growth, and help realize the sustainable development of the power industry.

Management Structure

The Company

The Company is the center for the Group's strategic decision-making, resources allocation, management and control and grid dispatch. It is responsible for the inter-provincial grid business within our service area, the operation of the State Power Dispatch and Control Center and the national-level Beijing Power Trading Center, and supervises and administers the operations of provincial grid companies. We have set up six divisions, namely the North China Division, the East China Division, the Central China Division, the Northeast China Division, the Northwest China Division and the Southwest China Division, to be in charge of the operation of regional power dispatch sub-centers and to assist our supervision and administration of provincial grid companies.

Provincial-level Power Grid Companies

We directly own 27 provincial-level power grid companies located in 26 provinces, autonomous regions or centrally managed municipalities, with each company responsible for one province, except Hebei Province Power Co., Ltd. and North Hebei Power Co., Ltd., which manage the power grids in south and north Hebei Province, respectively. We wholly own all these provincial-level power grid companies except for Tibet Power Co., Ltd., as to which we own 51% and the Tibet Autonomous Region government owns the remaining 49%. The provincial-level power grid companies generally manage the provincial power grids, oversee operation of the provincial dispatch centers and power trading centers, and supervise the operation of city-and county-level power companies.

We set out below further information on our four provincial-level power grid companies that each contributed more than 5% of our revenue for the year ended December 31, 2020:

State Grid Jiangsu Electric Power Co., Ltd.

State Grid Jiangsu Electric Power Company was established in December 1988 and its registered capital was RMB115,361 million as of December 31, 2020. It is directly wholly owned by the Company and is principally engaged in power grid construction and operation within Jiangsu Province. As of December 31, 2019, it has 13 city-level power supply subsidiaries and 53 county-level power supply subsidiaries. Its service area covers 107,200 square km with a population of 80.7 million. It serves over 44.7 million customers in the province. There were 3,229 transformation stations of 35 kV and above in the Jiangsu power grid with an aggregate transformation capacity of 603 GVA, and its power transmission lines reached a total length of 101,300 km.

State Grid Shandong Electric Power Corporation

State Grid Shandong Group Electric Power Corporation was established in 1991 and its registered capital is RMB66,937 million as of December 31, 2020. It is directly wholly owned by the Company and is principally engaged in power grid construction and operation within Shandong Province. As of December 31, 2019, it has 18 city-level power supply subsidiaries (including one power sale company), 98 county-level power supply subsidiaries. Its service area covers 158,000 square km with a population of 100.1 million. It serves over 46.9 million customers in the province. There were 3,587 transformation stations of 35 kV and above in the Shandong power grid with an aggregate transformation capacity of 500 GVA and its power transmission lines reached a total length of 100,000 km.

State Grid Zhejiang Electric Power Co. Ltd.

State Grid Zhejiang Electric Power Corporation was established in 1990 and its registered capital is RMB49,965 million as of December 31, 2020. It is directly wholly owned by the Company and is principally engaged in power grid construction and operation within Zhejiang Province. As of December 31, 2019, it has 11 city-level power supply subsidiaries and 67 county-level power supply subsidiaries. Its service area covers 104,800 square km with a population of 58.5 million. It serves over 29.0 million customers in the province. There were 2,313 transformation stations of 35 kV and above in Zhejiang power grid with an aggregate transformation capacity of 420 GVA and the power transmission lines reached a total length of 74,100 km.

State Grid Henan Electric Power Company

State Grid Henan Electric Power Corporation was established in 1993 and its registered capital is RMB34,928 million as of December 31, 2020. It is directly wholly owned by the Company and is principally engaged in power grid construction and operation within Henan Province. As of December 31, 2019, its subsidiaries include 18 city-level power supply companies and 110 country-level power

supply subsidiaries. Its service area covers 167,000 square km with a population of over 100 million. It serves over 41.6 million customers in the province. There were 3,064 transformation stations of 35 kV and above in Henan power grid with an aggregate transformation capacity of 314 GVA and its power transmission lines reached a total length of 72,100 km.

City- and County-Level Power Companies

City- and county-level power companies are mainly responsible for the construction of power grids, dispatch of power, power distribution and sales, and supervise and guide power safety and energy saving measures within the city/county.

Main Business Management

In order to enhance our overall operational efficiency, we have optimized the responsibility allocation among the Company, the provincial- and the city- and county-level power companies within our Group under the principle of “centralized management and implementation by levels.” In particular, we have centralized the management of major business functions: planning, construction, operation, maintenance and marketing. The following table sets out our management structure for the five major business functions:

| The Company | Branch companies | Provincial-level power grid companies | City-level (and County-level in maintenance) power companies |
|---|---|--|---|
| Planning | | | |
| <ul style="list-style-type: none"> Preparation of the general and specialized development report Review of development report of 500 kV to 750 kV central power grid in district and provincial power grid Feasibility review of UHV projects and cross-provincial power grid projects and provincial special projects | <ul style="list-style-type: none"> Research of the branch’s development program of 500 kV and above central power grid in local district Preparation of the branch’s development report of local district central grid rack Review of development report of provincial 500 kV to 750 kV central power grid | <ul style="list-style-type: none"> Preparation of the province’s development program of provincial 110(66)-750 kV power grid (110(66) kV program may be delegated to city-level companies) and specialized development report Review of the province’s development report of city level power grid | <ul style="list-style-type: none"> Preparation report of the district’s development program of local under 35kV power grid (10 kV program may be delegated to county-level companies) Review of development report of county level power grid |
| Construction | | | |
| Construction of cross-district UHV AC and DC and key trans-regional DC transmission lines | N/A | Construction management of UHV AC and DC transmission lines as entrusted by the Company, construction management of power grid projects of various voltage levels within the region | N/A |

| The Company | Branch companies | Provincial-level power grid companies | City-level (and County-level in maintenance) power companies |
|--|-------------------------|--|--|
| <p>Operation</p> <p>Organizing, directing, guiding and co-ordinating the operation of 500 kV and above main power grid, direct dispatch of power plants for cross-regional and cross-provincial electricity absorption and outward transmission systems</p> | N/A | Dispatch and operation of 220(330) kV power grid power plants within the province for intra-provincial electricity absorption and outward transmission system, and the surveillance and monitoring of convertor stations of 500(330) kV and above and 220 kV convertor stations in municipalities directly under the central government, and online monitoring and analyzing of the status of the relevant power transmission and transformation equipment | Dispatch and operation of local power grids, including power grids of 10–110 kV, the centralized surveillance and monitoring of convertor stations of 220 kV and below and the online monitoring and analysing of the status of the relevant power transmission and transformation equipment. The dispatch control operation of power grids of 10–35 kV and below can be carried out at city-or county-level dispatch centers, where appropriate |
| <p>Maintenance</p> <p>N/A</p> | N/A | <ul style="list-style-type: none"> • Operation maintenance and repair of local AC and DC power grid in accordance with the territorial principle • Operation, maintenance, examination and repair of local AC and DC power grid with over 500 kV | Operation, maintenance, examination and repair of other power grid not under the responsibility of provincial-level companies. |
| <p>Marketing</p> <p>Formulation of marketing strategies and tactics, business expansion and installation, management of electricity sales prices and charges, planning and construction of automated marketing systems, supervision and administration of electricity measurement, technology development of the smart grid, power alternatives, centralized management of customer service and 95598 customer hotline services and service channel construction and supervision.</p> | N/A | Local business expansion and installation, recording and collection of electricity sales charges, centralized verification and distribution of measurement equipment, demand side management, customer services quality control, construction and operation of service channels as well as intensive management such as construction, promotion and application management of automated marketing systems | Implementation of electricity sales prices and charges for local customers, customer service quality control, over-the-counter businesses, digitalized marketing, electricity usage inspection, calculation collection and information gathering, business development, promotion of energy efficiency and smart electricity usage |

Government Regulations

As an important wholly state-owned energy allocation platform, we are subject to stringent regulation by multiple government authorities, which helps to ensure the safe, reliable and sustained supply of electricity. For further information, see “Summary of Relevant PRC Laws and Regulations.” The following government authorities regulated, and/or are regulating, China’s power industry, in which we operate.

- **The SASAC** exercises the following duties and responsibilities as our shareholder: (i) setting up and completing an index system to supervise and regulate how we maintain and increase the value of our State-owned assets; (ii) assigning members to the board of supervisors, appointing and

replacing non-employee representatives' supervisors (according to the State Council's institutional reform plan, China Audit Office is responsible for the board of supervisors of state-owned key large-scale enterprise powered by the SASAC, but the "Interim Regulations on the Boards of Supervisors in State-owned Enterprises" is still valid ; (iii) appointing and dismissing our senior officers and evaluating their performances in accordance with statutory procedures, and granting awards or imposing punishments based on the results of such evaluation and (iv) supervise and inspect the company's implementation of national work safety policies and relevant laws, regulations and standards.

- **The NAO** is responsible for national audit work and performs the following functions: (i) carry out audit and supervision of the truthfulness, legality and results of relevant economic activities by state-owned enterprises and the implementation of policies from the central government independently and in accordance with law; (ii) carry out audit and departure audit of natural resources assets on the performance of economic responsibilities of leaders and officers in state-owned enterprises; and (iii) discharge responsibilities of supervisory committees in key large-scale state-owned enterprises.
- **The NDRC** is PRC's regulator of macroeconomic, which is mainly responsible for (i) reviewing and approving trans-border and trans-provincial power grid projects of DC±500 kV and above and AC 500 kV, 750 kV and 1,000 kV; (ii) the reviewing and approving of overseas investment projects in sensitive countries, regions and sectors, the filing of overseas investment projects by SOEs directly under the management of the central government or by local enterprises with an investment of US\$300 million or above; (iii) setting on-grid tariffs, electricity sales prices and transmission and distribution tariffs and supervising the implementation of the tariffs. All our power grid investment projects are subject to an environmental impact assessment and the completion of other early-stage work, and must be submitted to the NDRC or its branch at provincial level for approval depending on the size of the investment. No power grid project may proceed without this approval.
- **The NEA** is administered by the NDRC and performs the following functions: (i) organizing the formulation of power industry policies and relevant standards; (ii) under the administration of the State's Council, compiling and carry out the power development strategy, revolution program and power regulations; (iii) under the administration of the State's Council, reviewing and approving fixed assets investment projects in the energy sector following the authorization of the State Council; (iv) regulating the operation of the power market, supervising the relevant power prices and set prices for ancillary power-related services; and (v) monitoring and administering power production safety, reliability and contingency handling.

Our Business Model

Before 2002, electric power generation, transmission, distribution and sale operations in China were conducted on an integrated basis, and all the revenues came from the sale of electricity to users. In 2002, the PRC government carried out a reform of the power sector, where power generation assets were separated from the integrated business model to form independent power generation companies to sell electricity at fixed on-grid tariffs. In April 2015, the PRC government issued the Notice on the Acceleration of the Progress of the Transmission and Distribution Tariffs Reform to Implement the Vision of the Zhong Fa [2015] No.9 File. According to such notice, Anhui, Hubei and Ningxia provinces were selected as pilot provinces for the transmission and distribution tariffs reform (the "Reform"). In April 2016, the PRC government issued the Notice on Enlarging the Scope of Pilot Scheme for the Transmission and Distribution Tariffs Reform, according to which our ten provincial grid subsidiaries including those in Beijing, Tianjin and Hebei provinces were selected for the Reform. In 2017, according to the requirement of the NDRC to comprehensively accelerate the Reform, the company completed such reform on all provincial grids except that of Tibet. After the completion of the

Reform, the government's supervision and administration of grid enterprises will transform from an indirect model (where the government sets the on-grid tariffs and electricity sale prices and grid enterprises earn the price differences) to a direct model (where the government carries out comprehensive supervision and administration regarding the transmission income, costs and prices based on grid assets). Grid enterprises will charge grid passage tariffs according to the transmission and distribution tariffs as set by the government.

As of December 31, 2020, under the requirements of the PRC's regulations, we adopted different business modes to market users and non-market users. For non-market users, which include residents, agricultural users and other guaranteed users, we arrange the power distribution for these users by dispatching prioritized generation units and adopt a catalogue power price. Therefore, the business mode for these users is earning the spread between purchase price and sale price. However, the catalogue price will be adjusted according to the assessed power price. For market users, we have gradually covered all commercial users (enterprises). We adopt an assessed power price to charge them the sum of the sale price and the wheeling cost.

Purchase of Power

We purchase on-grid electricity from power generation companies within our service area that are independent from us at the fixed on-grid tariffs or at market price. In 2020, we entered into or renewed electricity purchase and sale agreements with 29,403 power plants to purchase the on-grid electricity generated by them on a monthly basis. We divide power plants into different levels and manage them accordingly. For example, in certain provinces generating plants with a stand-alone capacity of 50MW or above will enter into electricity purchase and sale agreements with our provincial-level power companies and supply electricity under their dispatch control. In 2018, 2019 and 2020, there were 6,644, 7,093 and 7,679 power plants, respectively, that entered to electricity purchase and sale agreements with our provincial-level power companies.

The electricity purchase and sale agreements are based on the agreement template published by the SERC (which has subsequently been succeeded by the NEA) and the formerly State Administration of Industry and Commerce (which has subsequently been succeeded by the State Administration of Market Supervision) for purchase of electricity from power plants. Such agreements are typically entered into annually and contain provisions such as the planned volume of electricity to be purchased and the adjustment thereof, purchase price, metering and calculation of electricity transmission volume, payment and settlement and liabilities for breach. The volume of electricity to be purchased will be determined directly according to the amount of electricity required by government documents or in a market-oriented way under government oversight based on the demand forecast for the year, subject to power grid safety restrictions and the principle that the same type of units connected to a grid should maintain a substantially comparable utilization rate. Payments of electricity purchased are based on the actual on-grid electricity. Where the actual on-grid electricity is different from the agreed amount due to a deviation of the aggregate demand for electricity from the anticipated demand, the parties may agree to cross-period rolling adjustments or agree to change the agreed amount. The determination of the electricity amount is made on a monthly basis. In calculating the payment for the electricity purchased, the purchaser and the seller multiply the government-fixed or contractual on-grid tariffs by the volume shown on the meter installed at the metering point as of 24:00 Beijing time on the last day of each month. Electricity prices are determined according to government regulations or marketization. Electricity rates are calculated based on the volume and power prices.

Power plants may be classified, by source of energy, into hydropower, thermal power (mainly comprising coal-fired units and a small number of gas-fired units), nuclear power, wind power and solar power plants. The government sets different on-grid tariff policy for different source of electricity. At present, thermal power is the major source of our purchases, accounting for 66.9% of our total purchases for 2020.

Sale of Electricity

We are under a statutory obligation to supply electricity to all customers within our service area and to enter into electricity use contracts with them. As of December 31, 2020, we had 520.7 million customers, including around 540,000 large-scale industrial users, 44.1 million general commercial and industrial users, 463.7 million residential users and 12.4 million other users. There has been a steady increase in users for the last three years, and we recorded an average annual increase of 21.6 million users and a CAGR of 4.5%. During these three years, large-scale industrial users grew by an average of 19,000 annually, representing a CAGR of 3.8%; general commercial and industrial users grew by an average of 2.0 million annually, representing a CAGR of 5.0%; residential users grew by an average of 18.8 million annually, representing a CAGR of 4.4%; and other users grew by an average of 0.8 million annually, representing a CAGR of 7.4%.

In accordance with applicable laws and regulations and based on the voltage level of the customers and the nature of their use, we have six types of power supply and use agreements: for high-voltage, low-voltage, residential, wholesale and provisional power supply and use, and for intermediate power supply.

All power supply and use agreements contain provisions such as the user's address, type of use, method of supply, capacity of user, quality of supply, metering of electricity supplied, price and payment, demarcation point dividing the ownership of power supply facilities between the supplier and the user, and responsibilities for repair and maintenance of such facilities. We administer power supply and use agreements by different levels based on the size of the customer's power use. Customers will be divided by their electricity capacity or electricity voltage to enter into power supply and use agreements with our provincial-level, city-level or county-level power companies.

After we enter into power supply and use agreements with our customers, we mainly meter electricity and settle electricity charges on a monthly basis and provide VAT invoices and electricity bills to our customers in accordance with applicable regulations and rules. Where a customer fails to pay or delays the payment of its bill, we have the right to claim liquidated damages from such customer according to relevant laws and regulations and as agreed in the power supply and use agreement. For customers that we consider having higher default risks, we adopt methods such as shortening the pricing circle, charging separately or using prepaid payment regime to lower the risks.

Pricing Mechanisms

In general, prior to the completion of the reform of transmission and distribution reform, our results of operations are principally driven by the average on-grid tariff we pay to power plants and the average electricity sales price we receive from end customers. On-grid tariffs are the prices grid companies pay to power plants for the power purchased. Electricity sales prices are the prices that end customers pay to power grid companies for the electricity they use. Transmission and distribution tariffs are paid by customers for the transmission and distribution of electricity and are equal to electricity sales prices minus on-grid tariffs, value of losses of electricity during transmission and distribution, and various levies and surcharges imposed by the government. After the transmission and distribution tariffs reform has been completed, our results of operations will mainly be determined by the approved yield level as set by the NDRC.

On-grid Tariffs

On-grid tariffs are generally determined based on the type of power generation employed. In 2004, the NDRC started to set benchmark on-grid tariffs for coal-fired generating units on a province-by-province basis by reference to the costs of typical coal-fired units of "average advanced level" located in the same province. Subsequently, on-grid tariffs for electricity generated by coal-fired units equipped with up-to-standard desulfuration, denitration, dust reduction and super-low emission installations were raised

by RMB0.015/kWh, RMB0.01/kWh, RMB0.002/kWh and RMB0.01/kWh, respectively (for coal-fired units that commenced operation on or after January 1, 2016, super-low emission installation would lead to an increase of RMB0.005/kWh). On-grid tariffs for gas-fired power plants are set by the NDRC individually with reference to the plant's investment and operating term. From January 1, 2020, on-grid tariffs for electricity generated by coal-fired units are transforming to a market regime, and the on-grid tariff adjustment regime has been changed from joint rates for coal and electricity to "benchmark price + volatility" regime. We take responsibility of a lower limit for non-market users (guaranteed users). The on-grid tariffs generated by coal-fired units are executed as the benchmark power price, and the on-grid tariffs generated by other resources are executed with reference to the benchmark price. Other types of power generation's on-grid tariff are linked with benchmark power price.

For new on-ground wind power projects that commenced operation on or after January 1, 2016, these on-grid tariffs are reduced to benchmark prices of RMB0.47/kWh, RMB0.50/kWh, RMB0.54/kWh and RMB0.60/kWh, respectively. For wind power projects that commenced operations on or after January 1, 2018, these on-grid tariffs are further reduced to benchmark prices of RMB0.40/kWh, RMB0.45/kWh, RMB0.49/kWh and RMB0.57/kWh, respectively. For wind power projects that commenced operations on or after January 1, 2019, these on-grid tariffs are further reduced to indicative prices of RMB0.34/kWh, RMB0.39/kWh, RMB0.43/kWh and RMB0.52/kWh, respectively, no benchmark power prices suggested. For wind power projects that commenced operations on or after January 1, 2020, these on-grid tariffs are further reduced to indicative prices of RMB0.29/kWh, RMB0.34/kWh, RMB0.38/kWh and RMB0.47/kWh, respectively. No subsidies will be granted for projects after January 1, 2021.

For newly in production solar photovoltaic power generation projects that commenced operation on or after September 1, 2013, these on-grid tariffs are set as the benchmark prices of RMB0.9/kWh, RMB0.95/kWh and RMB1.0/kWh, respectively, according to three different resource areas with RMB0.42/kWh subsidy. On or after January 1, 2016, the benchmark prices were adjusted to RMB0.8/kWh, RMB0.88/kWh and RMB0.98/kWh; on or after January 1, 2017, the benchmark prices were adjusted to RMB0.65/kWh, RMB0.75/kWh and RMB0.85/kWh; on or after January 1, 2018, the benchmark prices were adjusted to RMB0.55/kWh, RMB0.65/kWh and RMB0.75/kWh, the "self-generation self-use, rest on grid" power subsidy has been adjusted to RMB0.37/kWh; On or after July 1, 2018, the benchmark prices were adjusted to RMB0.5/kWh, RMB0.6/kWh and RMB0.7/kWh, the "self-generation self-use, rest on grid" power subsidy was adjusted to RMB0.32/kWh; On or after July 1, 2019, the benchmark prices were adjusted to indicative prices, which are RMB0.4/kWh, RMB0.45/kWh and RMB0.55/kWh, the "self-generation self-use, rest on grid" power subsidy was adjusted to RMB0.1/kWh for commercial users and RMB0.18/kWh for residential users, no benchmark power prices suggested; On or after June 1, 2020, the indicative prices were adjusted to RMB0.35/kWh, RMB0.4/kWh and RMB0.49/kWh, the "self-generation self-use, rest on grid" power subsidy was adjusted to RMB0.05/kWh for commercial users and RMB0.08/kWh for residential users. Since August 1, 2021, in addition to household photovoltaic distribution, renewable energy power generation projects have been connected to the Internet at parity.

The NDRC also set national benchmark on-grid tariffs for nuclear and biomass direct combustion power plants at RMB0.43/kWh and RMB0.75/kWh, respectively. For hydropower plants, the NDRC has set provincial benchmark on-grid tariffs. Out of the on-grid tariffs for electricity generated from renewable energy, we only pay the benchmark tariffs (base tariffs) set for local coal-fired units; the shortfall is financed through the collection of a surcharge on electricity sales prices across the nation and also partially paid out of the state treasury.

The following table sets forth a breakdown of the electricity transmitted onto our grid by energy source, for the year 2018–2020:

| | Year Ended December 31, | | |
|----------------------------|-------------------------|--------------|--------------|
| | 2018 | 2019 | 2020 |
| | (TWh) | | |
| Coal-fired power | 2,946 | 2,978 | 2,799 |
| Hydropower | 680 | 719 | 736 |
| Wind power | 274 | 304 | 350 |
| Nuclear power | 169 | 195 | 208 |
| Solar power | 147 | 186 | 210 |
| Others | 299 | 320 | 357 |
| Total | <u>4,514</u> | <u>4,702</u> | <u>4,839</u> |

The following table sets forth the respective weighted average on-grid tariff (excluding VAT but including the renewable energy electricity prices subsidy, where applicable) for electricity transmitted onto our grid (including electricity from our own power generation units, the prices of which are calculated based on their costs), by energy source, for the years indicated:

| | Year Ended December 31, | | |
|----------------------------|-------------------------|---------------|---------------|
| | 2018 | 2019 | 2020 |
| | (RMB/kWh) | | |
| Thermal power | 0.3191 | 0.3240 | 0.3191 |
| Hydropower | 0.2438 | 0.2439 | 0.2408 |
| Wind power | 0.3848 | 0.3747 | 0.3703 |
| Nuclear power | 0.3375 | 0.3453 | 0.3400 |
| Solar power | 0.5041 | 0.5167 | 0.5268 |
| Others | 0.5011 | 0.4690 | 0.4565 |
| Weighted average | <u>0.3306</u> | <u>0.3334</u> | <u>0.3309</u> |

Electricity Sale Prices

As of December 31, 2020, all of our provincial subsidiaries (Tibet’s excluded) had executed the sale prices level assessed by NDRC (according to the sum of market price + assessed price (line loss included) + governmental levies and surcharges) or had adjusted the catalogue prices according to the assessed prices to the same extent. For non-market users, provincial grid sale prices (Tibet’s excluded) were formulated by the NDRC and are regulated by catalogue. Tibet, city-level and county-level grids’ sale prices are regulated by the pricing department of the local government. For market users, electricity sale prices are the sum of market price + assessed prices (line loss included) + governmental levies and surcharges.

Electricity sale prices are generally determined by whether the electricity is being used for residential, large-scale industrial, general commercial and industrial, or agricultural purposes. In addition, local independent grid companies are subject to a whole-sale pricing policy as described below. To encourage rational energy use by end users, we have implemented pricing regimes such as two-part prices, peak-valley time-of-use and season-of-use prices, and prices adjustments based on customers’ power factor, which is a technical indicator of the efficiency of the customers’ internal power supply network. The government has also launched a differential pricing policy, a punitive pricing policy and an incremental pricing policy in order to speed up the phasing out of high energy-consuming businesses.

The following table sets forth breakdown figures of electricity consumption by categories of end customers for the years indicated:

| | Year Ended December 31, | | |
|---|--------------------------------|--------------|--------------|
| | 2018 | 2019 | 2020 |
| | (TWh) | | |
| Residential | 836 | 888 | 936 |
| Large-scale industrial | 2,291 | 2,375 | 2,426 |
| General commercial and industrial | 915 | 992 | 1,013 |
| Agricultural production | 94 | 105 | 113 |
| Wholesale and others | <u>100</u> | <u>94</u> | <u>91</u> |
| Total | <u>4,236</u> | <u>4,454</u> | <u>4,578</u> |

The following table sets forth the respective weighted sales prices (excluding VAT and government surcharges collected on behalf of the government, where applicable) by the type of usage for the years indicated:

| | Year Ended December 31, | | |
|---|--------------------------------|---------------|---------------|
| | 2018 | 2019 | 2020 |
| | (TWh) | | |
| Residential | 0.4531 | 0.4641 | 0.4793 |
| Large-scale industrial | 0.5261 | 0.5311 | 0.5401 |
| General commercial and industrial | 0.6268 | 0.5704 | 0.5477 |
| Agricultural production | 0.4037 | 0.4115 | 0.4149 |
| Wholesale and others | <u>0.3209</u> | <u>0.3286</u> | <u>0.3314</u> |
| Weighted average | <u>0.5549</u> | <u>0.5491</u> | <u>0.5303</u> |

Wholesale Electricity Prices

Wholesale electricity prices are the prices we charge for the electricity we sell to local independent power distribution companies (the “IPDCs”) within our service areas. Wholesale electricity prices are determined by deducting power distribution costs incurred by the IPDCs from electricity sales prices paid by end users to them. The NDRC has, on a province-by-province basis, set the wholesale rates for each type of electricity usage. In practice, we make payments to the IPDCs according to an average wholesale prices, which equals the weighted average wholesale prices based upon the amount of wholesale electricity consumed by, and the NDRC-determined charge rates for, each type of usage. As of the date of this Offering Circular, our wholesale electricity prices are normally between 75% and 85% of the average electricity sales prices for our direct users.

Government Levies and Surcharges

As of the date of this Offering Circular, government levies and surcharges include six items (five items currently), namely the levies for the Major Water Conservancy Construction Fund, the Large-and Medium-sized Reservoir Immigration Support Fund, the Small-sized Reservoir Immigration Support Fund, the Rural Power Grid Loans Repayment Fund and the Renewable Energy Development Fund. The government levies and surcharges used to include the rural power grid maintenance surcharge, which, due to a change in government policy, has been merged into our own revenue since 2013. In 2017, the government comprehensively sorted and regulated government-sponsored funds and eliminated city utility surcharge from April 1, and lowered the national major water conservancy project development fund and the levy standard for large and medium-sized reservoir resettlement support funds at July 1, 2018. From July 1, 2019, the government has continued to lower 50% of the development fund. For the

years ended December 31, 2018, 2019 and 2020, the average government levies and surcharges on our electricity sale were RMB30.63/MWh, RMB28.25/MWh and RMB27.69/MWh, respectively. The government-sponsored levies and surcharges by agent for the government, elimination or reduction of such surcharges generally does not affect our revenue.

Transmission and Distribution Tariffs

At present, the provincial grids transmission and distribution tariffs reform has been comprehensively completed in China, except in Tibet. The NDRC approved the principle of “permitted cost plus reasonable return” to determine the total permitted revenue and transmission and distribution tariffs for power grid companies and promulgated the “Notice for Approving Provincial Grid Transmission and Distribution Tariffs from 2020 to 2022” (《關於核定2020~2022年省級電網輸配電價的通知》(發改價格規[2020]1508號)) and the “Notice for Approving Regional Grid Transmission Tariffs from 2020 to 2022” (《關於核定2020~2022年區域電網輸電價格的通知》(發改價格規[2020]1441號)) in September 2020. The newly approved provincial level grid transmission tariffs will be effective from 1 January 2021. The independent transmission and distribution tariffs mechanism clarified the tariffs relationship in all aspects of the power industry, laying an important foundation for promoting the market-oriented reform of the power generation and tariffs. Under the new transmission and distribution tariffs mechanism, the grid company’s permitted revenue = permitted cost + permitted income + taxes.

Among them: the permit cost consists of depreciation and operation and maintenance costs. Operation and maintenance costs include: employee compensation (labor costs), materials expenses, repair fees, and other expenses.

Permitted income is calculated by multiplying the effective assets with permitted return on capital.

Taxes refer to corporate income taxes and urban construction fees and educational additions.

The average power transmission and distribution tariffs of the provincial power grid = the permitted revenue from the transmission and distribution tariffs recovery of the shared network ÷ the electricity sales of terminal power users in the province.

Among them, the permitted income from transmission and distribution tariffs recovery through the public network is equal to the total permitted revenue minus the revenue recovered from specific independent power tariffs to the specific power users, including: reserve fee for captive power plant, high reliable power supply cost, and renewable energy access network subsidies, etc.

The electricity sales of end-user power users in the province are reasonably forecasted by the local energy investment authority in light of economic and social development.

Historically, our transmission and distribution tariffs remain at a steady level. As affected by the national policy of reducing the cost of energy for industrial and commercial use, our tariffs have been slightly reduced in recent years. In 2020, we implemented the guidance of the PRC government for temporary price reduction, in order to support the resumption of work and production. In 2018, 2019 and 2020, our grid transmission and distribution tariffs levels after tax are RMB20.26/MWh, RMB19.71/MWh and RMB18.05, respectively.

Reform of Transmission and Distribution Tariffs

The PRC government plans to steadily push forward the reform of transmission and distribution tariffs towards the formation of an independent tariffs system. The Electricity Prices Reform Plan published by the General Office of the State Council in 2003 and the Interim Provisions for the Administration of Electricity Transmission and Distribution Tariffs published by the NDRC in 2005 expressly provide for

the phase-in of a “costs plus returns” approach instead of the original method of calculation, which was calculated with reference to average on-grid tariffs (excluding governmental levies and surcharges) minus average purchase prices and electricity losses during transmission and distribution.

In 2009, the PRC government began promoting the practice, on a pilot basis, of direct power trading between large power end-users and power generation companies. Ever since the reform of transmission and distribution tariffs in 2016, the transmission and distribution tariffs of electricity power industry market transaction are all approved by the NDRC and the on-grids tariffs are all formed by market contracts, bidding process or other market methods. The electricity sale prices were equal to the sum of assessed transmission and distribution tariffs plus the on-grid tariffs and the governmental levies and surcharges. Therefore, the marketization of on-grid tariffs is the main cause of decreased price, which has minimum influence on our revenue from power transmission and distribution. The total volume of electricity traded in 2020 has reached 1809.9 TWh, representing approximately 39.0% of the total volume of our electricity sales for the year.

According to the Opinions on the Further Deepening of the Electric Power System Reform promulgated by the State Council in March 2015 and the Opinions on the Implementation of the Reform of Electric Power Transmission and Distribution Tariffs promulgated by the NDRC and the NEA in November 2015, electric power pricing reform will be carried out. Government pricing will be limited mainly to key public utilities, public welfare services and natural monopolies of a grid nature. Through gradual transformation, electric power transmission and distribution tariffs will be determined by the government based on the type of customers and the voltage level under the principle of “approved costs plus reasonable returns”. On-grid tariffs of electric power generation companies participating in electronic power market transactions will be determined through negotiation and market competition between end users or entities engaged in the sale of electric power on the one hand and electric power generation companies on the other. Through the reform of electricity transmission and distribution tariffs, the pricing supervision by NDRC over power grid companies will be transformed from the indirect supervision on the price difference through the approval of on-grid tariff and electricity sales price to comprehensive and direct supervision of the revenue, costs and pricing of power grid companies based on relevant assets of power grid companies.

During the first regulatory cycle (2017–2019), the NDRC is accelerating the transmission and distribution tariffs reform (the “Reform”). It has promulgated the Measures on the Supervision and Review of Pricing Assets for Transmission and Distribution (Trial) and the Measures on the Pricing for Transmission and Distribution by Provincial Grids (Trial). According to these measures, an independent pricing mechanism will be established for power transmission and distribution under the principle of “approved costs plus reasonable returns”. Under such principle, the NDRC will assess the approved income of a provincial grid transmission and distribution business before the start of each regulatory cycle of three years, and further approve the transmission and distribution tariffs based on such approved income. Significant progress was made in the first regulatory period, such period have achieved breakthrough by establishing the first cost supervision mechanism targeting super-network natural monopoly industry in the history of China and significantly enhanced the level of marketization of tariff formation, which promoting reasonable allocation of electricity of resources.

In 2019, the NDRC began to implement the second regulatory cycle. It has issued the Transmission and Distribution Pricing Costs Supervision and Review Measures (the “Supervision and Review Measures”) in May 2019 and Provincial Grid Transmission and Distribution Tariffs Price Determination Measures (the “Provincial Measures”) in early 2020, which keep the pricing regime of approved costs plus reasonable returns. The approved transmission and distribution tariffs are equal to the result of dividing the approved revenue by expected transmission volume. The transmission and distribution approved revenue comprises of approved costs, approved return and taxes:

- **Approved costs** are the reasonable costs incurred by grid enterprises for the provision of transmission and distribution services, including operation and maintenance costs including depreciation, materials, repairment, employee remuneration and other costs. Approved costs are further divided into base approved costs and increase (decrease) of approved costs for the current regulatory cycle, which are approved separately.
 - (a) **Base approved costs** are determined by government pricing authority based on cost review in accordance with the Transmission and Distribution Pricing Cost Supervision and Review Measures. In particular, depreciation is calculated based on the original value of existing transmission and distribution fixed assets eligible for depreciation and the mid-point-rate of our pricing depreciation ratio range. No depreciation will be made on assets transferred from customers free of charge. Operation and maintenance costs generally is approved as incurred.
 - (b) To calculate **estimated increase (decrease) of approved costs** for the current regulatory cycle, depreciation is calculated based on the original value of incremental transmission and distribution fixed assets eligible for depreciation and the pricing depreciation ratio as set out in the Provincial Measures, and materials, repairment and other costs are calculated with reference to historical costs and should not exceed the preset upper limit.
- **Approved return** is intended for compensating grid enterprises for financial costs arising out of investment in transmission and distribution business and necessary return on capital, and is equal to effective assets eligible for calculating return multiplied by approved return rate. Effective assets include existing and incremental effective assets, and no return can be calculated based on assets transferred from customers free of charge. The revised regulations stipulate that the approved return rate shall be determined with reference to the quoted interest rate of the RMB loan market during the same period; the approved return rate on our own fund shall not exceed the return on assets determined by the SASAC’s assessment of the grid’s business performance over the same period and should refer to the actual average return on the net assets of the provincial power grid in the previous supervision cycle, while also taking into account the impact of the east-west aid.
- **Taxes** refers to taxes and surcharges payable according to laws and regulations, including income tax, city maintenance (based on VAT rate) and construction surcharge and education surcharge (based on VAT rate), which are usually at the rates of 25%, 7% and 5%, respectively, subject to actual tax rates.

After the transmission and distribution business approved income is determined, the average transmission and distribution tariffs for the provincial grid can be calculated by dividing the approved income with estimated electricity sale volume during the regulatory cycle.

The Provincial Measures requests transmission and distribution tariffs be determined by voltage level and user categorization based on the electricity usage characteristics and cost structure corresponding to different voltage level and user categorization. As of the date of this Offering Circular, transmission and distribution tariffs are determined by voltage level and user categorization based on existing electricity sale price system and with reference to the difference between average transmission and distribution tariffs and actual difference between purchase and sale prices. In September 2020, the NDRC officially

promulgated the “Notice for Approving Provincial Grid Transmission and Distribution Tariffs from 2020 to 2022” (《關於核定2020~2022年省級電網輸配電價的通知》) and the “Notice for Approving Regional Grid Transmission Tariffs from 2020 to 2022” (《關於核定2020~2022年區域電網輸電價格的通知》). The newly approved regional provincial level grid transmission tariffs will be effective from January 1, 2021. The new electricity transmission and distribution tariffs standard will be implemented in all 26 power grids except Tibet in our service areas from January 1, 2021 onwards. The new measures help to determine grid transmission and distribution tariffs scientifically and lay the foundation for further deepening tariff reform and enhancing marketization of electricity market. They also help to improve government’s tariff supervision on grid companies and further institutionalize the determination of transmission and distribution tariffs indicating the continuous perfection of China’s transmission and distribution tariffs regulatory framework. The new regulation measures also encourage power grid corporations to lower non-productive cost, improve power grid investing efficiency and facilitate the healthy, sustainable and high-equality development of power industry.

We are of the view that to base transmission and distribution approved income on effective assets and determine such income on approved costs and reasonable return away from the impact of upstream and downstream price fluctuation will stabilize our income. As of the date of this Offering Circular, the result of the second round of assessment of transmission and distribution tariffs is not available. Further, according to the Provincial Measures, the PRC has kept the adjustment regime allowing the balance of revenue. The impact on the actual revenue of a particular regulatory circle due to the newly introduced investments, increase of power volume and change of power structure will be calculated by provincial department of price management and be coordinated into next regulatory circle. If the cost changes significantly during the regulatory cycle due to significant change in national policies, significant natural disasters or force majeure events, grid enterprises may suggest the government pricing authority to make appropriate adjustments to approved income and transmission and distribution tariffs, which has provided comprehensive assurance for maintaining stable operation and lower risks.

Dispatch

The power dispatch system in China is operated by us and China Southern Power Grid. We are responsible for the dispatch of power in the 26 provinces, autonomous regions or centrally managed municipalities within our service area, while China Southern Power Grid is responsible for the dispatch of power in Guangdong, Guangxi, Yunnan, Guizhou and Hainan provinces. Our dispatch system includes the National Power Dispatch Center, six regional dispatch sub-centers, 27 provincial dispatch centers, 314 city-level dispatch centers and 1,344 county-level dispatch centers.

In accordance with the PRC Electric Power Law, which came into effect in April 1996, and the Regulations on the Administration of Electric Power Dispatch within Grids, which came into effect in November 1993, the dispatch centers at different levels are responsible for the implementation of dispatch control of power grid users and connected power generation companies within their respective operating territories. Lower-level dispatch centers must obey the orders of higher-level counterparts and implement rules, standards and other regulatory documents made by the higher-level counterparts. All power generation companies connected to the power grid must sign grid connection and dispatch agreements and obey the orders of dispatch centers.

The National Power Dispatch Center is responsible for the unified dispatching management of the State Grid, the organization, command, guidance and coordination of dispatching and control operation of the State Grid, and the direct dispatching of the UHV transmission system, the cross-regional connection lines, the cross-regional power plants and their outward transmission systems.

The regional control centers are responsible for dispatching and controlling the regional power grid. Their coverage include: power grids above 500 kV outside the scope of the National Power Dispatch Center within the region, interprovincial connection lines, interprovincial power plants and their outward transmission systems.

Provincial-level dispatch centers are responsible for the dispatch control operation of provincial power grids, including 220 kV and 330 kV power grids and power plants within the province for intra-provincial electricity absorption and outward transmission system, and electricity generation, transmission and transformation systems designated by the National Power Dispatch Center.

City-level and county-level dispatch centers are responsible for the dispatch control operation of local power grids, including power grids of 10~110 kV and electricity generation, transmission and transformation systems designated by the relevant provincial power dispatch center. The dispatch control operation of power grids of 10~35 kV and below can be carried out at the city-level or county-level dispatch centers, where appropriate.

We cope with challenges of record-breaking power load and large-scale renewable energy integration, apply intelligent dispatch of power grid, and optimize power grid operation to ensure the safe and smooth operation of the power network.

Power Grid Planning and Construction

The growth of China's economy will likely continue to drive an increase in demand for electricity. As of December 31, 2020, China's capacity was approximately 2,201 GW. We are in the process of upgrading and expanding our power grid network in order to meet the challenge of achieving a long-term, safe and reliable supply of electricity. For the years ended December 31, 2018, 2019 and 2020, our capital expenditures amounted to RMB395.2 billion, RMB437.6 billion and RMB439.8 billion, respectively, which were mainly used for power grid construction.

Construction and Upgrade of Power Distribution Grids

In 2020, we completed a new round of rural grid upgrade target with a total investment of RMB131.6 billion. We have achieved a rural area supply reliability rate of more than 99.843% and a general voltage qualification rate of 99.803% with an average capacity of distribution of over 2.76kva. The rural area has been almost completely covered with increased power supply capacity. In 2020, our power reliability rate of urban users reached 99.9697%, and our power reliability rate of rural users reached 99.8434%, increasing 0.0038 per cent. and 0.0187 per cent. respectively, compared with 2019.

Other Businesses

Equipment Manufacturing Business

The manufacturing business is the strong support for the implementation of the our strategy, which mainly includes information communication and e-commerce, energy conservation and electric energy substitution, overseas investment and operations, general engineering contracting as well as electrical equipment manufacturing sectors. In 2020, new external contracts signed in the equipment manufacturing sector increased by 18.7% as compared with 2019.

We carry out electric and electrotechnical equipment manufacturing and our products cover the whole industry chain of primary and secondary equipment in the power transmission and transformation sector. We believe that we are in a leading position globally in terms of our capabilities for research and development, design and manufacturing of UHV switches, transformer, convertor valves and electrotechnical automated protection devices.

Overseas Activities

We leverage our strengths in grid operation, management, technology, human resources, capital and brand name to actively explore the international market. We incorporated a wholly owned subsidiary in Hong Kong, State Grid International Development Limited, as the platform for international investments in 2007, and invested in National Grid Corporation of Philippines, Redes Energéticas Nacionais, SGPS, S.A. in Portugal, ElectraNet Pty Ltd., SGSP (Australia) Assets Pty. Ltd. and AusNet Services Limited in Australia, CDP Reti S.p.A. in Italy, HK Electric Investments Limited in Hong Kong, the global Energy and Interconnection Network European Research Institute, the equities of the Greece National Grid Corporation, Oman Electricity Transmission Company, Chilquinta Energía S.A. (Chilquinta Energía), Chile CGE Company and certain power transmission and distribution assets in Brazil. In addition, we have entered into various cooperation relationships with Russian power enterprises to engage in power import and export business. We also provide power EPC, power equipment export and power technology consulting and services overseas.

We regard the creation of value for local stockholders as a point of departure and point of settlement, regard the regulatory assets based on transmission and distribution network business as the main investment targets, strive to rationally and scientifically expand the scale of overseas investment and steadily operate overseas assets. We adhered to the principle of “consultation, cooperation, sharing”, mutual benefit and win-win cooperation, with the concept of “commercialized and localized operation”, we actively participate in the management of our overseas project companies, and continue to explore the potential of our overseas assets with the aim of mutualistic development.

We attach great importance to the construction of risk prevention and control system and compliance management system, stay true to our fundamental values, firmly establish risk awareness, conduct in-depth screening of potential risks faced by overseas projects, and ensure that the whole process of overseas assets management is legal and compliant in all aspects.

As of the date of this Offering Circular, we have set up ten overseas representative offices in the United States, Germany, Brazil, South Africa, Russia, India, Philippines, Australia, Japan and Hong Kong in order to seek investment and cooperation opportunities.

The Philippines

In January 2009, the National Grid Company of the Philippines (NGCP), a joint venture between the us and a local partner in the Philippines, officially took over the operation of the Philippine National Transmission Grid, the transmission grid of which covers 87 percent. of territory and serves 93 per cent. of population. The franchise period was 25 years. We hold 40% of the shares of NGCP and the other two parties each holds 30% of the shares. NGCP is responsible for the planning, construction, dispatch, operation and maintenance of the Philippines national transmission grid. After the takeover, the NGCP grid operation index has been greatly improved, and it has been awarded the Philippine Energy Regulatory Commission’s grid performance evaluation award for eleven consecutive years. In 2018, NGCP won the “Philippine Best Employer of the Year”. In 2019, the Philippine “Bright Village” corporate social responsibility public welfare project organized and implemented by the company was officially completed and handed over, bringing light to more than a thousand people without electricity in the remote mountainous areas of the northern Philippines. In October 2020, NGCP was awarded the In October 2020, NGCP was awarded the “2020 Global Enterprise of the Year Award” by the International Chamber of Commerce (ICCP) of the Philippines, one of only three companies in the country to receive this award. The award is a recognition of NGCP’s commitment to providing reliable, safe, efficient and affordable power transmission services and its outstanding contribution to the economic and social development of the Philippines over the past 10 years, especially during the COVID-19 epidemic. This is a testament of our overseas operations.

Brazil

We invested and operated State Grid Brazil Holdings and CPFL in Brazil to provide power transmission and distribution services to 15 Brazilian states such as Rio de Janeiro and Sao Paulo. Our various operational indicators are at the forefront of the local industry, with stable asset management, controllable risks and good profitability, which enable the two companies to strongly support the economic and social development of Brazil and establish a good international brand image of state-owned enterprises of China.

State Grid Brazil Holdings. In July 2010, we established an overseas wholly-owned subsidiary, State Grid Brazil Control Corporation, in Rio de Janeiro. State Grid Brazil Control Corporation has successively acquired 100% equity of 14 local transmission concession companies. These companies have concession periods of 30 years and are mainly located in the southeast of Brazil's most developed economic areas. The service area covers major loads such as Rio de Janeiro, Sao Paulo and Brasilia. At the same time, we also actively promoted the development of green space transmission concession projects, successively invested in the construction of a number of large-scale green space transmission concession projects such as the Belo Monte \pm 800 kV UHV transmission phase I and phase II projects and the Trispiers hydropower transmission phase I and phase II projects and achieved a rolling development in the Brazilian market. The first and second phases of the Belo Monte UHV transmission project run through the north and south continents of Brazil and was appraised as "Brazil Electricity High-way". As the main electricity channel between north and south Brazil power grid, it has realized the "long-distance, high-volume and low-loss" transmission of clean water and electricity power. It meets the annual electricity demand of 22 million people in the core regions of Sao Paulo and Rio de Janeiro and effectively guarantees the safe and reliable supply of Brazil's power energy. It is an important milestone in the China-Brazil power energy cooperation. In December 2020, the second phase of the Belo Monte UHV transmission project was awarded the sixth "China Industry Award", becoming the first overseas project of a Chinese enterprise to win the China Industry Award. In September 2019, State Grid Brazil Holdings obtained Moody's investment-grade international rating of Baa3, which is two levels higher than Brazil's sovereign rating Ba2. It also obtained Moody's highest domestic rating Aaa in Brazil, with a stable outlook. At present, State Grid Brazil Holdings operates more than 15,000 kilometers of transmission lines, which makes it the second largest power transmission company in Brazil after the Brazilian National Power Company. It has successfully completed several significant power security missions, including the World Cup, the General Election of Brazil and the Olympics. It has also been awarded twice the "Best Enterprise in the Brazilian Power Industry". Moreover, it has been awarded the "Best Practice Award for Social Responsibility Management" by the United Nations Global Compact.

CPFL. In January and December 2017, we completed the acquisition of the equity of CPFL, one of Brazil's largest power distribution companies and one of the clean energy companies; in June 2019, CPFL successfully finished its public issuance and restored its market liquidity. As of the date of this Offering Circular, our shareholding in CPFL is 83.71%. CPFL is the flagship leader in Brazil's power sector. Since becoming a shareholder in 2017, we have focused on strengthening CPFL's business management and internal control, effectively preventing and mitigating risks and improving management indicators. In 2020, CPFL strove to overcome the adverse effects of the economic downturn and severe COVID-19 epidemic in Brazil, and exceeded various major performance targets, and secured a stable electricity supply. CPFL's operating performance has been greatly improved. The average power outage time and number of power outages of users decreased by over 20%, which makes it the industry leader in Brazil. Through continuous improvement of operational efficiency and full exploitation of value-added profit potential, CPFL's business performance has been significantly improved, the power business environment in the operating region has been significantly improved, and the customer satisfaction rating has increased significantly. It has won many major local industry awards, such as "Latin American Engineering Industry Outstanding Service Award", "Brazil Power Industry Best Brand

Investment Value Award”, “Best Power Distribution Enterprise” and “Best Customer Service Award”. In 2020, CPFL was included into IBOVESPA100, ISE and MSCI, reflecting the high recognition of the capital market and investors on our capital operation and development prospects.

Portugal

In 2012, we acquired a 25% stake in Redes Energéticas Nacionais, SGPS, S.A. (“REN”). As the single largest shareholder and a strategic investor in REN, we have become a shareholder to a national level power grid in Europe. REN is Portugal’s only national level power transmission company, which is mainly involved in the transmission and dispatch of electricity and natural gas. With our active assistance, REN has successfully applied for financial support from Chinese financial institutions, which has effectively reduced financial costs. REN’s credit ratings have been increasing steadily and it has become the first Portuguese company which have received ratings from the big three rating companies.

In June 2013, we entered into an agreement with REN to set up a joint venture research and development center (SGCC – REN R&D Center) to carry out research focusing on operational control of the power grid, utilization of clean energy and other topics, which has promoted the operation level, technology renovation capability and industrial influence of REN. In 2017, REN issued new shares and we maintained our 25% shareholding in REN through increasing our holdings. In December 2018, witnessed by President Xi Jinping and the Prime Minister of Portugal, we signed the cooperation contract with REN to deepen the communication and cooperation and to carry out third-party market cooperation. With our support, REN has managed the acquisition of Portugal gas distribution assets, Chile power transmission assets and gas transmission assets, which has proved it with a great breakthrough into the international market.

Australia

In December 2012, we completed the acquisition of a 41.11% stake in ElectraNet Pt Ltd. In May 2013, we acquired an additional 5.45% stake in it, bringing our total stake to 46.56%. ElectraNet is a transmission network service provider in South Australia.

In January 2014, we completed the acquisition of a 60% stake in SPI (Australia) Assets Pty Limited (“SPIAA”) and a 19.9% stake in AusNet Services Limited (“AusNet”). SPIAA has been renamed as SGSP (Australia) Assets Pty Ltd. It provides power and gas distribution and infrastructure services in New South Wales, Victoria and Queensland, Australia. AusNet is listed in Australia and Singapore. It is a power distribution enterprise in Victoria, Australia and provides power and gas distribution and technology consultancy services.

Since we became the shareholder, the three asset companies have operated smoothly and expanded stably. Their operational indexes have all satisfied regulatory standards and their power service qualities and profitabilities have steadily improved. Our return on assets is stable under good operation conditions.

Italy

In December 2014, we completed the acquisition of a 35% stake in CDP Reti S.p.A. (“CDP Reti”). CDP Reti owns 29.85% of TERNA Spa, 31.04% of Snam Spa and 26.04% of ITALGAS. CDP Reti is the largest shareholder of these three companies and has control over them. TERNA Spa is the largest power transmission operator in Europe and the sixth largest in the world. It owns approximately 99.7% of the power transmission grid in Italy. SNAM is the largest natural gas transmission operator. It owns 94% of the national gas transmission grid in Italy and also owns assets in four other countries in Europe. ITALGAS is the largest gas distribution in Italy and the third largest in Europe, owning 34% of the gas transmission market in Italy. From the closing of the acquisitions until the date of this Offering

Circular, we have cooperated closely to support these three companies' development. All of the three companies have steadily increased their operational results, asset scales and international influences, which have been superior to that of other companies in the industry.

In May 2018, we signed a memorandum of understanding with SNAM; in April 2019, as witnessed joint by Prime Minister Li Keqiang and Prime Minister of Italy, we signed a cooperation framework agreement with ITALGAS, which promotes both parties to cooperate in energy conservation and emission reduction, technology communication and third-party country investment. In addition, China and Italy have held a multilateral forum regarding the transformation of power and cooperation in natural gas development, which has promoted international multilateral cooperation and achieved great outcome.

Greece

In June 2017, we completed the acquisition of a 24% stake in IPTO, the national transmission system operator in Greece responsible for the operation, maintenance, development and dispatch of power in all of Greece and manage the power market.

IPTO is also responsible for the grid interconnection and intercommunication between power grids of Greece and adjacent countries. After becoming a shareholder, we actively took advantage of our technology to assist in diagnosing the problem of achieving the safe and stable operation of the Greek power grid and carried out management upgrades to significantly improve the safe and stable operation of the Greek power grid. According to the benchmark for the efficiency of transmission companies in 2018, released by the European Energy Regulatory Commission, IPTO ranked fourth among 17 European power transmission companies. We also promoted Chinese banks to provide low-interest loans to IPTO companies to replace the original high-interest loans and save corporate financial costs. In November 2019, under the joint witness of President Xi Jinping and the Greek Prime Minister, we signed the "Crete Networking Project Equity Investment Intention Agreement" with IPTO, which was included in the 2020–2022 China-Greek key cooperation projects between the two governments. It will help promote the interconnection of power infrastructure, further deepen China-Greek practical cooperation in the energy field.

Hong Kong

In January 2014, we successfully invested as a cornerstone investor in Hong Kong Electric Holdings Limited ("HK Electric") and we then held 21% of its shares and became its second largest shareholder. HK Electric is one of the two major power companies in Hong Kong. It provides integrated services for power generation, transmission, distribution and sales to more than half a million users on Hong Kong Island and Lamma Island. After investing for more than five years, we have actively participated in the operation and management of HK Electric by providing directors and executives, and actively promoted HK Electric to ensure the safe and stable operation of the power grid as the core content of its operations. HK Electric continues to maintain a worldwide first-class level in relation to its safe production, power supply reliability and customer service. The reliability rate of power supply has been maintained above 99.999%, Hong Kong's "getting electricity" index ranked forefront in the world and was highly recognized by all sectors of society.

Oman

In March 2020, we completed the acquisition of 49% equity in Oman Electricity Transmission Company (OETC), and the seller, Amana Holdings, still holds 51% equity. OETC is responsible for the construction, operation, maintenance and dispatch of Oman's national backbone transmission grid, and its service area covers about two-thirds of Oman's land area. By the end of 2020, there were 7,641 kilometers of transmission lines and 96 transmission and substation stations in Oman. The safety

situation in production was successfully maintained throughout the year, and there were no accidents of personal injury or death or major accidents of power grids and power grid equipment, thus securing the safe and stable operation of Oman's power grid. In the face of the ever-changing impact of the epidemic, OETC continued to strengthen security management, optimize the dispatch and operation mode, overcome the difficulties of weak power grid, old power plant return, insufficient rotation and other problems, and achieved an annual transmission system reliability rate of 99.9993%. The comprehensive availability of transmission facilities was 99.0453%, and the comprehensive availability of transmission facilities in summer peak period was 99.8790%.

Chile

In June 2020, we completed the acquisition of 100% of the shares of Chilquinta Energia and Tecnored S.A. (Chilquinta Energía). Chilquinta Energía is mainly engaged in power transmission and distribution business. It is the third largest distribution company in Chile, with about 17,000 kilometers of distribution lines and a service population of more than 2 million; It also has 1,100 km of transmission lines in central and northern Chile. It ranks 1st among power distribution companies according to Chile's National Dispatching Center. After the completion of the acquisition, we actively communicated with rating agencies and Fitch maintained Chilquinta Energía's credit rating at AA level and upgraded its outlook from "negative" to "stable". In August 2020, Chilquinta Energía won the "2020 Sustainable Enterprise Award" organized by the Chamber of Commerce for Construction Enterprises (CCHC) in Chile, becoming the first company in the industry to win this award in the category of Large Infrastructure Sustainable Enterprise.

In July 2021, we completed acquisition of 97.145% of the equity in Compañía General de Electricidad (CGE) from Sempra Energy. CGE is the largest power distribution company in Chile and the second largest electricity transmission operator. The transmission and distribution business cover 14 of Chile's 16 regions, with 3,647 kilometers of transmission lines, 65,000 kilometers of distribution lines and 3 million distribution users. All the assets of CGE are regulated and generate stable income.

Russia

In February 2012, we entered into a power purchase and sale agreement with JSC Eastern Energy Company ("EEC"), a wholly owned subsidiary of JSC INTER RAO UES, to purchase 100 TWh of power from Russia. We purchased 3.1 TWh for the year ended December 31, 2020.

Provision of Engineering and Technology Services

We have developed a uniform procurement platform. Our design and construction team for electric engineering projects is equipped with advanced technologies and extensive experience. We have established a wholly owned subsidiary, China Electric Power Technology and Equipment Co., Ltd., which carries out overseas EPC projects. Leveraging our experience and strengths in technology, we actively seek to participate in electrical engineering EPC projects and subcontracting projects and to provide technological consultancy services around the world. For example, we have provided EPC and technology consultancy services for large-scale power transmission and transformation projects in countries such as Brazil, Ethiopia and Egypt.

Financial Businesses

Finance business is an important assurance serving our core business and industrial entities. Our financial business involves three major sectors, including banking, insurance, and asset management, covering ten professional financial institutions. We also invested in 23 financial institutions. The scale of financing business and financial resources collaboration reached RMB149.8 billion. Low-cost financial services provided to the upstream and downstream of the industrial chain exceeded RMB120.5

billion, with the help of the “E-electricity” App. Our revenue growth of finance sector in 2020 is 20.7 per cent., the accumulated business scale of “E-electricity” App reaches RMB350.9 billion. Our wholly owned subsidiary State Grid Yingda International Holdings Co., Ltd. is engaged in the insurance, securities and asset management businesses. In addition, our wholly-owned subsidiary, China Power Finance Co., Ltd., is a non-bank financial institution approved by the CBRC to carry out financial services such as central funds management, settlement and intra-group financing principally within our group.

Emerging Businesses

Emerging business is the new driver for us to achieve sustainable development. In 2020, the revenue of emerging businesses exceeded RMB110 billion, with total profit of RMB700 million. And the transaction volume for the e-commerce platform reached RMB1.48 trillion. There are a total of 1.03 million charging piles connected to the internet of vehicles platform. In addition, there are 17,000 corporations serviced by Clean Energy Cloud.

INTELLECTUAL PROPERTY

We rely on a variety of patents, copyrights, trade secrets and trademarks to maintain and enhance our competitive position. As of December 31, 2020, we held more than 100,000 patents in total.

RESEARCH AND DEVELOPMENT

The PRC government has expressly stated its support for the research, development and consumption of clean energy in a series of industry policies including its Fourteenth Five-year Plan and 2035 Vision, “Made in China 2025” action plan. President Xi Jinping put forward the construction of a new power system with new energy as the main body, which provided a fundamental guidance for the development of China’s energy and electric power, and put forward new and higher requirements for us.

We see research and development as key to our competitiveness and continue to invest in research and development.

We have a large number of subsidiaries focusing on, or engaging in, research and development. We have four directly owned scientific research entities and ten directly owned electric equipment manufacturing entities, 27 provincial-level power grid companies and two overseas and four joint research and development university institutions, which together form the core of our research and development system to support our growth. These entities carry out research on, and provide consultancy services relating to, key power grid technologies, participate in the making of international, national and power industry technical standards, and prepare development plans for the national and regional grids.

We have a large talent pool of research and development personnel. As of December 31, 2020, among our employees are seven academicians of the Chinese Academy of Sciences and Chinese Academy of Engineering (two in active duty), 158 experts entitled to special permitted allowance by the State Council, 39,000 personnel engaged in research and development and approximately 323,300 personnel holding profession titles of mid-level or above. We own six key national-level laboratory, one national-level field observatory station, two national-level engineering laboratories, six national-level energy research and development (experiment) centers and 100 company-level experimental platform.

We adhere to the principle of independent innovation. Based on our proprietary technology, we have constructed and commissioned the Changji-Guquan ± 1100 kV UHV DC power transmission project, which we believe has the largest transmission capacity and uses the most advanced technology in the world. We have also constructed and commissioned the AC power transmission project, which we

believe employs the highest operational voltage in the world. We believe we were the first in the world to propose a series of smart substation technical standards, and built the world's first Zhangbei Scenery demonstration project that consolidates wind power, solar power, energy storage systems and smart power transmission, winning the Outstanding Project Prize of China Quality Award; built the world's largest clean energy virtual synchronous machine system in north Hebei and connected it to the grid; completed the construction of the Zhangbei Flexible DC Power Grid project, which has the world's highest voltage level and largest transmission capacity; built the world's first 220 kV unified power flow controller based on modular multi-level converter technology and the world's first all-indoor compact 220 kV unified power flow controller, which have been put into operation in Nanjing and then Shanghai; built the 500 KV Unified Current Control Demonstration Project in Jiangsu Province with the highest voltage rating and largest capacity, which has been built and put into operation; built into an International Energy Reform model city of Suzhou, integrating 15 energy innovation demonstrations including multi-energy complementary comprehensive utilization, high-temperature phase-change solar thermal power generation, prefabricated warehouse energy storage system, micro-grid router, DC distribution ring network and three-in-one electronic highway project. A series of technological demonstration projects with major world influence have been successfully put into operation, marking that we have mastered the core technologies on UHV AC/DC transmission, clean energy friendly grid connection, flexible AC/DC transmission, large power grid security and comprehensive power utilization.

China became a permanent member of the International Electrotechnical Commission (“IEC”) in 2011. Since 2009, we have represented China in IEC and initiated the establishment of the high voltage DC transmission technology committee, the smart grid user interface committee and the grid integration of large-capacity renewable energy generation technical sub-committee and Distributed Power Energy System sub-committee. As of the date of this Offering Circular, we operate secretariats for seven technology committees and sub-committees under the IEC and act as Chairman of one of them. We led the preparation and publishing of the Large Capacity Renewable Energy Grid Connection and Large Capacity Energy Reserve Grid Connection and the Ubiquitous Sensor Network for the Internet of Things white papers issued by the Market Strategy Board of IEC and participated in the preparation of several other white papers including the Face the Energy Challenge 2010–2030 and Electric Power Storage.

In 2016, we initiated the establishment of the Global Energy Internet Development Cooperation Organization to complete preliminary assessments of wind energy and solar energy resources in all continents of the world and map the wiring diagrams of the five continents backbone networks, carry out interconnection research on Northeast Asia, Southeast Asia, South Asia, Asia-Europe and Africa and the Americas, and establish a global cross-border transcontinental networking project library. We published research products such as the White Paper on Global Energy Internet backbone network, Global Energy Internet Development Index, Global Energy Internet Technology Equipment Innovation Action Outline and Research on Global Energy Internet Technology Standard System.

As of December 31, 2020, we had won 85 National Science and Technology Progress Awards (the “NSTP Awards”), including two Grand Prize and nine First Prizes. We had 156 China Patent Prizes (including 11 Gold Prizes), 94 First Prizes in China Power Science and Technology Award and ten First Prizes of Standard Innovation Contribution Prizes.

As of December 31, 2020, we held more than 10,000 patents and had published 319 enterprise standards, 101 industry standards, and 83 national standards on UHV transmission.

INTERNAL CONTROLS

We attach great importance to internal control, comprehensive risk management and compliance management. In accordance with regulatory requirements, integrating the reality of our operation, we have strengthened the “three lines of defenses” principle of risk management at all levels, continuously

innovate the management model, change the organizational structure, optimize the business process and compress the management level. We have realized the flattening organizational structure, the intensification of key resources, the professionalization of core business and the normalization of risk management. We have also built an internal control and comprehensive risk management system with comprehensive integration of risk, process, system, authorization, evaluation and other information, which contributes to the implementation of our strategy and our continued development.

Organizational Structure – We continue to improve our corporate governance structure and optimise the risk control and management structure. At the board level, we set up an audit and risk management committee (the “Board Committee”) to oversee the construction of our internal control mechanism, supervise the formulation and implementation of our internal audit mechanism, evaluate and supervise the integrity and effectiveness of our audit system and risk management system, promote the construction of our legal system, supervise the implement of “management by law” by the senior management the and review the financial reports and accounting policies to advise our board of directors.

(A) At the operational level, we set up a general risk management committee (internal control committee and compliance management committee) (the “General Committee”), which is responsible for the comprehensive implementation of policy requirements by relevant national ministries and commissions and our board of directors on our risk management, internal control and compliance management policies. The committee also coordinates the construction of our comprehensive risk management, internal control and compliance management, organizes process control, reviews the annual general risk management report, internal control evaluation report and compliance management report, supervises the cultivation of corporate risk compliance management culture and reports to our Board Committee and the board of directors.

(B) The General Committee has a general risk management and internal control office (the “Risk Control Office”), which is responsible for daily internal control and risk management. At the level of functional departments, we have integrated internal control requirements into daily management and operational processes, established and improved the “three lines of defenses” principle of comprehensive risk management to carry out risk and internal management from the aspects including business management, risk management standards and supervision.

- **Internal environment** – We have established a comprehensive strategic system, strengthened human resource management, actively implemented social responsibility, standardized high-quality services, improved our brand value, built our corporate culture and created good basic environment for the operation of internal control.
- **Risk assessment** – In accordance with Enterprise Internal Control Basic Regulations, we have established a risk categorization system covering all of our businesses fields. We have also enhanced our risk management standards, unified the risk management language and continuously carried out our evaluation mechanisms. We have devised risk management plans, enhanced the risk warning system of key fields and significant risks and consolidated the baseline of eradicating systematic risk to safeguard the sustainable development of our business.
- **Activities control** – We have integrated our use of management and control measures such as separation of conflicting roles, approval by authorization and performance review. We have strengthened fund safety by 1233 lean management, dispatched fund in timely manner, integrated funding channels effectively, controlled fund risks strictly, enhanced centralized procurement and enhanced our capability of providing services of excellent quality. We have

invested in technology, strengthened full-process management of construction projects, deepened comprehensive budget management, unified contract management and maintained compliance and order in our operational management.

- **Information and communication** – We have integrated our internal control system, consolidated our management rules and exercised a strong control, applied the achievement of multi-dimensional and lean management construction, established financial report review and information disclosure mechanisms and ensured the timely communication of information, the truthfulness of reported information and the safety of information systems. We consolidate the data middle-ground, big data application, cloud computation, AI and other technologies to advance the upgrade of data application function and realize business data centralized procession and intelligent application.
- **Internal oversight** – We have implemented solid daily supervision, focused on specialized supervision on key fields and key steps, fully used the consolidated prevention and control function of the internal evaluation, audit, compliance and checks to ensure the rationality, completeness and effectiveness of our internal oversight. We have implemented prudent financial policies to strictly control investment risk, overseas risk and financial risk and debt, liquidity ratios and other indicators have been stable for a long time.
- **Comprehensive Budgeting Management** – We have adopted a value-guided approach to control costs, strengthen performance review and optimize our results of operations. We have implemented economic management and precise adjustment of resources, enhanced the consolidated management of the group, promoted lean management and facilitated high-efficiency coordinated operation. We also strive to strictly manage our investments, arrange investment scale and timing in a reasonable manner, improve the management of our investment-related capabilities and facilitate return-oriented investment approach. We stick to economic management and precise adjustment of resources, enhance the consolidated management of the group, promotes lean management and facilitates digitalized operation. It evaluates value contribution of minimum operating unit by analyzing overall business and procedures from various natures and perspectives, improving the Company's operational efficiency and assets operation efficiency. We proactively implement the mixed-ownership reform, facilitates capital open-up and sets up market-oriented, multi-channels and sustainable capital supplement mechanism. It deepens reforms to delegate power, improves management and provides better services, completes market-oriented operating mechanism and promotes initiation, proactiveness and creativity across departments at all levels.
- **Cash flow management** – We have established a standardized, safe, and efficient cash flow management and control system to comprehensively cover all of our economic business. We have also developed a management system which scientifically predicts the inflow timing of funds, rationally controls the flow of funds outflows, dynamically optimizes cash receipts and expenditures budgets, effectively monitors the execution of cash receipts and expenditures and realizes accurate cash flow management to ensure the maximum value of cash flow and continuously increase our vitality and competitiveness.
- **Centralized capital management** – We have established a capital management system and continued to improve capital guarantee capabilities, operational efficiency and safety levels. We have built company-level group accounts, strictly implemented hierarchical and classified account management and control standards and promoted the transformation and upgrade of the capital management mechanism. We also have implemented collection and payment settlement pools, promoted lean management of current capital and developed and deployed real-time capital monitoring systems to improve capital security control capabilities.

- **Unified financing management** – We have strengthened the unified management to loans and bonds issued by domestic commercial banks, maintained adequate bank credit balances, and actively sought concessional loans. We have also taken advantage of our strong credit to benefit from domestic and overseas capital markets, optimized our internal and external capital movement platform, advanced the centralized management of increased capital and elevated the capital operation income and comprehensive capability within the capital market.
- **Foreign exchange and interest rate management** – We have strengthened capital market internal and external research and judgment, implemented a sound financing strategy, used system, process, supervision and other methods to closely follow the changes of exchange rates and interest rates, formulated risk emergency response plans and strengthened the prevention and control of exchange rate and interest rate risks. We have also adopted foreign currency hedging measures to effectively prevent exchange rate risks.

COMPETITION

In accordance with PRC law, power grid companies in China operate transmission and distribution business in their respective operating territories, and purchase power from power generation companies and sell electricity to customers at on-grid tariffs and electricity sale prices, respectively, which are set by the government. Therefore, the operating territories of different power grid companies generally do not overlap and there is generally no direct competition among them.

The PRC government is steadily carrying out market-based electricity market reform under a framework of “controlling mid-stream and opening up up-and down-stream”, meaning more of market-driven pricing in power generation and sale of electricity while maintaining government control on transmission and distribution tariffs. It allows qualified private capital to invest and incorporate electricity sales companies to engage in electricity sales business. The government encourages private investors to participate in incremental distribution grid business and provide power supply services and has issued Administrative Measures on the Admittance and Exit of Power Sale Companies and the Administrative Measures on the Progressive Opening of Power Distribution Grid Business (Fagai Jingti (2016) No. 2120) to regulate such participation.

Power sale companies will enter into transactions directly with power generation companies on behalf of medium and small customers, and share with such customers any concession on the prices of electricity derived from such direct transactions to realize a profit. The business model of such companies is similar to that of large customers that directly negotiate electricity sales with power generation companies. Power grid companies will provide a range of electricity provision services including installation, calculation, recording, charging and maintenance to electricity sales companies and their customers without discrimination, and fulfil their obligations as service providers with fixed prices. Overall, the electricity sales business engaged by the electricity sales companies does not compete directly with the electricity transmission and distribution business of power grid companies.

Since November 2016 and as of December 2020, the NDRC and the NEA have carried out 483 incremental power distribution reform pilots nationwide in five batches. In March 2018, the “Implementation Measures for the Zoning of Distribution Areas for Incremental Distribution Business (Trial)” (Fagai Energy Regulations [2018] No. 424) was issued to clarify the principles of distribution area division, standardized the procedures for application processing and changed management and other requirements. In January 2019, the NDRC issued the “Notice on Further Promoting the Reform of Incremental Distribution Business” (Fagai Jingti (2019) No. 27), which further clarified the scope of incremental stocks, strengthened planning work, regulated investment and operation-related matters and emphasized that the settlement electricity prices between the incremental distribution network and the provincial power grid shall be implemented according to the current transmission and distribution price of the corresponding voltage level of the provincial power grid. In September 2019, the NDRC issued

the “Notice on the Cancellation of Incremental Distribution Business Reform Pilots in Certain Regions” (Fagaiban Office System Reform [2019] No. 948), disqualified 24 incremental power distribution business reform pilot projects. In August 2020, the NDRC issued the “Notice on Carrying out the Fifth Batch of Pilot Reform of Incremental Distribution Business (Fa Gai Yun Xing [2020] No. 1310), announced the fifth batch of 79 pilot reform of incremental distribution business, made it clear that it would improve the in-process and post event evaluation and dynamic adjustment mechanism, and organize a comprehensive evaluation of the first four batches of pilot projects by means of third-party evaluation and self-evaluation, Timely summarize and promote good experiences and practices in various places, adjust and withdraw from projects that are no longer suitable for continuing pilot projects.

We are of the view that such arrangements where private investors invest in, build and operate incremental distribution business, receive reasonable return based on distribution tariffs approved by provincial pricing authorities and perform the duties such as providing safe and reliable power supply, minimum power supply and universal social services conform with market economy principles of “pairing investment with return and rights with liabilities”. Grid enterprises provide open access and connection services to project owners without discrimination based on applicable regulations regarding grid connection administration and operational safety requirements and receive transmission and distribution income according to the transmission and distribution tariffs for shared provincial grid corresponding to the voltage level of the grid connection of incremental distribution. In addition, the NDRC encourages grid enterprises to set up companies of mixed ownership with private investors through methods such as equity cooperation to operate incremental distribution grids. Overall, we are of the view that the opening up of incremental distribution business is conducive to fostering fair and open competition and enhancing investment efficiency and service capability. As such business is limited in scale, we are of the view that its impact on the overall transmission and distribution business structure of grid enterprises is insignificant.

We compete with other companies in the manufacturing of electric and electrotechnical equipment and overseas business, which constitute a small proportion of our businesses.

PROCUREMENT

In addition to the purchase of power from power generation companies, we purchase certain equipment and materials from manufacturing companies. The top five types of equipment and materials we purchased in 2013 in terms of costs were transmission towers and poles, power cables, wires, AC transformers and electrical appliances. We have established a centralized procurement system and used the procurement management e-commerce platform to achieve full-supply-chain, whole-process electronic operation, supervision and record keeping. The majority of our procurement was directly conducted or supervised by the Company.

We have established a procurement standards system. In addition, 28 supplier service centers have been set up both offline and online to handle application, consultation, contract signing, settlement and other business related to suppliers on the spot or remotely, and to monitor the development of various businesses through the supply chain operation platform in real time to ensure the safe and efficient operation of the company’s supply chain system. We evaluate suppliers on the basis of qualification, performance, product quality, delivery schedule and integrity, as well as external factors such as health, labor, safety, environmental protection and energy efficiency.

EMPLOYEES

As of December 31, 2020, we had approximately 1,523.4 thousands employees in full aperture. All of our staff are under employment contracts, which specify the employee's position, responsibilities, remuneration and grounds for termination. Short-term employment contracts generally last from one to five years. Subject to mutual consent, the parties can renew the contract at maturity. We embrace fair employment to eliminate discrimination based on gender, age, health, race and religious beliefs.

We take full advantage of the resources provided by our management college, high-level training center and technical college, and utilize training centers of provincial company level and other training resources. We independently develop career competence models and training specifications for all management, technology and skilled personnel, providing our employees with training in the fields of professional skills and safety, legal, environmental management, corporate social responsibility, foreign languages and other areas. Employees complete relevant training in accordance with the different requirements of their professional and managerial positions. We prioritize our employees and facilitate their growth and development. We provided employee technical training of 1.82 million times in aggregate. In 2020, our employee training rate has reached 94.65%.

We provide our employees with welfare and benefits in line with national standards and the actual conditions of the position, ensuring that remuneration is not less than the average of similar enterprises and positions, with equal pay for men and women. We participate in the local government pension scheme in accordance with the law, paying into pensions, medical, work injury, maternity, unemployment and other social insurance, as well as housing funds.

We care for our staff in the following ways:

- Adopting fair employment principles. We enter into collective contract following fair negotiations with the labor union, and employment contracts were signed with every employee. We have realized equal pay for equal work and equaling gender.
- Protecting the rights and interests of female employees. We carried out targeted researches for female employees, arranging special medical examinations and guaranteeing maternity leave and breastfeeding leave.
- Helping employees in need. We built a total of 2,808 employee appeal service centers and 10,165 appeal service points and resolved 51,000 issues. We have implemented 1,262 measures to reduce working stress and built 15,684 staff apartments, benefiting 45,000 employees.
- Ensure work safety. We raised work safety awareness by educating "Ten Prohibitions" on production sites, and formulated guidelines for the evaluation of occupational hazards and control effects of power transmission and transformation projects.

As of December 31, 2020, we had not experienced any strikes, work stoppages, labor disputes or actions which materially and adversely affected the operation of any of our respective businesses. We believe that we maintain good relationships with our employees in all material respects.

HEALTH AND SAFETY

We attach great importance to the safety and health of our employees. We have established a production safety responsibility system, continuously conducted safety education and training for employees, configured safety work tools and labor protection supplies for employees, making efforts to create a

standardized, clear and safe operation environment to prevent injuries and accidents to employees in the workplace. During the three years ended December 31, 2020, we had no major personal accidents as defined by Chinese law. We organize annual medical check-ups for employees.

SOCIAL RESPONSIBILITY

Strategies and Goals

Based on the new development stage, we have implemented new development concepts, served the new development pattern, coordinated the “three major responsibilities” of politics, economy and society, comprehensively promoted industrial upgrading and high-quality development, and unswervingly become a stronger and better enterprise, persisted in practicing the goal of serving the people by electricity. We have carried out a series of social responsibility explorations and practices, including adhering to the concept of green development to achieve the goal of “Carbon Peak and Neutrality”, making every efforts to ensure the safety of power supply, promoting the high-quality development of power grids, implementing measures to improve quality and efficiency, treating every stakeholder responsibly, serving the construction of the “Belt and Road”, operating transparently, and accepting social supervision, etc.

Social Responsibility Information Disclosure

We attach great importance to corporate social responsibility (“CSR”) and strive to integrate the concepts of social responsibility into our strategies and daily operation, realize the integration of social responsibility and corporate production and operation, and increase the frequency and intensity of disclosure on corporate social responsibility via various company reports, white papers, guides, local responsibilities practices, cases and dynamic information published on the official website Publish.

We published our first CSR report in 2006, which has become an important symbol of China’s corporate social responsibility. Since then, we have taken the lead in releasing a social responsibility report for 16 consecutive years, strengthening the disclosure of social responsibility information and fully demonstrating the exemplary image of a responsible state-owned enterprise. In 2020, in addition to releasing the CSR Report, we also released special social responsibility reports such as the “Clean energy Development Serving Report”, “Grid Environmental Protection Manual”, “Poverty Alleviation Serving Report”, and “The Blue Book of Corporate Governance According to Law”. In Brazil, a country report on social responsibility was released. In 2020, we issued a total of 108 social responsibility performance reports, including seven reports issued by the headquarters, 23 reports issued by the provincial power companies, 70 reports issued by the prefecture-level power supply companies, and eight reports issued by county-level power supply companies. 77 provinces, cities, counties, and provincial management industry units published white papers or accountability reports on topics such as the prevention and control of Covid-19, poverty alleviation, energy transformation and green development, ensuring safe power supply and quality services, and proactively reporting to the media and society of the company’s responsibility performance practices and new development concepts.

On February 8, 2021, we released the “State Grid Corporation of China Social Responsibility Report of 2020”, which comprehensively demonstrated the Company’s achievements in coordinating epidemic prevention and control and economic and social development in 2020, and introduced the breakthrough progress in terms of the Company’s maintenance of safety and stability in the large power grid, technological innovation, green development, international operations and reforms in key areas. On May 6, 2021, the country report on corporate social responsibility was released in Brazil, which is the third social responsibility report released by us in Brazil. On June 5, 2021, the “State Grid Corporation of China Environmental Protection Report of 2021” was released, systematically disclosing the company’s governance system, responsibilities and outstanding performance in the field of environmental protection.

Continue to pursue the goal of reaching the “Carbon Peak and Neutrality”

We have strengthened the construction of power transmission channels, with a trans-provincial power transmission capacity reaching 230 million kilowatts, and 43% of clean energy power transmission capacity, realizing optimized allocation nationwide. We took measures to upgrade technologies, improve transmission capacity, and improve dispatching, and continued to increase the capacity to absorb clean energy from the power grid. Last year, 587.2 billion KWH of wind and solar power was consumed, equivalent to a reduction of 450 million tons of carbon dioxide. The efficiency rate of clean energy was 97%, and the tasks of the national three-year action plan for clean energy consumption were successfully fulfilled.

In 2020, China completed the construction of 10,248 projects to replace electricity with coal in 15 northern provinces, with a total investment of RMB19.9 billion yuan, benefiting 2.71 million households in 17,028 villages in northern China. In 2020, 517 sets of shore power facilities has been built and entered into operation along the Yangtze River, with a total of 1,203 sets completed, realizing full coverage of shore power at major ports and docks. In 2020, an investment of RMB2.3 billion has been invested to build and put into operation 81,500 charging piles, amounting to 2.144 TWh, which is an increase of 23.5% year on year. 600,000 charging piles has been added to the IoV Platform, and 1.03 million charging piles of various operating entities has been added in total, covering 93% of public charging piles nationwide. A high-speed highway charging network comprising ten vertical cables, ten horizontal cables and two rings has been built, covering more than 50,000 kilometers of expressways in 176 cities across the country. In recent years, a total of 847.6 billion kWh of electricity has been produced from alternative sources, equivalent to a reduction of loose coal burning by 470 million tons and carbon dioxide emissions by 850 million tons. Electricity accounts for about 27% of the total terminal energy consumption.

We shall protect the ecological environment by promoting the construction of power grid with ecological environmental protection concept. We shall draw up the Power Grid Environmental Protection Responsibility List, compile and publish the Publicity Manual on Power Grid Environmental Protection (2020 Edition), print and distribute the company’s environmental work assessment measures and the management measures for environmental impact assessment of power grid construction projects, strengthen the eco-friendly design of power grids, optimize project site selection and route selection, and continue to protect biodiversity and build environment-friendly power grids.

Ensure power supply and safety and promote high-quality development of power grids

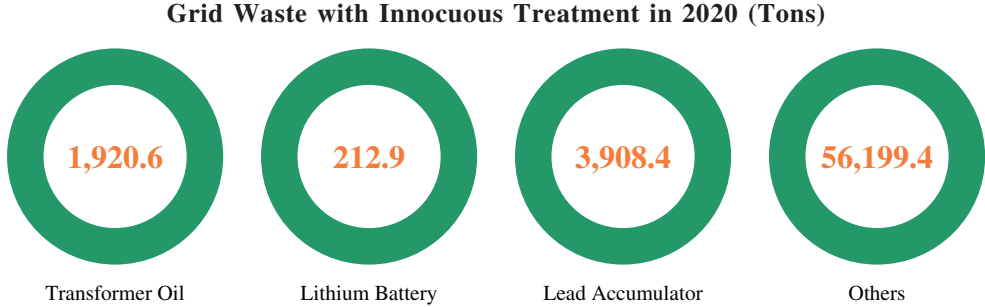
The State Grid Corporation has actively implemented the national energy strategy and adhered to the concept of safe, high quality, economic, green and efficient power grid development. We will continue to promote high-quality development of power grids. Through the continuous improvement of the UHV network layout, we shall accelerate the coordinated development of power supply networks at all levels and improve the ability to allocate energy and resources. We completed and began operating a number of world-class power grid projects such as Zhangbei Flexible DC Project and Qinghai-Henan UHV DC Project. We have accumulatively constructed and operated 14 UHV AC projects and 12 UHV DC projects, with two UHV AC projects and three UHV DC projects in construction. The total length of the 31 UHV projects in operation or under construction is 41,800 km, with the power transformation and conversion capacity exceeded 1,680 GVA and 426 GW respectively.

China’s electromagnetic environment control limits are stricter than the 2010 guidelines of the International Commission for Non-Ionizing Radiation Protection recommended by the WHO:

| | Limits in China (GB 8702 – 2014) | 2010 Guidelines of the International Commission for Non-Ionizing Radiation Protection |
|---|-------------------------------------|--|
| Public exposure of utility frequency Electric field | 4kV/m | 5kV/m |
| Public exposure of utility frequency magnetic induction | 100µT | 200µT |

We focus on controlling the environment impact following by three steps – reducing the acoustic impact, controlling the electromagnetic influence, and utilizing grid waste:

- reducing the acoustic impact. The transformer substations (converter substation) noise monitoring was initiated in 2015, and the first round of monitoring was completed in 2018, with a special noise control project organized in 2017. In 2017–2020, 242 transformer substations (converter substation) were treated for noise control, with a total of RMB349.44 million invested.
- controlling the electromagnetic influence. SGCC disposes of decommissioned lead-acid batteries properly. It reviews the qualifications of recycler strictly and develops temporary storage compartments for retired lead-acid batteries and intelligent systems to prevent pollution.
- utilizing grid waste. The below chart indicates the grid wast with Innocuous Treatment in 2020:



We will always prioritise safety, improve the emergency management and control system, enhance emergency response capacity, and make every effort to ensure the safe operation of large power grids. We will strengthen monitoring of important transmission sections and transmission channels, dynamically optimize the operation of power grids, and build a “three-line defense” to maintain the longest record of safe and stable operation of an extremely large power grid.

We will continue to be innovation-driven and continue to draw upon our endogenous power in order to advance the development of an intelligent power grid and achieve breakthrough in flexible DC technology, to provide a new solution to the world’s problem in relation to the large scale development and utilisation of clean energy, create world firsts, to successfully develop and commercialise patented domestic DC bushing for UHV conversion and to elevate key performance metrics to world-class level.

Reform to improve quality and efficiency

Breakthroughs were made in the reform of mixed ownership, and capital opportunities were opened to the public in terms of UHV power transmission, hydropower, information and communication, finance and other fields, and information and communication assets and the first batch of financial assets were listed. In 2020, we introduced RMB33.3 billion of social capital into 98 mixed-ownership projects of 11 categories.

We will accelerate the construction of a unified national electricity market, and complete the top-level design of such market. We will complete the initial establishment of a unified national electricity market trading system with a “unified market, two-stage operation” approach. In 2020, due to the influence of the power trading center, the market volume of electricity traded in the company’s service areas exceeded 2.3 trillion kilowatt-hours, an increase of 9.6% year on year, reducing electricity costs of approximately RMB55 billion for customers. During the “13th Five-Year Plan” period, the proportion of market volume of electricity traded in the service areas of State Grid will increase from 14% to nearly 47%.

We implemented measures to improve quality and efficiency, and the internal potential was excavated with remarkable effects. The revenue of industry-finance collaboration reached RMB22.1 billion, and the business scale of industry-finance collaboration reached RMB149.8 billion. The inclusive financial services helped the upstream and downstream of the industrial chain relying on “e-finance service” reach RMB120.5 billion.

We focussed on developing strategic emerging industries. The revenue of directly affiliated industries reached RMB283.84 billion, and the transaction volume of e-commerce business reached RMB1.48 trillion. The profit growth rates of emerging industries, finance and international businesses were 26%, 20.7% and 16.6%, respectively.

Treat each stakeholder responsibly

In order to help prevent and control the epidemic and resume work and production, we introduced 59 service measures in seven batches, and allocated 155,800 workers and 25,000 vehicles to ensure electricity supply to key users and people. We took the initiative to ensure the stability of our electricity supply. We increased investment, lowered electricity prices, and created more jobs. We exempted RMB88.6 billion from electricity bills for enterprises, and created 46,200 new jobs for the public.

We rely on large power grids to drive economic development in poor areas and promote rural revitalization in a holistic way. A total of RMB131.6 billion will be invested in the continuous upgrading of rural power grids, increasing the number of substations in remote areas, shortening the power supply range, and taking a comprehensive approach to addressing problems such as low voltage and congestion, so as to build strong power grids that support rural revitalization. A total of RMB552 million was invested to complete 668 power distribution network projects of 10kV and below in six areas including Liaoning, Inner Mongolia, Xinjiang, Tibet, Heilongjiang, and Jilin, which have effectively improved the production and living conditions of the people in those border areas. A total of RMB30.4 billion was invested to develop poverty-stricken areas in the three autonomous regions and three prefectures, benefiting 17.77 million people in 198 poverty-stricken counties in poverty-stricken areas, and helping to alleviate poverty. As of the end of 2020, the accessed capacity of photovoltaic poverty alleviation power stations reached 22.68 million kW, benefiting 3.05 million poor households. Five counties (districts) in Hubei Province, namely Shennongjia Forest Region, Zigui County, Badong County, Changyang County and Maduo County in Qinghai Province, have all left poverty, totaling 122,800 households and 366,300 people. We also implemented a new round of rural grid transformation and upgrading by investing RMB777.5 billion as of the end of 2020.

The State Grid Public Welfare Foundation is an important platform for the allocation of public welfare resources and shapes our brand image of public welfare. We implemented projects cover different fields including poverty alleviation, aiding Xinjiang and Tibet, education, disability, medical and health care, environmental protection, disaster relief.

The 1,000-kilovolt Xiongan-Shijiazhuang and 1,000-kilovolt Zhangbei-Xiongan UHV AC power transmission and transformation projects have been completed and put into operation, which will deliver more than 7 billion kilowatt-hours of clean energy electricity to the Xiongan New Area every year,

achieving 100% clean energy power supply in the Xiongan New Area. In order to serve the Beijing Winter Olympics and having created 12 world's firsts, the Zhangbei renewable energy flexible DC grid pilot demonstration project was put into production. It is capable of transporting approximately 14.1 billion kWh of clean energy annually, fully satisfying the annual power consumption demand of 100 million kWh for 26 venues in Beijing and Zhangjiakou, and helps the venues achieve 100% clean energy power supply.

We will continue to improve the level of power supply services to make electricity use safer, more convenient and more intelligent, and to make users more satisfied. We have further reduced the time, simplified the process, reduced the cost and improved the reliability of power supply, and comprehensively improved the service level of "access to electricity". The World Bank's ranking of "access to electricity" for China has risen from the 98th to the 12th place, reaching the international leading level. As of the end of 2020, the time needed to process the power supply application from residents and SMEs with low voltage was five and 25 working days, respectively. Besides, the process was greatly shortened for high-voltage power supply applications from enterprises. Through the process of "Transferring Series Circuits to Parallel Circuits", canceling design review and intermediate inspection processes, steps to apply for high and low voltage power supply were reduced from eight and six to four and three, respectively. We actively promote online power management and the application of "SGCC Online" and "QR code transfer", optimizing the online electricity transaction platform. The "SGCC Online" also provides customers with 7×24 hours online service through our mobile application to improve the quality of our online service, focusing on five major business scenarios for residences, electric vehicles, stores, enterprises and institutions and clean energy with 125 functions including online operations, payment, and inquiries. As of the end of 2020, the cumulative registered users of "SGCC Online" exceed 130 million, binding accounts of "SGCC Online" are over 112 million, online power application rate has reached 93.9 per cent., and the online payment rate has reached 87.4 per cent.

Responsible international operations

We shall uphold the concept of sustainable development and adhere to market-oriented, long-term and localized operations. We have achieved fruitful results in power grid connectivity, overseas investment and operation, international cooperation on production capacity, and international standard-setting. We ranked among the world's top 100 non-financial MNEs in World Investment Report 2020 published by United Nations. Currently, we have successfully invested and operated 13 core energy grids in 9 countries and regions, including the Philippines, Brazil, Portugal, Australia, Italy, Greece, Oman, Chile and Hong Kong. All the projects have maintained stable operation and are profitable. Phase Two of Brazil's Mount Belo UHV Power Transmission Project was awarded the Sixth "China Industry Award" among other industry accolades.

We operate our overseas companies in a responsible manner and actively promote international cultural exchange and integration, and play an important role in bringing people closer together. Our Brazil project company demonstrates social responsibility through being a long-term sponsor of a renowned charity project, which benefited more than 6,000 impoverished young people. It cooperated with the Brazilian Bureau of Cultural Heritage to sponsor the World Historical and Cultural Heritage Project in Rio de Janeiro, Brazil, and carry out publicity, protection, education and other activities. Our Portugal project company has launched a reforestation initiative in collaboration with the local town hall. As of the end of 2020, it has helped the local area to plant more than 45,000 trees, an area equivalent to 250 football pitches. Our Greece project company is active in helping local cultural and educational efforts, offering scholarships to universities and sponsoring projects such as antique restoration and theological and ecological studies. CPFL Brazil promotes the sustainable development of the region by creating key brand projects such as CPFL Hospitals, CPFL Youth Growth, Chinese Culture Month, CPFL Movie Village Project and Philosophy Coffee Corner.

We fight the COVID-19 epidemic together with our global partners. We adhere to the concept of a community with a shared future for mankind and actively provide foreign assistance to the best of our ability. We held videoconference was held with Russian Grid, Italian State Grid, Enel Italia, Tokyo Electric Power Company, Korea Electric Power Corporation and other companies to exchange measures on safe and reliable power supply during the epidemic prevention and control period. We established a working mechanism for overseas epidemic prevention and control, set up a special working group, implemented the “one country one policy, one local one policy, one project one policy”, mobilized overseas personnel to support emergency implementation projects, and worked together with the rest of the world to fight the epidemic. We donated RMB50 million in cash, RMB51.8 million in medical supplies, and RMB62.28 million power grid assets to Hubei.

Operate with transparency and accept social supervision.

We adhere to the concept of business transparency, constantly strengthen our information disclosure, consciously accept the supervision of the government and social supervision, and ensure that major decisions are made in a transparent and public manner. We normalize communication with our stakeholders and actively encourage stakeholders to cooperate with us, in order to develop a mutually beneficial partnership.

Based on our development strategy, we take SDG1, SDG3, SDG7, SDG9, SDG12, SDG13, and SDG15 as the main focuses. Through a series of practices such as supporting targeted poverty alleviation, saving costs for customers, serving clean energy development, promoting electric power substitution, ensuring grid security, boosting sustainable production and consumption, and coping with climate change, we have promoted the realization of SDGs. We also innovatively carried out digital marketing and auditing. The remote verification rate of suspicious data reached 75 per cent. as of the end of 2020. A total of 40,000 audit projects were carried out in 2020, raising more than 60,000 audit recommendations.

To strengthen information disclosure, we released 1196 press releases throughout the year. Our official WeChat account, Weibo, Toutiao, Douyin and Kuaishou accounts were read 101 million times throughout the year. Timely disclosure of our operation and management dynamics were also made through our four overseas social media accounts: Facebook, Twitter, Instagram and YouTube.

We communicate with stakeholders on a regular basis, strengthen communication with government departments, partners, employees, communities, the public and industry organizations. We visited more than 50,000 of our major customers. We organised “social responsibility weeks”, “social responsibility months” and “public open days” centred around the topics of innovation, harmony, environmentally friendly, openness and sharing. Through such events, we have in-depth interaction and communication with representatives of all stakeholders, and endeavour to win the emotional and value recognition of the stakeholders on the reform and development of state-owned enterprises, so as to comprehensively enhance the popularity, recognition and reputation of our brand. Such events were held 321 times throughout the year, which attracted more than 800,000 public participation and received full attention from various media, with nearly 3,000 reports.

We accept public supervision. We respond to the social supervision and suggestions on the company’s business, and further strengthen our trade practices. Relying on the 95598 business system of the customer service center, we accept the complaints and reports from the public, and do quick investigation and timely handling of the incidents with strong customer response and frequent complaints. As of the end of 2020, the one-time customer consultation rate reached 88.14 per cent.

Honors and Awards for CSR Activities

As of December 31, 2020, we received numerous honors and awards for our CSR activities, which include:

- The 11th China Charity Award – Donation Enterprise Award; The 11th China Charity Award – Donation Enterprise Award for Fighting Against COVID-19; State Grid Photovoltaic Poverty Alleviation Project was awarded the 11th China Charity Award – Charity Project Award; State Grid Jiangsu Power (Rudong) Communist Party Member Service Team was awarded the 11th China Charity Award – Charity Model Award.
- Two employees were awarded the title of “National Advanced Individuals in Fighting against COVID-19”; one unit was awarded the title of “National Advanced Group in Fighting against COVID-19”.
- For the third time, the Company was evaluated as “excellence” in the fixed-point poverty alleviation assessment among central enterprises; three units were awarded “Organization Innovation Award” in terms of poverty alleviation in 2020, 99 individuals were awarded the title of “Advanced Individuals” and 49 units were awarded the title of “Advanced Units” in terms of poverty alleviation; two public welfare projects were selected as the “Top 50 Cases of Volunteer Poverty Alleviation” by the Poverty Alleviation Office of State Council.
- The public welfare project of the Rio Male Community Music School in Brazil won two awards, including “Top Ten Outstanding Cases of Overseas Image Construction of Chinese Enterprises in 2020” and “Outstanding Cases of Overseas Social Responsibility”.
- The project of “Relying on The Application of Big Data in Electric Power to Promote Sustainable Economic and Social Development” was successfully selected as “Best Practices of Enterprises for Achieving Sustainable Development Goals in 2020; two employees were awarded the title of “Advanced Chinese Individuals for Achieving the United Nations Sustainable Development Goals in 2020”.
- Public welfare works created by various units of the Company have won a total of 166 awards, including 70 government awards and 96 enterprise or association awards.

INSURANCE

We strive to maintain a comprehensive insurance system, relying on our resource to coordinate, group operation, market orientation and standardized implementation, which covers our grid assets, projects, responsibility and employees. Our main insurance categories include property all risks insurance, machinery damage insurance, safety construction all risks insurance, power supply responsibility insurance, public responsibility insurance, safety production responsibility insurance, and personal accident insurance. Specifically, property all risks insurance mainly covers the direct physical loss of, or damage to, power grid assets caused by natural disasters or accidents including fire and explosion. Machinery damage insurance mainly covers against losses from damage to our equipment due to grid equipment design, manufacturing or installation errors, casting and raw material defects, operational errors, overloading and overvoltage. Safety construction all risks insurance mainly covers all damage and loss of project assets caused by natural disaster or accidents. Power supply responsibility insurance mainly covers third-party personal casualties or property damage caused by accidents from the disconnection and circuit shortage, wrong connections and voltage quality issues. Public responsibility insurance mainly covers third-party personal casualties or property damage caused by accidents which happen on grid operation sites. Safety production responsibility insurance mainly covers employees’

personal casualties or third-party personal casualties, or property damages caused by accidents which happen during the production and operation of the grid. Personal accident insurance mainly covers employees' personal casualties caused by accidents.

PROPERTIES

We hold certain building ownership rights and land use rights for our business operations. The land is mainly used for power transmission towers and poles along our grid line corridors, substations and office buildings. The land use rights to a substantial portion of the land and property we occupy were historically allocated by the PRC government to us as a state-owned enterprise in accordance with the relevant PRC laws and regulations. We obtain new land use rights from the state through bidding, auctions and listings in accordance with applicable regulations.

LEGAL PROCEEDINGS

We are involved in certain legal proceedings concerning matters arising in our ordinary course of business. We believe, based on available information as of the date of this Offering Circular, that these proceedings, individually or in the aggregate, will not have a material adverse effect on our business, financial condition or results of operations.

MANAGEMENT OF THE COMPANY

GENERAL

We are incorporated under the PRC law with separate legal personality as a limited liability company solely owned by the State and under the direct management of the PRC central government. SASAC exercises the rights and fulfils the obligations as the investor on behalf of the State Council. We have established a corporate governance structure comprising the board of directors and the senior management:

- our board of directors comprises eight directors; and
- our senior management comprises six persons.

DIRECTORS

The business address of our directors is at No. 86, Xichangan Avenue, Beijing 100031, People's Republic of China. There are no potential conflicts of interest between any duties of our directors to the Company, and their private interests and/or other duties. The table below sets forth information regarding our Directors.

| Name | Age | Title |
|-------------------------------|-----|---------------------------------------|
| Mr. Xin Baoan | 60 | Executive Chairman |
| Mr. Zhang Zhigang | 56 | Director and President |
| Mr. Shangbing | 65 | External Director |
| Mr. Wu Xiaogen | 55 | External Director |
| Mr. Zhang Chengjie | 65 | External Director |
| Mr. Hu Aimin | 61 | External Director |
| Mr. Zhang Gengsheng | 61 | External Director |
| Mr. Wang Haixiao | 57 | Employee Director and Union President |

Mr. Xin Baoan: Mr. Xin was born in October 1960. He is the Executive Chairman of the Board of the Company. Mr. Xin has a master's degree of engineering and started his career in August 1982. He is also a professor-level senior engineer. Mr. Xin used to be the Chief Engineer of State Power Corporation Northwest Corporation, the Director of the Human Resources Department, the Assistant to the General Manager and the Director of the Human Resources Department, the Executive Vice President of China Huadian Corporation, and the Deputy President, Executive Director and President of the Company.

Mr. Zhang Zhigang: Mr. Zhang was born in November 1964. He is the Director and President of the Company. Mr. Zhang has a master's degree and started his career in August 1987. He is also a professor-level senior engineer. Mr. Zhang used to be the Deputy Manager of the State Power Dispatching and Communication Center of the State Power Corporation, the Deputy Director and the Director of the State Power Dispatching and Communication Center of the Company, the Director of the National Power Dispatching and Communication Control Center of the Company, the Assistant of Executive Director and the Executive Vice President of the Company.

Mr. Shang Bing: Mr. Shang was born in December 1955. He is an External Director of the Company and a senior economist. Mr. Shang used to be the Deputy General Manager and General Manager of Liaoning Economic and Technological Development Company; Executive Deputy General Manager and General Manager of China Unicom Liaoning Branch; Deputy General Manager, Director and General

Manager of China Unicom; Deputy Manager of China Telecom; Deputy Minister of the Ministry of Industry and Information Technology, Deputy Director of the Cyberspace Administration of China, Chairman of the Board of China Mobile.

Mr. Wu Xiaogen: Mr. Wu was born in March 1966. He is a senior accountant and serving as an External Director of the Company. Mr. Wu used to be the Assistant General Manager and Deputy General Manager of Securities Business Department of China Golden Valley International Trust and Investment Co., Ltd., Deputy General Manager of Securities Management Headquarters and concurrently General Manager of Institutional Management Department of China Science and Technology International Trust and Investment Company, Director of Auditing and Research Office of Accounting School of Central University of Finance and Economics, Central Finance and Economics Associate Dean of College of Accounting, Chief Accountant of China No. 1 Heavy Machinery Group Corporation, and Full-time External Director of Central Enterprise.

Mr. Zhang Chengjie: Mr. Zhang was born in June 1953. Mr. Zhang has a master's degree. He is serving as an External Director of the Company. Mr. Zhang used to serve as Vice President of North China Electric Power University, Deputy Director of the Human Resources Department of the Company, Director of the Human Resources Department of China Guodian Corporation, Assistant to General Manager and concurrently Director of Human Resources Department of China Guodian Corporation and Deputy General Manager of China Guodian Corporation.

Mr. Hu Aimin: Mr. Hu was born in May 1960. Mr. Hu has a doctor's degree and is a researcher-level senior engineer. He is serving as an External Director of the Company. Mr. Hu used to be the Director of the 26th Research Institute, the Deputy General Manager of China Electronics Technology Group Corporation, the Director of the China Electronics Technology Group Co., Ltd.

Mr. Zhang Gengsheng: Mr. Zhang was born in May 1960. Mr. Zhang has a master's degree and is a senior economist. He is serving as an External Director of the Company. Mr. Zhang used to be the General Manager of Business Department of China Construction Bank, the General Manager of China Construction Bank Group Customer Department (business department) and the Vice President of Beijing Branch, the Chairman of the Trade Union Committee of China Construction Bank, the Vice President of China Construction Bank, the Executive director and the Vice President of China Construction Bank.

Mr. Wang Haixiao: Mr. Wang was born in March 1964. He is serving as the Employee Director and Union President of the Company. Mr. Wang has a doctor's degree and started his career in July 1985. He is also a senior engineer. Mr. Wang used to be the Deputy Director of the Policy and Regulation Department of China Meteorological Administration, Deputy Director of General Office of the Company, Director, Editor in Chief of News Office of the Company, General Manager of State Grid Media Company, Executive Director and General Manager of the Yingda Media Investment Company, Deputy Director of the Department of Ideology and Politics of the Company and the Deputy President of the Union Group of the Company.

SENIOR MANAGEMENT

The details of the senior managements of the company are listed below:

| Name | Age | Title |
|-----------------------------|-----|--|
| Mr. Xin Baoan | 60 | Executive Chairman |
| Mr. Zhang Zhigang | 56 | Director and President |
| Mr. Huang Dean | 58 | Chief Compliance Officer, Executive Board Member |
| Mr. Luo Qianyi | 55 | Executive Board Member, CFO |
| Mr. Pang Xiaogang | 49 | Executive Vice President |
| Mr. Chen Guoping | 56 | Executive Vice President |

Mr. Xin Baoan: Please refer to “Management of the Company – Directors” for the CV of Mr. Xin Baoan.

Mr. Zhang Zhigang: Please refer to “Management of the Company – Directors” for the CV of Mr. Zhang Zhigang.

Mr. Huang De’an: Mr. Huang was born in March 1963. He serves as Chief Compliance Officer of the Company. Mr. Huang has a master’s degree and started his career in August 1984. Mr. Huang used to serve as the procurator in The People’s Procuratorate of Sanming City in Fujian Province, third level senior procurator, Deputy General Procurator, member of Procuratorial Committee and the second-level senior prosecutor of The People’s Procuratorate of Fujian Province, Deputy Secretary of Fujian Provincial Discipline Inspection Commission and Deputy General Procurator, member of Procuratorial Committee of The People’s Procuratorate of Fujian Province and Deputy Secretary of Fujian Provincial Disciplinary Committee.

Mr. Luo Qianyi: Mr. Luo was born in September 1965. He serves as the CFO of the Company. Mr Luo has a doctor’s degree and started his career in July 1988. He is also a professor-level senior accountant. Mr. Luo used to serve as the Deputy General Manager and General Accountant of China Yanxing Corporation, Director of the Financial and Audit Department of China North Industries Group Corporation and Chairman of the Supervisory Board of BEIBEN Trucks Group CO., LTD., Chief Accountant of China North Industries Group Corporation and Chairman of the Board of the Directors of North Industries Group Finance Co., Ltd and other positions.

Mr. Pang Xiaogang: Mr. Pang was born in June 1972. He serves as the Executive Vice President of the Company. Mr. Pang has a master’s degree and started his career in April 1996. He is also an engineer. Mr. Pang used to serve as the Deputy Director of the Administrative Department (General Office) of China Southern Power Grid Co., Ltd., the Director of Yunnan Power Grid Corporation, the Director of Kunming Power Supply Bureau, the Director of the International Department and the Deputy Director of the Administrative Department (General Office) of China Southern Power Grid Co., Ltd. the Director and General Manager of Shenzhen Power Supply Bureau Co., Ltd., the Director and the General Manager of Guangdong Power Grid Corporation, Chairman of Shenzhen Power Supply Bureau Co., Ltd., Director of the Work Department of the Board of Directors of China Southern Power Grid Co., Ltd. (the Board Office), the Board Secretary of the Company, etc.

Mr. Chen Guoping: Mr. Chen was born in April 1965. He serves as the Executive Vice President of the Company. Mr. Chen has a doctor’s degree and started his career in August 1987. He is also a professor-level senior engineer. Mr. Chen used to serve as the Deputy Director of the International Energy Cooperation Office of the Company, the Deputy Director of the State Power Dispatching and Communication Center, the Deputy General Manager of State Grid Operations Co., Ltd., the Deputy Director of the International Cooperation Department of the Company, Director of State Grid

International Development Co., Ltd. Deputy General Manager of State Grid International Development Co., Ltd., Deputy Director of the State Power Dispatching Control Center, Director of the State Power Dispatching Control Center, Chief Engineer of the Company and concurrently Director of State Power Dispatching Control Center of the Company, Chief Engineer of the Company and concurrently Chairman of Beijing Power Exchange Center Co., Ltd.

SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

OVERVIEW

We are subject to various PRC laws and regulations. Based on the scope of applicability, those various laws and regulations related to our business and operation can be divided into two categories. The first category consists of the laws and regulations specifically applicable to the electric power and energy industries we operate in and the second category comprises the laws and regulations generally applicable to all PRC enterprises. In addition, we shall also comply with regulations related to cross-border guarantees and of foreign debt registration in connection with the medium term note programme and drawdowns thereunder.

PRINCIPAL REGULATORY AUTHORITIES

The following PRC governmental authorities regulate and supervise the businesses we primarily engage in:

| <u>Governmental Authorities</u> | <u>Major Responsibilities</u> |
|---------------------------------|---|
| NDRC | <ul style="list-style-type: none">● Formulating and implementing major policies concerning China's economic and social developments;● Reviewing and approving investment projects of certain scale in the electric power industry;● Promulgating regulations and rules in connection with the operation of power grids; and● Supervising the work of NEA. |
| SASAC | Exercising powers of the capital contributor over SOEs, guiding, supervising the preservation and appreciation of State-owned Assets and advancing the reform and restructuring of SOEs. |
| NEA | <ul style="list-style-type: none">● Formulating energy development strategies, plans and policies and proposing suggestions on relevant structural reforms;● Managing energies such as oil, gas, coal, and electricity;● Approving, ratifying, and reviewing energy fixed asset investment projects in accordance with the regulations prescribed by the State Council;● Supervising the operation of electric power market, regulating the order of electric power market and supervising the power tariff; |

Governmental Authorities

Major Responsibilities

| | |
|---|---|
| | <ul style="list-style-type: none">● Supervising the power safety production, reliability management and power emergency work;● Issuing Electric Power Business Permit;● Proposing policies and measures on the development of clean energy and energy saving; and● Engaging in international cooperation on energy. |
| Ministry of Ecological Environment (formerly the Ministry of Environment | <ul style="list-style-type: none">● Drafting and organizing the implementation of ecological environment policies, planning and standards;● Unified monitoring and enforcement regarding the ecological environment;● Supervising and administering the prevention and rectification of pollution and nuclear and radiation safety;● Approving or reviewing specific development and construction areas, plans, and project environmental impact assessment documents according to national regulations; and● Organising central government inspection of environment protection. |
| Ministry of Emergency Management (formerly the State Administration of Work Safety) | <ul style="list-style-type: none">● Organizing the compilation of overall national contingency plans and planning, guiding local government departments in handling emergency situations and facilitating the system building and practicing of contingent plans;● Organising the building of disaster relief system and guiding emergency rescue in relation to production safety and natural disasters; and● Supervising and administering comprehensive production safety and production safety of industrial, mining, commercial and trading industries. |

Governmental Authorities

Major Responsibilities

| | |
|---|---|
| SAT | <ul style="list-style-type: none">● Drafting laws, regulations and implementation rules on taxation and proposing suggestions on tax policies;● Levying taxes in accordance with the relevant laws and regulations;● Organizing and implementing the reform of the taxation administration regime; and● Organizing and implementing the reform of tax management system. |
| Ministry of Natural Resources (formerly the Ministry of Land and Resources) | <ul style="list-style-type: none">● Supervising and administering the development, utilization and protection of natural resources;● Establishing, supervising and implementing space planning system;● Fulfilling responsibilities as the owner of the people’s natural resource assets;● Unifying investigation and registration of rights; and● Being responsible for paid use of natural resources. |
| MOHURD | <ul style="list-style-type: none">● Enacting relevant laws, regulations and industrial standard of construction projects;● Supervising the quality and safety of construction projects, organizing or participating in the investigation and settlement of the constructional safety accidents; and● Maintaining the order of the construction market. |
| MOHRSS | <ul style="list-style-type: none">● Formulating and implementing the policies and regulations on human resources, employment and social security rules and policies; and● Promoting employment and regulating the human resource market. |

Governmental Authorities

Major Responsibilities

National Health Commission (formerly National Health and Family Planning Committee)

- Making health policies for the people and coordinating and implementing the reform of the medical and health system;
- Supervising and administering public health, medical services and health emergency;
- Managing and servicing family planning; and
- Making policies and measures on population aging and the combination of medical and aging care services.

MAJOR LAWS AND REGULATIONS IN POWER AND ENERGY INDUSTRIES

China has established a systematic regulatory regime with respect to: (i) the electric power industry and the industrial access thresholds; (ii) transmission, supply, and dispatch of power; (iii) power tariffs; and the renewable energy. The major laws and regulations under such regime are summarized as follows:

Electric Power Industry and the Industrial Access Thresholds

The Electric Power Law

The Electric Power Law of the PRC (the “Electric Power Law”), which became effective in April 1996 and made the third amendment and became effective in December 2018, is the first national law enacted specifically for the electric power industry. It provides regulatory provisions with respect to electric power construction, electric power production, grid management, supply and utilization of the electric power, power tariffs and fees, electric construction of the rural area and electric facilities protection and so on. The Electric Power Law aims to protect the legitimate interests of investors, operators and users and to ensure the safety of power operations. The Electric Power Law also empowers the PRC government to encourage and regulate domestic and foreign investments in the electric power industry.

The Electric Power Regulatory Ordinance

The Electric Power Regulatory Ordinance, which became effective in May 2005, sets forth the regulatory requirements for various aspects of the electric power industry, including, among others, the issuance of electric power business permit, the supervision and inspection of power generators and grid companies and the legal liabilities for violations of the regulatory requirements.

Measures for the Supervision of Electric Power Market

The Measures for the Supervision of Electric Power Market, which became effective in December 2015, sets forth clearly with regard to the object and content of the electronic market’s supervision, the registration management of the electric market, the operational rule of the electric market and the publication and disclosure of the information etc.

The Provisions on the Administration of Electric Power Business Permit

Pursuant to the Provisions on the Administration of Electric Power Business Licenses, which became effective in December 2005 and was amended in May 2015, the PRC government adopts a market access permit regime in the electric power industry. Unless otherwise provided by the SERC (the SERC

as a regulatory authority ceased to exist in 2013 and its functions, including issuing Electric Power Business Permit, have been consolidated into NEA), no entity or individual in the PRC may conduct any electric power business (including power generation, transmission and supply) without obtaining an Electric Power Business Permit. Specifically, the entities conducting power transmission business shall obtain an Electric Power Transmission Business Permit, and the entities conducting power supply business shall obtain an Electric Power Supply Business Permit.

Decision of the State Council on Matters concerning fifty Administrative Approval Items to Be Cancelled and Delegated to Lower Levels

Pursuant to the Decision of the State Council on Matters concerning fifty Administrative Approval Items to Be Cancelled and Delegated to Lower Levels, which became effective in July 2013, the issuance of Electric Power Business Permit, together with the establishment or alteration of electric power supply business areas and the issuance of Electric Power Supply Business Permit, has been integrated into one administrative approval item and such item has been delegated to regional energy regulatory authorities.

Notice to Clarify Issues concerning Delegating the Issuance of Electric Power Business Permit to Lower Levels

Pursuant to the Notice to Clarify Issues concerning Delegating the Issuance of Electric Power Business Permit to Lower Levels, which became effective in November 2013, the issuance of Electric Power Business Permit (including power generation, transmission and supply) has been delegated to agencies of the NEA in the regions where the applicants are located.

Several Opinions of the CPC Central Committee and the State Council on Further Deepening the Reform of the Electric Power System

In order to further deepen the Reform of the Electric Power System, solve the outstanding contradictions and deep-seated problems that restrict the scientific development of the electric power industry, promote both quality and speed in developing the electric power industry and drive the structural transformation and industrial upgrading, in March 2015, the State Council issued and executed the Several Opinions on Further Deepening the Reform of the Electric Power System (the “Opinions”).

The major tasks raised by the Opinion for promoting the Reform of the Electric Power System in the near term mainly include: promoting the reform of power tariffs and straightening out the formation mechanism of power tariffs; promoting the reform of power trading system and refining the market-driven system of power trading; establishing a relatively independent institution for power trading and forming a fair and normative market trading platform; promoting the reform of the power generation and consumption plan and making the market mechanism to play a more important role; promoting the reform of marketing electricity side and opening the power trading business to the public; opening the equitable access of grid and establishing a new mechanism in connection with the development of distributed generation; and strengthening the power overall planning and scientific supervision and increasing the reliable level of electrical safety.

Transmission, Supply, and Dispatch of Power

Regulations on Supply and Use of Electric Power

The Regulations on Supply and Use of Electric Power (the “Supply and Use Regulations”), which became effective in September 1996 and made the second amendment and became effective in March 2019, apply to supply and use of electric power between power supply enterprises and power users within the PRC. According to the Supply and Use Regulations, grid operating enterprises are responsible for power supply and use within their electric power service areas. Before the commencement of power

supply, power supply enterprises and power users shall enter into power supply contracts, based upon the capacity of power supply and users' needs and in accordance with the principles of equality, voluntary participation and consensus reached through consultation.

Regulations on the Administration of Power Grid Dispatch

The Regulations on the Administration of Power Grid Dispatch (the "Dispatch Regulations") as promulgated by the State Council, which became effective in November 1993 and was amended in January 2011, regulate the operation of dispatching centers and lay down the principle of unified dispatch and hierarchical management in terms of grid operations. Pursuant to the Dispatch Regulations and Regulation on the Administration of Power Grid Scheduling (effective in October 1994), dispatching centers are established in five levels: (i) state dispatching centers; (ii) inter-provincial dispatching centers; (iii) provincial-level dispatching centers; (iv) dispatching centers for grids of municipalities under provincial governance; and (v) county-level dispatching centers. Dispatching centers at lower levels shall obey the dispatch orders from those at higher levels and the operating units in charge of power plants and substations within the jurisdiction of a dispatching center shall obey the dispatch orders from such dispatching center.

The Electric Power Law and the Provisions on the Administration of the Operation of Power Plants Connected to Grid

According to the Electric Power Law of the PRC (amended in 2018), the State encourages the connection of power generating enterprises with power grids and between power grids. Requests by power generating entities in the capacity of independent legal person to integrate the power they generate into a grid shall be accepted by the enterprise that operates the grid. Operation of the connected power grids shall meet the standards of the State or of the electric power industry. The two parties involved in the connection shall, in accordance with the principles of centralized dispatch, level-by-level administration, equality, mutual benefit and friendly consultation, enter into an agreement under which they shall stipulate the rights and obligations of each party. The Provisions on the Administration of the Operation of Power Plants Connected to Grid, which became effective in November 2006, set out the operation management and examination standards for the connection of the power generating plants with the grids.

The Provisions on the Settlement of Disputes over Grid-connection or Interconnection of Electric Power

According to Article 22 in the Electric Power Law of the PRC, if the parties of the grid-connection cannot reach an agreement, the power management department at or above the provincial level shall coordinate and decide. Pursuant to the Provisions on the Settlement of Disputes over Grid-connection or Interconnection of Electric Power as effective in January 2007, where a dispute arises between a power generating enterprise and a power grid enterprise due to failure to reach a grid-connection dispatching agreement, the SERC ((this institution ceased to exist and its functions have been consolidated into NEA) and its local agencies shall settle the disputes in accordance with the principles of rationality, legality, impartiality and efficiency.

Power Tariffs

The Electric Power Law

The Electric Power Law of the PRC entered into force in April 1996 and revised and entered into force in December 2018, setting forth the general principles for the pricing of power tariffs. Power tariffs are to be formulated based on the principles of reasonable compensation for costs and reasonable determination of profits, legal incorporation of taxes, fairly shared burdens and promotion of electric

power construction. Power tariffs refer to (i) the tariffs charged to the power generating enterprises for connection with the grids; (ii) the tariffs on mutual supply between different power grids; and (iii) the sales prices of electricity supplied to consumers (the “Electricity Sales Prices”). In July 2003, the State Council approved the Power Tariff Reform Plan and stated that their long-term objective is to set up normative and transparent management regime of power tariffs. Power generation prices and Electricity Sales Prices shall be determined by market competition, while transmission and distribution tariffs shall be determined by the government.

The Notice on Issues concerning Regulating the Management of Prices for Electricity Trading

In October 2009, the NDRC, the NEA and the SERC (ceased to exist) promulgated the Notice on Issues concerning Regulating the Management of Prices for Electricity Trading. The Notice provides for the rules for determining the on-grid tariffs, the prices for inter-provincial and inter-regional electricity trading and the electricity sales prices as follows:

- The on-grid tariffs set by the competent price department of the government shall uniformly apply to the volume of on-grid electricity of the power generators after they enter into commercial operation, unless otherwise prescribed by the inter-provincial, inter-regional and State laws and regulations;
- If the prices for inter-provincial and inter-regional electricity trading have been set by the State, such prices shall be strictly implemented. If the prices for inter-provincial and inter-regional electricity trading have not been set by the State, the power transmission and receiving parties shall, by reference to the average on-grid tariff for the power grid of the transmission terminal and the average power purchase tariff for the power grid of the receiving terminal, determine tariff settlement between the power generation plant and the power grid enterprise through consultation and under the guidance of the competent price department at the provincial level, the electricity regulatory agency and the power administration authority in the power transmission and receiving regions;
- The electricity sales prices shall be strictly governed by the tariff standards announced by the NDRC. Governments at all levels and power grid enterprises shall neither increase nor reduce the electricity sales prices charged to power users at their own discretion, nor offer discounted tariff under the guise of direct power purchases (or direct power supply) by large end-users.

Notice of the General Department of the NEA concerning Launching Direct Trade between Electric Power Consumers and Power Generating Enterprises at the Current Stage

In order to promote and enhance the supervision of direct trade between electric power consumers and power generating enterprises, the NEA promulgated the Notice of the General Department of the NEA concerning Launching Direct Trade between Electric Power Consumers and Power Generating Enterprises at the Current Stage in July 2013. The Notice provides that the relevant governmental authorities shall not impose administrative approvals on pilot programs for direct trade of electric power; meanwhile, such Notice has improved the market access thresholds for direct trade of electric power and accelerated the calculation of and approval for the tariff for transmission and distribution of electric power.

Suggestions on the Implementation of Promoting the Tariff Reform of Power Transmission and Dispatch

In November 2015, the NDRC and the NEA promulgated the Suggestion on the Implementation of Promoting the Tariff Reform of Power Transmission and Dispatch (the “Suggestion”). The Suggestion provides the overall goals for establishing a scientific, transparent and independent transmission and

dispatch tariff system and a transmission and dispatch price formation mechanism with clear rules, reasonable price level and robust supervision. In accordance with the principal of “Permit Costs and Reasonable Profits,” the implementation of tariff reform will ratify the permitted gross income of grid enterprises and the transmission and dispatch tariff of various voltage grades and specify the government funds and cross subsidization.

The Renewable Energy

The Renewable Energy Law and the Guidance Catalogue on the Development of the Renewable Energy Industry

According to the Renewable Energy Law of the PRC (the “Renewable Energy Law”), which became effective in January 2006 and was amended in December 2009, and the Guidance Catalogue on the Development of the Renewable Energy Industry as promulgated by the NDRC and became effective in November 2005, renewable energy includes wind power, solar power, hydropower, bioenergy, geothermal energy, ocean energy and other types of non-fossil energy. The Renewable Energy Law sets out the regulatory framework for the development and use of renewable energy.

Pursuant to the Renewable Energy Law, power grid enterprises shall (i) conclude grid connection agreements with enterprises which generate electricity by using renewable energy resources and have lawfully obtained administrative approvals or filed for records in accordance with the plan for development and utilization of renewable energy resources; (ii) purchase in full volume the on-grid electricity of the grid-connected power generation projects which meet the grid connection technical standards in the covered area of their power grids; and (iii) provide services and relevant technical support for bringing on-grid the electricity generated by renewable energy resources.

The Supervision Measures on the Purchase of the Full Volume of Renewable Energy Power by Grid Enterprises

Pursuant to the Supervision Measures on the Purchase of the Full Volume of Renewable Energy Power by Grid Enterprises, which became effective in September 2007, the SERC (this institution ceased to exist and its functions have been consolidated into NEA) and its local agencies should supervise the grid enterprises to fulfill their purchase and dispatch priority duties. Grid enterprises that fail to fulfill these duties and cause losses to renewable energy enterprises shall compensate for such losses and rectify their faults within fifteen days upon affirmation by the competent electric power regulatory authority; otherwise, the grid enterprise may be subject to a fine at a sum no more than the losses sustained by the renewable energy enterprises.

The Interim Measures for the Administration of the Collection and Use of the Renewable Energy Development Fund

According to the Interim Measures for the Administration of the Collection and Use of the Renewable Energy Development Fund which became effective January 2012:

- The State will establish a renewable energy development fund, which shall include the special-purpose fund appropriated by the public budget of the State finance and the income from surcharges on renewable energy power prices as levied from power users.
- The surcharges for renewable energy power prices shall be levied throughout the country, except for the Tibet Autonomous Region, on the sales volume of electricity of all provinces, autonomous regions and municipalities directly under the central government after deducting the electricity used for agricultural production (including electricity used for agricultural irrigation and drainage). The surcharges for renewable energy power prices shall be levied by the financial supervision

commissioner's offices of the MOF across the PRC from power grid enterprises on a monthly basis, and be paid to the treasury directly. The income shall be transferred to the central treasury in full amount.

- The renewable energy development fund shall be used to support the renewable energy generation and the development and utilization thereof. The income from the surcharges on renewable energy power prices shall be used to subsidize the following: (i) where a power grid enterprise incurs expenses in purchasing the electricity generated from renewable energy by applying (a) the on-grid tariffs determined by the pricing authority of the State Council; or (b) the on-grid tariffs determined through competitive measures such as invitation to bid in accordance with the relevant provisions of the Renewable Energy Law, the portion of such expenses which exceeds those expenses which would have been otherwise incurred by applying the average on-grid tariff of the electricity generated from conventional energy; (ii) where a public renewable energy independent power system, whose construction is State-funded or subsidized, applies the locally classified electricity sales prices, the portion of its reasonable operation and management expenses which exceeds the electricity sales prices; (iii) where a power grid enterprise purchases the electricity generated from renewable energy, the portion of the reasonable grid connection expenses and other reasonably relevant expenses incurred by such enterprise which cannot be covered by the electricity sales prices.

MAJOR LAWS AND REGULATIONS GENERALLY APPLICABLE TO INDUSTRIAL ENTERPRISES

In addition to the regulatory regime specifically applies to the electric power and energy industry, as an industrial enterprise, we are also subject to the general PRC laws and regulations concerning project approval, land use, environmental protection, construction, labor and occupational protection issues. The relevant laws and regulations include:

Administrative License Law (2019 Revision)

Pursuant to the PRC Administrative License law which became effective in July 2004 and was amended and became effective in April 2019, the administrative authority shall, after examination in accordance with law, grant approval to citizens, legal persons and other organizations upon whose applications for engaging in certain activities. The imposition and implementation of administrative licensing shall be consistent with the authority, scope, conditions and procedures set forth by law and follow the principles of publicity, fairness, impartiality, convenience for the people. The administrative licenses lawfully obtained by a citizen, a legal entity or other forms of organizations shall be protected by law. The administrative authority shall not alter an effective administrative license without legal basis.

The Decision of the State Council on the Reform of the Investment System and the Catalogue of Investment Projects Subject to the Approval of Government (2016 Version)

According to the Decision of the State Council on the Reform of the Investment System, which became effective in August 2004, the PRC government only exercises approval power with respect to important projects and projects in restricted industries from the perspective of safeguarding public interest. All other projects, regardless of their scale, will be subject to a government-maintained filing regime. Furthermore, the PRC government shall strictly limit the scope of its approval power and such scope shall be determined by the Catalogue of Investment Projects Subject to the Approval of Government (2016) (the "Catalogue") as approved by the State Council. Without the State Council's authorization, government authorities at lower levels shall not discretionarily expand or reduce the scope of the Catalogue.

Pursuant to the Catalogue, the direct current projects with a voltage of ± 500 KV or more crossing the border or covering two or more provinces (autonomous regions or municipalities directly under the Central Government), and the alternating current projects with a voltage of 500 KV, 750 KV or 1,000 KV crossing the border or covering two or more provinces (autonomous regions or municipalities directly under the Central Government) shall be subject to confirmation by the investment administrative department of the State Council, among which the direct current projects with a voltage of ± 800 KV or more, and the alternating current projects with a voltage of 1,000 KV shall be reported to the State Council; DC projects of ± 500 kV and above, and AC projects of 500 kV, 750 kV and 1,000 kV, other than cross-border, cross-province transmission are subject to confirmation by provincial governments according to the relevant planning by the State, and other projects are subject to confirmation by local government according to the relevant planning by the State.

Environmental Protection Law

The Environmental Protection Law of the PRC (the “Environment Protection Law”), which became effective in December 1989 and was amended in April 2014 and became effective in January 2015, is the principle law regulating the environmental protection of the PRC. It provides that all entities and individuals shall have the obligation to protect the environment and shall have the right to report on or file charges against the entities or individuals that cause pollution or damage to the environment. The competent department of environmental protection administration under the State Council shall conduct unified supervision and management of the environmental protection work throughout the country. Any violation of the Environmental Protection Law shall, according to the circumstances of the case, be warned, fined or penalized by the competent environmental protection administration.

The Law on Assessment of Environment Impact and the Catalogue for the Classified Administration of Environmental Impact Assessment for Construction Projects

Under the Law of the PRC on Assessment of Environment Impact (effective in September 2003, amended in December 2018), environment impact assessment documents consist of the report of environmental impact, the report form of environmental impact and the registration form of environmental impact according to the seriousness of the relevant environmental impact. Power transmission and transformation projects, according to the Catalogue for the Classified Administration of Environmental Impact Assessment for Construction Projects, executed in September 2017 and part of the amended content in the Catalogue for the Classified Administration of Environmental Impact Assessment for Construction Projects amended by Ministry of Ecological Environment in 2018, shall obtain the following formats of environment impact assessment documents under different situations:

- Report of environmental impact for the construction projects with a voltage of 500 KV or above or the construction projects with a voltage of 330 KV or above and related to sensitive environmental areas; or
- Report form of environmental impact for other construction projects (except 100 KV below).

The Land Administration Law

The PRC resorts to a land regime under public ownership, according to which the land is either owned by the State or by collective economic organizations. Entities or individuals are allowed to acquire the land use right in accordance with the laws. According to the Land Administration Law of the PRC which became effective in January 1987 and was recently amended in August 2019 and effective in January 2020, a land user shall compensate for the use of Stated-owned land unless the land use right is obtain through allocation by the State in accordance with the law. The State sets up general plans of land usage which classify the land as agricultural land, construction land and unused land. The entities and individuals who use the land shall strictly comply with the land usage plan.

According to the Interim Regulations of the PRC concerning the Assignment and Transfer of the Right to Use State-owned Land in the Urban Areas which became effective in May 1990 and the Land Management Law entered into force by the Standing Committee of the National People's Congress in January 2020, the right to use State-owned land can mainly be obtained through assignment, transfer and allocation.

- The assignment of the land use right refers to the act of the State as the owner of the land who, within the term of a certain number of years, assigns the land use right to users, who shall in turn pay fees for the assignment thereof to the State. Under this approach, an assignment contract shall be concluded between the State and the users. In respect of the land intended for industrial purposes, the maximum term of the assigned land use right is generally 50 years. The assignment of the land use right may be carried out by the following means: (i) by agreement; (ii) by invitation to bid; or (iii) by auction.
- The transfer of the land use right refers to the land use right owner's act of re-assigning the right to use land, including the sale, exchange, and donation thereof. Under this approach, a transfer contract shall be concluded between the transferor and transferee. The transferee shall acquire the term of use which is the remainder of the term specified in the original assignment contract concluded by the transferor minus the years which have been used. With the transfer of the land use right, the ownership of the buildings and other fixtures thereon shall be transferred accordingly.
- The allocated land use right refers to the behavior approved by the people's government at or above the county level to deliver the land to the land users after the payment of compensation, resettlement, etc., or to hand over the land use rights to the land users for free. There are mainly the following situations for obtaining land use rights through allocation: (1) land for state organs and military use; land for urban infrastructure and public welfare; (3) land for infrastructure such as energy, transportation, and water conservancy supported by the state; (4) other land stipulated by laws and administrative regulations. If the land-use right holder re-transfers, leases or mortgages the land-use right acquired by means of allocation, it shall be approved by the land management department and real estate management department of the municipal and county people's governments and meet the following conditions that the land user should: (1) be Companies, enterprises, other economic organizations and individuals; (2) obtain a state-owned land use certificate; (3) have a legal property right certificate for above-ground buildings and other attachments; (4) sign land-use right transfer contract, pay the land-use right transfer fee to the local municipal or county people's governments or offset the land use right transfer fee with the benefits of transfer, lease or mortgage in accordance with the provisions of Chapter two of this regulation.

The Construction Law

The PRC Construction Law, which became effective in March 1998 and was amended and effective in April 2019, aims to strengthen supervision and regulation of construction activities, maintain the order of construction market, ensure the quality and safety of construction projects and promote the healthy development of the construction industry. The construction activities regulated by this law refer to the construction of various kinds of buildings and ancillary facilities and relevant installation activities of lines, pipelines and equipment. Before the commencement of a construction project, the construction entity shall obtain a construction permit from the local construction authority at or above the county level where the project is located. Construction activities shall ensure the quality and safety of the construction projects and comply with the State's safety standards for construction projects.

The Urban and Rural Planning Law

The Urban and Rural Planning Law of the PRC, which became effective in January 2008 and was amended in April 2015 and April 2019, regulates the formulation and implementation of urban and rural planning and construction activities within the planned areas. Entities and individuals shall obtain a construction land planning permit and a construction project planning permit prior to their commencement of actual construction activities. In respect of any violations of any urban and rural planning, any entity or individual is entitled to report to or file charges with the competent urban and rural planning authority.

The Labor Contract Law and Regulations on the Implementation of the Labor Contract Law

The Labor Contract Law of the PRC, which became effective in January 2008 and was amended in December 2012 and became effective in July 2013, together with its implementation regulations as effective in September 2008, emphasizes the conclusion of employment contracts in written form and imposes severe penalties for non-compliances. If the employer fails to conclude a written employment contract with an employee within the period of one month to one year after the actual commencement of work, the employer must pay the employee double salary for every month within the actual employment term. If the employer fails to conclude a written employment contract with an employee for more than one year after the actual commencement of work, an unfixed-term of contract is deemed to have been concluded. Enterprises and institutions are forbidden from forcing employees to work beyond the statutory time limits and the employers shall pay employees for overtime work in accordance with national regulations.

The Social Security Law

Under the Social Security Law of the PRC which became effective in December 2018, the State establishes social insurance systems such as basic pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance and maternity insurance so as to ensure that citizens shall receive assistance from the State and the society at the time of oldness, sickness, occupational injury, unemployment and maternity. Individuals may enjoy social insurance benefits and are entitled to supervise the status of premium payment by their employers for them in accordance with the law.

The Work Safety Law and the Measures on Supervision and Management of the Work Safety of Electricity

The Work Safety Law of the PRC (the “Work Safety Law”), which became effective in November 2002 and was amended in August 2014 and became effective in December 2014, is the principal law governing the supervision and administration of work safety. The Work Safety Law provides that the safety facilities of newly built or rebuilt or expanded construction projects of production and business operation entities shall be designed, built and put into production and used at the same time with the main body of such projects. The Measures on Supervision and Administration of the Work Safety of Electricity (the “Electricity Safety Measures”), executed in March 2015, regulate the operation safety of the electricity industry.

The Law of Occupational Disease Prevention

The Law of Occupational Disease Prevention of the PRC (the “Occupational Disease Law”), which became effective in May 2002 and was last amended in December 2018, aims to prevent, control and eradicate occupational diseases. The State Council and people’s governments at or above the county level and work safety administrative department, health administrative department, and labor and social security administrative department of the State Council and people’s governments at or above the county

level shall, according to the functions prescribed by the Occupational Disease Law and the State Council, supervise and administrate the prevention and control of occupational diseases across the country. According to the Occupational Disease Law, the State shall establish a report system for projects with occupational disease hazards. Where an employer's work site has any occupational disease hazard factors as listed in the catalogue of occupational diseases, the employer shall truthfully report the hazardous project to the local work safety administrative department in a timely manner and accept supervision.

With respect to the construction activities, the Occupational Disease Law provides that where a construction project may cause any occupational disease hazards, the construction owner shall conduct a pre-evaluation of occupational disease hazards during the feasibility demonstration stage. Where the construction project of a medical institution may produce radioactive occupational disease hazards, the construction entity shall submit a pre-evaluation report of radioactive occupational disease hazards to the health administrative department. The health administrative department shall make a decision and notify the construction entity in writing within 30 days from the date of receiving the pre-evaluation report. If the pre-evaluation report has not been submitted by the construction entity or approved by the health administrative department, the construction of the project shall not be started.

SAFE Rules on Cross-border Guarantees

On May 12, 2014, the SAFE promulgated the Provisions on the Foreign Exchange Administration of Cross-border Guarantees and the Operating Guidelines for the Foreign Exchange Administration of Cross-border Guarantees (collectively the "Rules on Cross Border Guarantees"). The Rules on Cross Border Guarantees, which came into force on June 1, 2014, replaced twelve other regulations regarding cross-border security and introduce a number of significant changes, including: (i) abolishing prior SAFE approval for cross-border security; (ii) requiring SAFE registration for two specific types of cross-border security ("Nei Bao Wai Dai" and "Wai Bao Nei Dai"); (iii) removing most of the eligibility requirements for providers of cross-border security; (iv) the validity of any cross-border security agreement is no longer subject to SAFE approval, registration, filing, and any other SAFE administrative requirements; and (v) removing SAFE prior approval for performance of cross-border security.

Pursuant to the Rules on Cross Border Guarantees, in respect of guarantees that are provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor ("Nei Bao Wai Dai"), in the case where the onshore guarantees provider is a non-financial institution, it shall conduct the registration for the guarantee contract with the local foreign exchange authority within 15 business days after the contract is concluded. Where there is any change to major clauses of the guarantees, it shall go through the modification procedure for the guarantees within 15 business days.

Foreign exchange authorities shall, under the principle of authenticity and compliance, carry out a procedural examination on the registration applications of guarantors that are non-bank institutions, and handle the registration formalities for them.

Funds under onshore guarantees for offshore loans may only be used for relevant expenditures within the normal scope of business of the debtor. According to the SAFE Notice on Further Facilitating Foreign Exchange Administration Reform and Enhancing Regulatory Review on Authenticity (Hui Fa [2017] No. 3), which was issued by the SAFE on January 18, 2017, the debtor may directly or indirectly transfer funds under guarantee back to the PRC for use by engaging in lending or making equity investment within the PRC.

In addition, where the guarantee liability under an onshore guarantee for an offshore loan is to fulfill the repayment obligation for the overseas debtor under the issue of bonds, the domestic institution shall directly or indirectly hold shares in the overseas debtor, the revenues from the overseas issue of bonds

shall be used for overseas investment projects in which the domestic institution has equity interests, and the relevant overseas institutions or projects have been approved, registered, recorded or confirmed by the domestic and overseas investment authorities.

Pursuant to the Rules on Cross Border Guarantees, in the event that a non-bank institution needs to fulfill an onshore guarantee for an offshore loan, it may directly purchase foreign exchange and make external payment under the performance of guarantee contract with a bank on the basis of the guarantee registration document. Where an onshore guarantee for an offshore loan needs to be fulfilled, the domestic guarantor that has become the creditor of an external claim or the counter guarantor shall go through the registration procedure for the external claim as required. If the guarantor fails to complete the registration of the guarantee contract, it may face operational obstacles when purchasing foreign exchange and making external payment under the performance of guarantee contract.

The NDRC Notice on Recording and Registration of Foreign Debts

On September 14, 2015, the NDRC issued the Notice of the NDRC on Promoting the Reform of Managing the External Debt Issuance by Enterprises with a Record-filing and Registration System (the “Notice on Registration of Foreign Debts”), which became effective on the same day. The Notice on Registration of Foreign Debts abolishes the case-by-case quota review and approval for the issuance of foreign debts, conducts the recordation and registration system and sets forth various measures to promote the administrative reform of foreign debts.

For the purpose of issuing foreign debts, enterprises shall apply to the NDRC for the recording and registration procedures prior to the issuance of the bonds and report the information on the issuance of the bonds to NDRC within 10 business days after the completion of each issuance. The NDRC shall decide whether to accept an application within 5 business days of receipt and shall issue a Certificate on the Recording and Registration of Foreign Debts Issued by Enterprises within 7 business days of accepting the application.

On April 26, 2020, the NDRC issued the Enterprise Foreign Debt Pre-Issuance Registration Certificate to the Company. The foreign debt size of the company is US\$3.88 billion, valid until April 25, 2021. The company needs to submit the issuance information to the NDRC within ten working days after the completion of each overseas bond issuance.

TAXATION

The statements herein regarding taxation are based on the laws and practice in force as of the date of this Offering Circular and are subject to any changes in law or practice occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including any possible consequences under the laws of their country of citizenship, residence or domicile.

PRC

Enterprise Income Tax

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions whose “de facto management bodies” are within the territory of the PRC may be deemed by the relevant PRC tax authorities to be PRC tax resident enterprises for the purpose of the EIT Law and required to pay enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside China. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management body” of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25% on its income sourced from both within and outside PRC.

The EIT Law, its implementation regulations impose withholding tax at the rate of 10%, or a lower rate if tax treaty benefits are available, on PRC-source income paid to a “non-resident enterprise” that does not have an establishment or place of business in China or that has an establishment or place of business in China but the relevant income is not effectively connected therewith. Pursuant to these provisions of the EIT Law, in the event the Issuer is considered a PRC resident enterprise by the PRC tax authorities in the future, interest payable to non-resident enterprise holders of the Notes may be treated as income derived from sources within China and be subject to such PRC withholding tax. Further, in accordance with the Individual Income Tax Law of the PRC (“IIT Law of PRC”) which was revised and implemented on January 1, 2019 and its implementation regulations which was revised and implemented on January 1, 2019, if the Issuer is considered a PRC tax resident enterprise, interest payable to non-resident individual holders of the Notes may be treated as income derived from sources within China and be subject to a 20% individual income tax; accordingly, if the Issuer is treated as a PRC tax resident enterprise, the Issuer would be obliged to withhold such individual income tax on payments of interests to non-resident individual holders of the Notes. To the extent that China 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 holders of the Notes.

As confirmed by the Issuer, as of the date of this Offering Circular, the Issuer has not been given notice or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law, nor has it sought clarification from the PRC tax authorities in this regard. On that basis, non-resident enterprise holders of the Notes would not be subject to income tax imposed by any governmental authority in the PRC in respect of the holding of the Notes or any repayment of principal and payment of interest made thereon. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

In addition, as the Guarantor is a PRC resident enterprise, in the event that the Guarantor is required to fulfil its obligations under the Guarantees by making interest payments on behalf of the Issuer, the Guarantor may be obliged to withhold PRC enterprise income tax at the rate up to 10% on such payments of interest to non-PRC resident enterprise holders of the Notes and 20% for non-resident individual holders of the Notes if such interest payments are deemed to be derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, which allows a lower rate of withholding tax, such lower rate may apply to qualified holders of the Notes. Repayment of the principal will not be subject to PRC withholding tax.

VAT

On March 23, 2016, the Ministry of Finance and the State Administration of Taxation (“SAT”) issued 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, “Circular 36”) which confirms that business tax will be completely replaced by VAT from May 1, 2016 as pilot. With effect from May 1, 2016, the income derived from the provision of financial services within PRC which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within PRC shall be subject to VAT. The services are treated as being provided within PRC where either the service provider or the service recipient is located in PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, if the Guarantor makes any interest payments on the Notes under the Guarantee to the holder of Notes, the interests paid by the Guarantor to the holder of Notes is likely to be treated as the holders of the Notes providing loans to the Guarantor, which thus shall be regarded as the provision of financial services subject to VAT. Further, upon thus situation, given that the Guarantor is located in the PRC, the holders of the Notes would be regarded as providing financial services within PRC and consequently, the holders of the Notes shall be subject to VAT at the rate of 6% when receiving the interest payments under the Notes if the PRC tax authorities deem such financial services is provided within PRC. In addition, the holders of the Notes shall be subject to the local levies at approximately 12% (5% from September 1, 2021) of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72% (6.3% from September 1, 2021). Upon thus situation, given that the Guarantor pays interest income to Noteholders who are located outside of the PRC, the Guarantor, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of the PRC.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual whether it is located outside of or in the PRC and derives any gain, since neither the seller nor the notes is located in the PRC, theoretically Circular 36 does not apply and the Guarantor does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller of Notes is located within the PRC.

Circular 36 has been issued quite recently and the above disclosure may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the EIT Law, the VAT reform detailed above, if the Guarantor makes any interest payments on the Notes to the holder of Notes under the Guarantee, the Guarantor shall withhold EIT, (should such tax apply) from the payments of interest in respect of the Notes for any non-PRC-resident Noteholder and the Guarantor shall withhold VAT (should such tax apply) from the payments of interest in respect

of the Notes for any Noteholders located outside of the PRC. However, in the event that the Guarantor is required to make such a deduction or withholding (whether by way of EIT, or VAT or otherwise), the Guarantor has agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Note to the extent that the register of holders of the Notes is maintained outside mainland China. The Issuer intends to maintain the register of holders of the Notes outside mainland China.

BRITISH VIRGIN ISLANDS

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Issuer pursuant to the Notes.

HONG KONG

Withholding Tax

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

Profits Tax

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

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

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Notes 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
- (iv) interest on the Notes 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).

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing to a person other than a financial institution, on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, *inter alia*, an authorized institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of Hong Kong) is exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances. Provided no

prospectus involving the issue of the Notes is registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, the issue of the Notes by BOCHK is expected to constitute a deposit to which the above exemption from payment will apply.

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 Notes 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 Notes will be subject to Hong Kong profits tax.

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

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

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

- (i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong) (the “**SDO**”).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of three per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes **provided that** either:

- (i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Registered Notes constitute loan capital (as defined in the SDO).

Notwithstanding the above, no stamp duty is payable on the transfer of a regulatory capital security (as defined in Section 17A of the IRO).

With effect from August 1, 2021, if stamp duty is payable in respect of the transfer of Registered Bonds it will be payable at the rate of 0.26 per cent. (of which 0.13 per cent. is payable by the seller and 0.13 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

The proposed financial transactions tax (“FTT”)

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

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

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

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

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

PRC CURRENCY CONTROLS

REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

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

CURRENT ACCOUNT ITEMS

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. On July 2009, the PRC government promulgated Measures for the Administration of the Pilot Program of Renminbi Settlement of Cross-Border Trades (跨境貿易人民幣結算試點管理辦法) (the “Measures”) and its implementation rules, pursuant to which designated and eligible enterprises are allowed to settle their cross-border trade transactions in Renminbi. Since July 2009, subject to the Measures and its implementation rules, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of cross-border trade between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On June 17, 2010, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Program of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算試點有關問題的通知), pursuant to which (i) the list of designated pilot districts was expanded to cover 20 provinces including Beijing, Shanghai, Tianjin, Chongqing, Guangdong, Jiangsu, Zhejiang, Liaoning, Shandong and Sichuan, and (ii) the restriction on designated offshore districts was lifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle any current account items between them (except in the case of payments for exports of goods from the PRC, such Renminbi remittance may only be effected by approved pilot enterprises in 16 provinces within the designated pilot districts in the PRC). On 1 August 2011, the PRC government promulgated the Circular on the Expansion of the Regions of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算地區的通知), pursuant to which the list of designated pilot districts was expanded to the whole country. On February 3, 2012, the PRC government promulgated the Circular on the Relevant Issues Pertaining to Administration over Enterprises Engaging in RMB Settlement of Export of Goods (關於出口貨物貿易人民幣結算企業管理有關問題的通知), pursuant to which any enterprises in China which are qualified to engage in import and export trade are allowed to settle their goods export trade in Renminbi. On January 26, 2017, the SAFE issued and implemented Notice on Further Facilitating Foreign Exchange Administration Reform to Enhance Authenticity Compliance Review (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), which allows the remittance of funds under domestic guarantee for overseas borrowing back into China through inward loans, equity investments or other means and further enhanced data collection on current account foreign exchange income deposited overseas. On April 29, 2019, the SAFE issued Notice of the State Administration of Foreign Exchange on Issuing the Measures for the Administration of the Foreign Exchange Business of Payment Institutions (支付機構外匯業務管理辦法), which facilitates domestic institutions and individuals to carry out e-commerce trade through the internet, standardizes the cross-border foreign exchange payment services provided by payment institutions, and prevents the risk of cross-border capital flows through the internet channel.

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

Capital Account Items

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

Capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital account item payments including proceeds from liquidation, transfer of shares, reduction of capital and principal repayment under foreign debt to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may also be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On December 3, 2013, the MOFCOM promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (關於跨境人民幣直接投資有關問題的公告) (the “**MOFCOM RMB FDI Circular**”) which became effective on January 1, 2014. Pursuant to the MOFCOM RMB FDI Circular, the proceeds from foreign direct investment in Renminbi may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investment in PRC domestic listed companies under the PRC strategic investment regime with the approval of the MOFCOM pursuant to the Administrative Measures for Strategic Investment by Foreign Investors in Listed Companies (外國投資者對上市公司戰略投資管理辦法).

On June 3, 2011, the PBOC promulgated the Circular on Clarifying Issues concerning Cross-border Renminbi Settlement (中國人民銀行關於明確跨境人民幣業務相關問題的通知) (the “**PBOC Circular**”). The PBOC Circular provides instructions to local PBOC authorities on procedures for the approval of settlement activities for non-financial Renminbi foreign direct investment into the PRC. The PBOC Circular applies to all non-financial Renminbi foreign direct investment into the PRC, and includes investment by way of establishing a new enterprise, acquiring an onshore enterprise, transferring the shares, increasing the registered capital of an existing enterprise, or providing loan facilities in Renminbi. The domestic settlement banks of foreign investors or foreign invested enterprises in the PRC are required to submit written applications to the relevant local PBOC authorities which include, *inter alia*, requisite approval letters issued by the relevant MOFCOM authorities. The PBOC Circular only applies to cases where the receiving onshore enterprise is not a financial institution.

On October 13, 2011, the PBOC issued the Measures on Administration of the RMB Settlement in relation to Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法) (the “**PBOC RMB FDI Measures**”), which was amended on May 29, 2015, to commence the PBOC's detailed RMB FDI administration system, which covers almost all aspects of RMB FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as RMB denominated cross-border loans. Under the PBOC RMB FDI Measures, special approval for RMB FDI and shareholder loans from the PBOC which was previously required by the PBOC Circular is no longer necessary. On June 14, 2012, the PBOC further issued the implementing rules for the PBOC RMB FDI Measures.

On July 5, 2013, the PBOC promulgated the Notice on Simplifying the Procedures of Cross-border Renminbi Business and Improving Relevant Policies (關於簡化跨境人民幣業務流程和完善有關政策的通告) (the “**2013 PBOC Circular**”), which was amended on May 29, 2015. The 2013 PBOC Circular

simplifies the operating procedures on current account cross-border Renminbi settlement, provision of Renminbi outbound loans and Renminbi cross-border security in favour of offshore entities by onshore non-financial institutions, and further published policies with respect to bank card related cross-border Renminbi clearing and issuance of offshore Renminbi bonds by onshore non-financial institutions. The 2013 PBOC Circular intends to improve the efficiency of cross-border Renminbi settlement and facilitate the use of cross-border Renminbi settlement by banks and enterprises.

On November 19, 2012, the SAFE promulgated the Circular on Further Improving and Adjusting the Foreign Exchange Administration Policies 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) (the “**SAFE Circular on DI**”), which became effective on December 17, 2012 and was amended on May 4, 2015. According to the SAFE Circular on DI, the SAFE removes or adjusts certain administrative licensing items with regard to foreign exchange administration over direct investments to promote investment, including, but not limited to, the abrogation of SAFE approval for opening of and payment into foreign exchange accounts under direct investment accounts, the abrogation of SAFE approval for reinvestment with legal income generated within China of foreign investors, the simplification of the administration of foreign exchange reinvestments by foreign investment companies, and the abrogation of SAFE approval for purchase and external payment of foreign exchange under direct investment accounts.

There is no assurance that the PRC government will continue to gradually liberalise controls over cross-border Renminbi remittance in the future, that the pilot scheme introduced in July 2009 will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, the Company will need to source Renminbi offshore to finance its obligations under the Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg, DTC or the CMU (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor any Dealer nor the Arrangers take any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Guarantor or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

THE CLEARING SYSTEMS

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system’s rules and procedures.

CMU

The CMU is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service (“CMU Members”) of capital markets instruments (“CMU Instruments”) which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership in the CMU is open to all members of the Hong Kong Capital Markets Association and “authorised institutions” under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Compared with clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU is limited. In particular (and unlike Euroclear and Clearstream, Luxembourg), the HKMA does not as part of this service provide any facilities for the

dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg, in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg, each have with the CMU.

DTC

DTC has advised the Issuer that it is a limited-purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds and provides asset servicing securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. DTC is owned by a number of its direct participants (“Direct Participants”), which include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “Rules”), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (“DTC Notes”) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the U.S. Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (“Owners”) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other nominee as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC's Money Market Instrument Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Certificate, will be legended as set forth under "Transfer Restrictions".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Beneficial Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

BOOK-ENTRY OWNERSHIP

Bearer Notes

The Issuer may make applications to Euroclear and/or Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a Temporary Global Note and/or a Permanent Global Note in bearer form without coupons may be deposited with a

common depository for Euroclear and/or Clearstream, Luxembourg, a sub-custodian for the CMU or an Alternative Clearing System as agreed between the Issuer and the Dealer. Transfers of interests in such Temporary Global Notes or Permanent Global Notes will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream, Luxembourg or, if appropriate, the Alternative Clearing System. Each Global Note will have an International Securities Identification Number (“ISIN”) and a Common Code or, if lodged with a sub-custodian for the CMU, will have a CMU Instrument Number.

Registered Notes

The Issuer may make applications to Euroclear and/or Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Notes to be represented by a Global Certificate accepted for clearance through the CMU. Each Global Certificate will have an ISIN and a Common Code or, if lodged with a sub-custodian for the CMU, will have a CMU Instrument Number. Investors in Notes of such Series may hold their interests in a Global Certificate through Euroclear, Clearstream, Luxembourg or the CMU (if applicable).

The Issuer, and a relevant U.S. agent appointed for such purpose that is an eligible DTC participant, may make application to DTC for acceptance in its book-entry settlement system of the Registered Notes represented by an Unrestricted Global Certificate and/or a Restricted Global Certificate. Each Global Certificate accepted for clearance in DTC will have a CUSIP number.

Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under “Transfer Restrictions”. In certain circumstances, as described below in “Transfers of Registered Notes”, transfers of interests in a Restricted Global Certificate may be made as a result of which such legend may no longer be required.

In the case of a Tranche of Registered Notes to be cleared through the facilities of DTC, the Custodian, with whom the Global Certificates are deposited, and DTC, will electronically record the nominal amount of the Notes held within the DTC system. Investors may hold their beneficial interests in a Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Global Certificate registered in the name of DTC’s nominee will be to, or to the order of, its nominee as the registered owner of such Global Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Global Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither the Issuer nor any Paying Agent or any Transfer Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, ownership interests in any Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests. All Registered Notes will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual Certificates will only be available in amounts specified in the applicable Pricing Supplement.

Payments through DTC

Payments in U.S. dollars of principal and interest in respect of a Global Certificate registered in the name of a nominee of DTC will be made to the order of such nominee as the registered holder of such Note.

Transfers of Registered Notes

Transfers of interests in Global Certificates within Euroclear, Clearstream, Luxembourg, the CMU and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

In the case of Registered Notes to be cleared through Euroclear, Clearstream, Luxembourg or DTC, transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through a Restricted Global Certificate for the same Series of Notes provided that any such transfer made on or prior to the expiration of the distribution compliance period (as used in “Subscription and Sale”) relating to the Notes represented by such Unrestricted Global Certificate will only be made upon receipt by any Transfer Agent of a written certificate from Euroclear, Clearstream, Luxembourg or DTC, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor, and any person acting on its behalf, reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. Any such transfer made thereafter of the Notes represented by such Unrestricted Global Certificate will only be made upon request through Euroclear, Clearstream, Luxembourg by the holder of an interest in the Unrestricted Global Certificate to the Issuing and Paying Agent of details of that account at DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear, Clearstream, Luxembourg, as the case may be, and DTC to be credited and debited, respectively, with an interest in each relevant Global Certificate.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under “Transfer Restrictions”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear, Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Issuing and Paying Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Euroclear, Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream, Luxembourg and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on

the other, transfers of interests in the relevant Global Certificates will be effected through the Issuing and Paying Agent, the Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Issuing and Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see “Transfer Restrictions”.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Restricted Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates for exchange for individual Certificates (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer, nor any Paying Agent nor any Transfer Agent will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Certificate is lodged with DTC or the Custodian, Restricted Notes represented by individual Certificates will not be eligible for clearing or settlement through Euroclear, Clearstream, Luxembourg or DTC.

Individual Certificates

Registration of title to Registered Notes in a name other than the Hong Kong Monetary Authority or a depositary or its nominee for Clearstream, Luxembourg and Euroclear or for DTC will be permitted only (i) in the case of Restricted Global Certificates in the circumstances set forth in “Summary of Provisions Relating to the Notes while in Global Form – Exchange – Global Certificates – Restricted Global Certificates” or (ii) in the case of Unrestricted Global Certificates in the circumstances set forth in “Summary of Provisions Relating to the Notes while in Global Form – Exchange – Global Certificates – Unrestricted Global Certificates”. In such circumstances, the Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

- (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual Certificates; and

- (ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than two business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the U.S. secondary market generally are required to settle within two business days (“T+2”), unless the parties to any such trade expressly agree otherwise. Accordingly, in the event that an Issue Date is more than two business days following the relevant date of pricing, purchasers who wish to trade Registered Notes in the United States between the date of pricing and the date that is three business days prior to the relevant Issue Date will be required, by virtue of the fact that such Notes initially will settle beyond T+2, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between the date of pricing and the date that is three business days prior to the relevant Issue Date should consult their own adviser.

SUBSCRIPTION AND SALE

DEALER AGREEMENT

Subject to the terms and on the conditions contained in a Dealer Agreement dated on or about April 16, 2018, (as may be supplemented, amended and/or restated from time to time) (the “Dealer Agreement”) between the Issuer, the Company, the Arrangers and the Permanent Dealers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers as of the date of the Dealer Agreement. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are severally underwritten by two or more Dealers.

The Issuer will pay (and the Company shall ensure that the Issuer has sufficient funds to pay) each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer and the Company have agreed to reimburse each Arranger for certain of its expenses incurred in connection with the establishment of the Programme and any future update of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer and the Company have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Arrangers, the Dealers or any of their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“Banking Services or Transactions”) and may have performed certain Banking Services or Transactions for the Issuer, the Company and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time perform various Banking Services and/or Transactions for the Issuer, the Company and/or its affiliates in the ordinary course of the Issuer’s, the Company’s or their business for which they have received and will receive, fees and expenses. The Dealers or certain of their respective affiliates may purchase the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution.

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

In connection with the offer and sale of the Notes, the Issuer, the Arrangers, the Dealers and/or their respective affiliates may place orders, receive allocations and purchase Notes for their own account (without a view to distributing such Notes) and such orders and/or allocations of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer or the Company, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering. Accordingly, references herein to the Notes being ‘offered’ should be read as including any offering of the Notes to the Issuer, the Company, the Arrangers, the Dealers and/or their respective affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Notes. If this is the case, liquidity of trading in the Notes may be constrained (see “Risk Factors – Risks Relating to the Market Generally – Notes issued under the Programme have no current active trading

market and may trade at a discount to their initial offering price and/or with limited liquidity”). The Issuer, the Company, the Arrangers and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors.

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

SELLING RESTRICTIONS

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes 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.

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder. Restrictions with respect to Notes in bearer form are described further below.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it has not offered, sold or, in the case of Notes sold in Bearer form, delivered, and will not offer, sell or, in the case of Notes sold in Bearer form, deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Paying Agent, or in the case of Notes issued on a syndicated basis, the Dealer or Dealers, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Registered Notes within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Offering Circular has been prepared by the Issuer and the Company for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer, the Company and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States or to any U.S. person, other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Offering Circular by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of their contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

Unless the Pricing Supplement or the Subscription Agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either “TEFRA C” or “not applicable”, each Dealer has represented and agreed in relation to each Tranche of Notes in bearer form:

- (i) except to the extent permitted under U.S. Treasury Regulations § 1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”)) (“TEFRA D”):
 - (a) it has not offered or sold, and during a 40 day restricted period shall not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person; and
 - (b) it has not delivered and shall not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;
- (ii) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by TEFRA D;
- (iii) if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it shall only do so in accordance with the requirements of U.S. Treasury Regulations § 1.163-5(c)(2)(i)(D)(6) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code);

- (iv) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations contained in sub-paragraphs (i), (ii) and (iii) on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in sub-paragraphs (i), (ii) and (iii); and
- (v) that it has not and agrees that it will not enter into any written contract (other than a confirmation or other notice of the transaction) pursuant to which any other party to the contract (other than one of its affiliates or another Dealer) has offered or sold, or during the restricted period will offer or sell, any Notes, except where pursuant to the contract the Dealer has obtained or will obtain from that party, for the benefit of the Issuer and the several Dealers, the representations contained in, and that party's agreement to comply with, the provisions of clauses (i), (ii), (iii) and (iv).

Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including TEFRA D.

To the extent that the Pricing Supplement or the Subscription Agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is "TEFRA C", under U.S. Treasury Regulations § 1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) ("TEFRA C"), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer has represented and agreed that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with their original issuance of Notes in bearer form, it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including TEFRA C.

Each issuance of commodity-or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each relevant Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II");
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

- (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “Prospectus Regulation”); and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area (each, a “Member State”), each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

- (i) *Approved prospectus*: if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State (a “Non-exempt Offer”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or the Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (ii) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (iii) *Fewer than 150 offerees*: at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (iv) *Other exempt offers*: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation.

provided that no such offer of Notes referred to in (ii) to (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

Unless the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or

otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.
- (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

- (a) *Approved prospectus*: if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a “Public Offer”), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or the Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;
- (b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA;
- (c) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) *Other Exempt offers*: at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

For the purposes of this provision, the expression “an offer of Notes to the public” in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

UNITED KINGDOM

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

HONG KONG

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

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

SINGAPORE

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

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

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

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

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

PRC

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell any of the Notes in the PRC (for such purposes, not including Hong Kong, Macau SAR or Taiwan) or to residents of the PRC unless such offer or sale is made in compliance with all applicable laws and regulations of the PRC.

JAPAN

The Notes 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 Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes 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 resale, 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 any other relevant laws and regulations of Japan.

BRITISH VIRGIN ISLANDS

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any Notes but the Notes may be acquired by British Virgin Islands persons who receive the offer of the Notes outside of the British Virgin Islands and in a manner which does not contravene the laws of the jurisdiction in which such offer is received.

REPUBLIC OF ITALY

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian securities legislation. Each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of Regulation (EU) No. 1129 of 14 June 2017 (the “Prospectus Regulation”); or
- (ii) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation and/or, to the extent applicable, Article 100 of the Legislative Decree no. 58 of 24 February 1998 (the “Financial Services Act”), Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the Italian laws.

Any such offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time) and any other applicable laws and regulations;
- (b) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015 (as amended on 10 August 2016 and 2 November 2020); and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

AUSTRALIA

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the “Corporations Act”)) in relation to the Programme or any Notes has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission (“ASIC”) or any other regulatory authority in Australia. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it:

- (a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of, any Notes in, to or from Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any information memorandum, prospectus or any other offering material or advertisement relating to the Programme or any Notes in Australia,

unless:

- (i) the aggregate consideration payable by each offeree or invitee is at least AUD500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act;
- (ii) the offer, invitation or distribution does not constitute an offer, invitation or distribution to a person in Australia who is a “retail client” as defined for the purposes of Section 761G of the Corporations Act;
- (iii) such action complies with all applicable laws, regulations and directives (including, without limitation, the licensing requirements set out in Chapter 7 of the Corporations Act); and
- (iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

By applying for Notes under the Offering Circular, each person to whom Notes are issued (an “Investor”):

- (a) *will be deemed by the Issuer and each of the Dealers to have acknowledged that if any Investor on-sells Notes within 12 months from their issue, the Investor will be required to lodge a prospectus or other disclosure document (as defined in the Corporations Act) with ASIC unless either:*
 - (i) *that sale is to an investor within one of the categories set out in sections 708(8) or 708(11) of the Corporations Act to whom it is lawful to offer Notes in Australia without a prospectus or other disclosure document lodged with ASIC; or*
 - (ii) *the sale offer is received outside Australia; and*
- (b) *will be deemed by the Issuer and each of the Dealers to have undertaken not to sell those Notes in any circumstances other than those described in paragraphs (a)(i) and (a)(ii) above for 12 months after the date of issue of such Notes.*

The Offering Circular is not, and under no circumstances is to be construed as, an advertisement or public offering of any Notes in Australia.

TRANSFER RESTRICTIONS

RESTRICTED NOTES

Each purchaser of Restricted Notes, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acquiring such Restricted Notes for its own account, or for the account of one or more QIBs, and (c) aware, and each beneficial owner of the Restricted Notes has been advised, that the sale of the Restricted Notes to it is being made in reliance on Rule 144A.
2. (i) The Restricted Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) in each case in accordance with any applicable securities laws of any State of the United States and (ii) it will, and each subsequent holder of the Restricted Notes is required to, notify any purchaser of the Restricted Notes from it of the resale restrictions on the Restricted Notes.
3. The Restricted Notes, unless the Issuer determines otherwise in accordance with applicable law, will bear a legend in or substantially in the following form:

THIS NOTE AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "QIB") THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER RULE 144 UNDER THE SECURITIES ACT ("RULE 144"), IF AVAILABLE, OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THE NOTES.

4. It understands that the Issuer, the Company, each Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
5. It understands that the Restricted Notes will be represented by a Restricted Global Certificate. Before any interest in a Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global

Certificate or as the case may be, Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

UNRESTRICTED NOTES

Each purchaser of Unrestricted Notes and each subsequent purchaser of such Unrestricted Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Circular and the Unrestricted Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Unrestricted Notes are purchased will be, the beneficial owner of such Unrestricted Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.
2. It understands that such Unrestricted Notes and the Guarantee have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Unrestricted Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account, or for the account of one or more QIBs or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.
3. It understands that the Unrestricted Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend in or substantially in the following form:

“THIS NOTE AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.”
4. It understands that the Issuer, the Company, each Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
5. It understands that the Unrestricted Notes will be represented by an Unrestricted Global Certificate, or as the case may be, a Global Note. Prior to the expiration of the distribution compliance period, before any interest in an Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Restricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND U.S. GAAP

INTRODUCTION

Our consolidated financial statements included in this Offering Circular have been prepared and presented in accordance with Chinese Accounting Standards, or PRC GAAP. Certain differences exist between PRC GAAP and U.S. GAAP which might be relevant to our financial information included herein.

The following is a general summary of certain differences between PRC GAAP and U.S. GAAP as applicable to us. The differences identified below are limited to those significant differences that are appropriate to our financial statements. We are responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the summary. We have not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and U.S. GAAP and have not quantified such differences. Had any such quantification or reconciliation been undertaken by us, other potentially significant accounting and disclosure differences may be required that are not identified below. In addition, no attempt has been made to identify possible future differences between PRC GAAP and U.S. GAAP as a result of prescribed changes in accounting standard.

Regulatory bodies that promulgate PRC GAAP and U.S. GAAP have significant projects on-going that could affect future comparisons such as this one. Furthermore, no attempt has been made to identify future differences between PRC GAAP and U.S. GAAP that may affect the financial information as a result of transactions or events that may occur in the future. As a result, no assurance is provided that the following summary of differences between PRC GAAP and U.S. GAAP is complete.

In making an investment decision, you must rely upon your own examination of our financial information, the terms of the offering and other disclosure contained herein.

INVENTORIES

PRC GAAP only permits reversal when the circumstances where previously caused inventories to be written down below cost no longer exist. PRC GAAP requires the reversal to be recognized under asset impairment loss.

Under U.S. GAAP, a provision to write down inventories to market value cannot be reversed. If inventory value is written down to lower amount, the reduced amount becomes new cost for subsequent periods. Inventories may be stated above cost only in exceptional cases (e.g. precious metals).

INTANGIBLE ASSETS

Under PRC GAAP, when an intangible asset arises from development phase and the entity can demonstrate all the five criteria are met, the intangible shall be recognized:

- it is feasible technically to finish intangible assets for use or sale;
- it is intended to finish and use or sale the intangible assets;
- the usefulness of methods for intangible assets to generate economic benefits shall be proved;
- it is able to finish the development of the intangible assets; and
- the development of expenditures of the intangible assets can be reliably measured.

Under U.S. GAAP, all research and development expenditures (except those acquired in business combination) shall be charged to expense and disclosed in notes when incurred, because FASB considers future benefits from research and development to have too much uncertainty, and costs and benefits to be lack of necessary causal relationship. However, U.S. GAAP requires costs of producing software masters (for products to be sold, leased or otherwise marketed) subsequent to establishing technological feasibility to be capitalized. The capitalization ceases when the product is available for general release to customers.

PRC GAAP requires an intangible asset to be measured initially at cost. The initial measurement includes its purchase price and any directly attributable cost of preparing the asset for its intended use (e.g. import duties, professional fees).

U.S. GAAP requires initial measurement at fair value, however it goes on to refer the general concept of asset acquisition to D2-D7 of FAS 141(R), which states that assets are initially recognized based on their cost to the acquiring entity (generally including the transaction costs of the asset acquisition).

CONTINGENCY

Under PRC GAAP, a provision shall be recognized when:

- an entity has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Under U.S. GAAP, an estimated loss from a loss contingency shall be accrued by a charge to income if both of the following conditions are met:

- information available before the financial statements are issued or are available to be issued indicates that it is probable an asset had been impaired or a liability had been incurred at the date of the financial statements; and
- the amount of loss can be reasonably estimated.

When a loss from contingency is charged to income, U.S. GAAP records either an increase in liability or a decrease in asset, while PRC GAAP record provision (a liability) although sometimes it takes the form of allowance against an asset (e.g., in the case of uncollectible receivables). However the basic principles as to whether and when a loss from contingency should be recognized are the same under these two systems.

Although these two systems use probable, what they mean by probable is different. PRC GAAP uses probable as “more likely than not to occur,” which is defined as greater than 50%. U.S. GAAP uses probable as “likely to occur.” Although a numeric standard does not exist, practice generally considers an event that has 75% or greater likelihood of occurrence to be probable.

Because of the uncertainties surrounding contingencies, these two systems require “best estimate” as the amount to be recognized. However, they differ in practices as to what is a best estimate. PRC GAAP adopts a more statistical view on this matter. Although they consider the most likely outcome the anchor, they also weight in the influence of other outcomes to reach the best estimate. U.S. GAAP accepts the most likely outcome as the best estimate.

When no amount within the range of outcomes is a best estimate, under PRC GAAP, if there is a continuous range of possible outcomes and each point in that range is as likely as any other, the midpoint of the range (i.e. the statistically correct point) is used. When no amount within the range of outcome is a best estimate, U.S. GAAP chooses the minimum amount in the range to be the recognized amount.

PRC GAAP requires time value of money to be included when its effect is material. Under U.S. GAAP, only when the amount and timing of payments are fixed or reliably determinable, or when the obligation is a fair value obligation, may time value of money be included.

BORROWING COSTS

Under PRC GAAP, borrowing costs may include exchange differences that arise from foreign currency borrowings if they are regarded as an adjustment to interest costs.

Under U.S. GAAP, the exchange differences resulting from foreign currency borrowings are not capitalized and interest earned on the temporary investment of the funds borrowed to finance the production of the asset would not be netted against the borrowing costs.

STATEMENT OF CASH FLOWS

Under PRC GAAP, the direct method together with a supporting note reconciling operating result to cash flows arising from operations is the only permitted method.

U.S. GAAP requires an enterprise should report cash flows from operating activities using either: the direct method or the indirect method. If the direct method is used, then a reconciliation of net income and operating cash flow must be presented.

GOVERNMENT GRANTS

Under PRC GAAP, government grants and subsidies are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions have been complied with. When the grantor or subsidy relates to a specifically identifiable expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in current liabilities as deferred income and are credited to the statement of income on a straight line basis over the expected useful lives of the relevant asset.

Under U.S. GAAP, there is no pronouncement that specifically covers government grants and subsidies.

GENERAL INFORMATION

CLEARING SYSTEMS

The Notes may be accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). In addition, the Issuer may make an application for any Registered Notes to be accepted for trading in book-entry form by DTC.

Acceptance by DTC of such Notes will be confirmed in the relevant Pricing Supplement. The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. The relevant ISIN, the Common Code, the CUSIP number and (where applicable) the identification number for any other relevant clearing system for each series of Notes will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be set out in the relevant Pricing Supplement.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of DTC is 55 Water Street, New York, New York 10041, United States of America. The address of any alternative clearing system will be specified in the relevant Pricing Supplement.

LISTING

Application has been made to the HKSE for the listing of the Programme for 12 months after the date of this Offering Circular by way of debt issues to Professional Investors only, as described in this Offering Circular. Separate application may be made for the listing of the Notes on the Hong Kong Stock Exchange. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and if so, on which stock exchange(s). Notes to be listed on the HKSE will be traded on the HKSE in a board lot size of at least HK\$500,000 (or its equivalent in other currencies).

LITIGATION

None of the Issuer, the Company nor any of its subsidiaries is involved in any governmental, legal or arbitration proceedings, nor is the Issuer, the Company or any of its subsidiaries aware that any such proceedings are pending or threatened, which are or might be material in the context of the issue of the Notes.

AUTHORISATIONS

The Issuer has obtained all necessary consents, approvals and authorisations as may be required in connection with the establishment of the Programme and the issue of this Offering Circular. The establishment of the Programme and the issue of Notes thereunder have been duly authorised by a resolution of the Board of Directors of the Issuer dated July 23, 2021. The Company has obtained all necessary consents, approvals and authorisations in connection with the provision of the Guarantee. The entry into the transaction documents in connection with the Programme (including the giving of the Guarantee for the Notes issued under the Programme) was authorised by a resolutions of the Executive Board of the Company and the Executive Meeting of the Chairman of the Board on January 12, 2021. PRC counsel to the Company have advised that no approvals or consents are required from any regulatory authorities or other relevant authorities in the PRC for the Company to provide the Guarantee except for the submission of the Deed of Guarantee for registration with the Beijing Branch of the SAFE within 15 working days after the execution of the Deed of Guarantee.

NO MATERIAL ADVERSE CHANGE

Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Issuer, the Company or the Group since December 31, 2020 and no material adverse change in the financial condition or prospects of the Issuer, the Company or the Group since December 31, 2020.

AVAILABLE DOCUMENTS

For so long as Notes may be issued pursuant to this Offering Circular, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Company and, in the case of the items mentioned in subparagraphs e, f, g and j below at the principal office of the Trustee:

- (a) the articles of association of the Issuer and the Company;
- (b) the consolidated financial statements of the Company as of and for the years ended December 31, 2018, 2019 and 2020 and a copy of the auditors' report of ShineWing, the Company's independent auditors;
- (c) copies of the most recent annual report (including the financial statements) published by the Company;
- (d) the Dealer Agreement;
- (e) the Trust Deed (which includes the forms of the Global Notes, the Global Certificates, the Notes in definitive form, the Coupons, the Receipts and the Talons);
- (f) the Agency Agreement;
- (g) all Deeds of Guarantee which will be executed prior to the issuance of each series of the Notes;
- (h) a copy of this Offering Circular together with any Supplement to this Offering Circular or further Offering Circular;
- (i) a copy of the subscription agreement for Notes issued on a syndicated basis that are listed on any stock exchange, where the rules of such stock exchange so require; and
- (j) each Pricing Supplement (save that Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area or the United Kingdom nor offered in the European Economic Area or the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Regulation will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Trustee as to its holding of Notes and identity).

AUDITOR

ShineWing Certified Public Accountants LLP, the Company's independent auditors has audited the consolidated financial statements of the Company for the years ended December 31, 2018, 2019 and 2020 as stated in their auditors' reports included elsewhere in this Offering Circular.

Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.

The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Pricing Supplement of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

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STATE GRID CORPORATION OF CHINA

AUDITORS' REPORT

(2018~2020)

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AUDITORS' REPORT

XYZH/2021BJAA170191

To State Grid Corporation of China:

I. Audit Opinions

We have audited the financial statements of State Grid Corporation of China and its subsidiaries ("the Group") for the year of 2018, 2019 and 2020, including the consolidated balance sheet as at December 31 of each year, the consolidated profit & loss statement, the consolidated cash flow statement, notes to the financial statements of the Group, and balance sheet as at December 31 of each year, profit & loss statement, cash flow statement, notes to the financial statements of the Parent Company.

In our opinion, the accompanying financial statements for the year of 2018, 2019 and 2020 are, in all material respects, in accordance with the *Accounting Standards for Business Enterprises*. Both the Consolidated Financial Statements and Parent Company Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's financial performance as at December 31 of each year and of the Group's and of the Parent Company's business operating results and cashflows for the year then ended.

II. Basis for Opinions

We conducted our audits in accordance with China Auditing Standards for CPAs. Our responsibilities under those standards are further described in the CPAs' Responsibilities for the Audit of the Financial Statements section of this report.

We are independent of the Group in accordance with the China Code of Ethics for CPAs ("the Code"). We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

III. Other Information

The Group's management is responsible for the other information. The other information comprises all the information included in the annual report for the year of 2018, 2019 and 2020 of the Group other than the financial statements and our auditors' report thereon.

Our opinions on the financial statements do not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other

information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

IV. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Standards for Business Enterprises, and for design, implement and maintain of such internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Group and Parent Company's ability of continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intend to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Group and Parent Company.

V. CPAs' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Auditing Standards for CPAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Auditing Standards for CPAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation or the override of the internal control.

(ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

(iii) Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

(iv) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and/or Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosure in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, further events or conditions may cause the Group and/or Parent Company to cease to continue as a going concern.

(v) Evaluate the overall presentation, structure and content of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(vi) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Shinewing CPA Partnership



Beijing, China

Certified Public Accountant of China:

姜斌



Certified Public Accountant of China:

高艳



April 14th, 2021



CONSOLIDATED BALANCE SHEET

AS AT 2020/12/31

Prepared by: State Grid Corporation of China

Currency: RMB 1 Million Yuan

| ITEM | LINE | NOTES | AS AT 2020/12/31 | AS AT 2019/12/31 | AS AT 2018/12/31 |
|---|-----------|---------|---------------------|---------------------|---------------------|
| CURRENT ASSET | 1 | | | | |
| Cash and Cash Equivalents | 2 | VII(1) | 78,103.72 | 72,615.88 | 73,445.01 |
| △Provision of Settlement Fund | 3 | | 581.86 | 496.57 | 567.34 |
| △Lendings to Banks and Other Financial Institutions | 4 | | 1,500.00 | | 3,400.00 |
| Financial Assets Measured at Fair Value with Changes Included in Current Year's Profit & Loss | 5 | VII(2) | 16,559.29 | 7,724.17 | 2,210.01 |
| Derivative Financial Assets | 6 | | 1,208.71 | 517.20 | 558.15 |
| Notes Receivables | 7 | VII(3) | 10,536.02 | 7,765.11 | 5,249.85 |
| Accounts Receivables | 8 | VII(4) | 85,617.26 | 86,718.87 | 89,782.21 |
| Advances to Suppliers | 9 | VII(5) | 23,859.56 | 30,471.48 | 18,654.40 |
| △Premiums Receivable | 10 | | 243.17 | 196.34 | 186.40 |
| △Reinsurance Accounts Receivable | 11 | | 1,823.46 | 2,701.35 | 1,779.67 |
| △Provisions of Reinsurance Premiums Receivable | 12 | | 1,475.63 | 1,174.05 | 1,324.99 |
| Other Receivables | 13 | VII(6) | 23,457.44 | 18,109.43 | 15,671.94 |
| △Financial Assets Purchased for Resell | 14 | | 35,348.65 | 2,380.32 | 13,027.30 |
| Inventories | 15 | VII(7) | 32,072.98 | 113,527.91 | 124,891.86 |
| ☆Contract Assets | 16 | | 5,047.21 | 9,111.28 | 4,135.01 |
| Assets Held-for-sale | 17 | | 569.24 | | |
| Non-current Assets Due within One Year | 18 | VII(8) | 14,776.23 | 8,933.65 | 9,627.46 |
| Other Current Assets | 19 | VII(9) | 99,568.68 | 101,455.80 | 77,583.27 |
| TOTAL CURRENT ASSETS | 20 | | 432,349.12 | 463,899.41 | 442,094.88 |
| NON-CURRENT ASSET | 21 | | | | |
| △Loans and Advances | 22 | | 142.75 | 53.29 | 59.14 |
| Financial Assets Available-for-sale | 23 | VII(10) | 109,423.18 | 90,067.19 | 100,587.76 |
| Investments Held-to-maturity | 24 | VII(11) | 5,678.44 | 9,193.81 | 10,593.38 |
| Long-term Receivables | 25 | VII(12) | 74,893.70 | 72,418.38 | 49,783.19 |
| Long-term Equity Investments | 26 | VII(13) | 195,658.44 | 150,204.22 | 142,969.95 |
| Investment Property | 27 | VII(14) | 4,292.78 | 13,220.02 | 11,262.95 |
| Fixed Assets | 28 | VII(15) | 2,913,938.06 | 2,783,585.66 | 2,644,267.93 |
| Construction in Progress | 29 | VII(16) | 409,546.97 | 402,367.52 | 384,713.44 |
| Productive Biological Assets | 30 | | 0.10 | 21.54 | 11.72 |
| Oil & Gas Asset | 31 | | | | |
| Intangible Assets | 32 | VII(17) | 89,190.34 | 90,459.88 | 89,166.61 |
| Development Costs | 33 | | 5,294.80 | 4,532.34 | 4,205.69 |
| Goodwill | 34 | VII(18) | 14,796.34 | 15,995.60 | 14,516.12 |
| Long-term Deferred Expenses | 35 | | 1,054.04 | 1,108.97 | 1,018.66 |
| Deferred Income Tax Assets | 36 | VII(19) | 49,297.53 | 49,983.45 | 43,659.78 |
| Other Non-current Assets | 37 | VII(20) | 40,670.99 | 49,697.34 | 44,433.31 |
| TOTAL NON-CURRENT ASSETS | 38 | | 3,913,878.47 | 3,732,909.21 | 3,541,249.62 |
| TOTAL ASSETS | 39 | | 4,346,227.58 | 4,196,808.62 | 3,983,344.50 |

Legal Representative:

Finance Officer:

Finance Manager:



Note: Items with △ in the statement are for financial enterprises only. Items with ☆ are for enterprises that select to use the new accounting standard.

CONSOLIDATED BALANCE SHEET (CONT'D)
AS AT 2020/12/31

Prepared by: Shougang Corporation of China

Currency: RMB 1 Million Yuan

| ITEM | LINE | NOTES | AS AT 2020/12/31 | AS AT 2019/12/31 | AS AT 2018/12/31 |
|--|------|---------|------------------|------------------|------------------|
| CURRENT LIABILITY | 40 | | | | |
| Short-term Borrowings | 41 | VII(21) | 349,313.38 | 161,796.27 | 112,661.82 |
| △Borrowings from Central Bank | 42 | | | | |
| △Borrowings from Banks and Other Financial Institutions | 43 | | | 550.00 | 1,800.00 |
| Financial Liabilities Measured at Fair Value with Changes Included in Current Year's Profit & Loss | 44 | | | | 7.00 |
| Derivative Financial Liabilities | 45 | | 255.00 | 76.96 | 53.22 |
| Notes Payable | 46 | VII(22) | 93,201.95 | 55,878.45 | 31,076.99 |
| Accounts Payable | 47 | VII(23) | 485,375.54 | 503,835.76 | 504,124.62 |
| Advances from Customers | 48 | VII(24) | 152,112.77 | 160,936.22 | 196,075.05 |
| ☆ Contract Liabilities | 49 | | 4,047.84 | 27,335.90 | 804.12 |
| △Financial Assets Sold for Repurchase | 50 | | 4,284.91 | 5,839.14 | 2,823.20 |
| △Deposits from Customers and Interbank | 51 | | 206,121.59 | 177,905.19 | 163,553.93 |
| △Securities Brokering | 52 | | 3,551.72 | 2,940.05 | 2,166.07 |
| △Securities Underwriting | 53 | | | | |
| Payroll Payable | 54 | | 5,832.81 | 6,546.02 | 5,592.94 |
| Taxes and Surcharges Payable | 55 | VII(25) | 36,628.21 | 36,661.42 | 41,232.61 |
| Other Payables | 56 | VII(26) | 353,051.23 | 378,553.83 | 361,321.63 |
| △Fees and Commissions Payable | 57 | | 287.20 | 189.01 | 151.38 |
| △Reinsurance Accounts Payable | 58 | | 1,954.88 | 2,736.16 | 2,175.43 |
| Liabilities Held-for-sale | 59 | | 296.81 | | |
| Non-current Liabilities Due within One Year | 60 | VII(27) | 89,947.34 | 107,309.52 | 84,419.90 |
| Other Current Liabilities | 61 | | 9,780.61 | 3,855.85 | 1,806.00 |
| TOTAL CURRENT LIABILITIES | 62 | | 1,796,043.79 | 1,632,945.74 | 1,511,845.90 |
| NON-CURRENT LIABILITY | 63 | | | | |
| △Provisions of Insurance Contract | 64 | | 5,699.00 | 5,021.32 | 5,368.66 |
| Long-term Borrowings | 65 | VII(28) | 217,894.85 | 258,587.00 | 262,743.54 |
| Bonds Payable | 66 | VII(29) | 233,035.48 | 272,044.82 | 309,831.21 |
| Incl. Preference Shares | 67 | | | | |
| Perpetual Debt | 68 | | | | |
| Long-term Payables | 69 | VII(30) | 35,961.53 | 36,125.50 | 33,353.81 |
| Long-term Payroll Payable | 70 | | 11,705.31 | 31,920.26 | 30,239.91 |
| Provisions | 71 | VII(31) | 5,321.77 | 6,678.58 | 5,945.84 |
| Deferred Income | 72 | | 63,513.28 | 49,379.39 | 36,651.29 |
| Deferred Income Tax Liabilities | 73 | VII(19) | 30,163.44 | 27,518.34 | 25,397.71 |
| Other Non-Current Liabilities | 74 | | 46,702.00 | 33,275.26 | 26,523.84 |
| TOTAL NON-CURRENT LIABILITIES | 75 | | 649,996.66 | 720,550.47 | 736,055.82 |
| TOTAL LIABILITIES | 76 | | 2,446,040.44 | 2,353,496.21 | 2,247,901.72 |
| EQUITY | 77 | | | | |
| Paid-in Capital (or Share Capital) | 78 | VII(32) | 1,437,825.25 | 1,402,428.79 | 1,304,520.14 |
| Other Equity Instrument Investment | 79 | | | | |
| Incl. Preference Shares | 80 | | | | |
| Perpetual Debt | 81 | | | | |
| Capital Reserve | 82 | VII(33) | 217,769.82 | 201,439.68 | 197,928.38 |
| Less: Treasury Stock | 83 | | | | |
| Other Comprehensive Income | 84 | | -45,636.01 | -24,175.85 | -21,609.14 |
| Special Reserves | 85 | | 499.91 | 495.84 | 546.77 |
| Surplus Reserves | 86 | VII(34) | 83,967.60 | 81,126.10 | 77,386.69 |
| △General Risk Reserve | 87 | | 5,321.34 | 4,448.82 | 4,380.44 |
| Retained Earnings | 88 | VII(35) | 123,161.29 | 113,333.63 | 118,727.37 |
| Total Equity Attributable to Parent Company | 89 | | 1,822,909.21 | 1,779,097.01 | 1,681,880.65 |
| *Minority Interests | 90 | | 77,277.93 | 64,215.40 | 53,562.13 |
| TOTAL EQUITY | 91 | | 1,900,187.14 | 1,843,312.41 | 1,735,442.78 |
| TOTAL LIABILITIES AND EQUITY | 92 | | 4,346,227.58 | 4,196,808.62 | 3,983,344.50 |

Legal Representative:



Finance Officer:



Finance Manager:



Note: Items with * are specifically designed for consolidated financial statement. Items with △ in the statement are for financial enterprises only. Items with ☆ are for enterprises that select to use the new accounting standard.

CONSOLIDATED PROFIT & LOSS STATEMENT
FOR THE YEAR ENDED 2020/12/31

Prepared by State Grid Corporation of China

Currency: RMB 1 Million Yuan

| | LINE | NOTES | YEAR 2020 | YEAR 2019 | YEAR 2018 |
|--|------|---------|--------------|--------------|--------------|
| I. REVENUE | 1 | | 2,667,667.82 | 2,665,982.90 | 2,567,856.77 |
| Incl. Operating Revenue | 2 | VII(36) | 2,644,517.05 | 2,649,483.59 | 2,554,570.61 |
| ΔInterest Income | 3 | | 4,008.56 | 2,969.23 | 4,310.81 |
| ΔPremiums Earned | 4 | | 17,832.72 | 12,117.68 | 8,182.26 |
| ΔFees and Commissions/Income | 5 | | 1,309.50 | 1,412.40 | 793.09 |
| II. COST & EXPENSES | 3 | | 2,633,024.44 | 2,609,004.76 | 2,495,119.43 |
| Incl. Operating Cost | 4 | | 2,479,341.23 | 2,446,326.28 | 2,375,708.03 |
| ΔInterest Expenses | 8 | | 7,587.96 | 5,583.19 | 4,301.32 |
| ΔFees and Commissions Expenses | 9 | | 1,972.39 | 1,627.40 | 1,521.29 |
| ΔCash Surrender Amount | 10 | | 277.13 | 255.39 | 591.05 |
| ΔNet Expenses of Claim Settlement | 11 | | 3,115.55 | 2,941.88 | 3,131.82 |
| ΔNet Provisions of Insurance Contract Reserves | 12 | | 13,102.65 | 7,259.10 | 3,877.66 |
| ΔPolicy Dividend Expenses | 13 | | 280.73 | 170.53 | 84.42 |
| ΔReinsurance Expenses | 14 | | -807.40 | -865.36 | -495.82 |
| Taxes and Surcharges | 15 | | 32,920.22 | 43,121.41 | 45,320.56 |
| Selling Expenses | 16 | | 8,584.53 | 10,140.70 | 9,789.39 |
| General & Administration Expenses | 17 | | 48,153.34 | 52,623.91 | 13,308.97 |
| R&D Expenses | 18 | | 16,703.61 | 14,099.07 | 9,959.17 |
| Financial Expenses | 19 | | 21,792.49 | 25,661.25 | 28,821.37 |
| Incl. Interest Expense | 20 | | 25,842.14 | 29,076.75 | 31,001.04 |
| Interest Income | 21 | | 3,863.54 | 3,665.59 | 2,891.99 |
| Add. Other Income | 22 | | 6,044.97 | 3,757.74 | 3,868.75 |
| Investment Income ("-" for Losses) | 23 | VII(37) | 19,601.52 | 19,663.42 | 19,256.55 |
| Incl. Investment Income from Associates and Joint Ventures | 24 | | 11,794.06 | 12,403.65 | 11,853.30 |
| ΔGain on Foreign Exchange ("-" for Losses) | 25 | | -31.50 | 1.71 | 22.40 |
| Gains from Changes in Fair Value ("-" for Losses) | 26 | VII(38) | -324.19 | 242.66 | -2.92 |
| Impairment Loss on Assets ("-" for Losses) | 27 | VII(39) | -3,641.99 | -3,372.89 | -9,931.15 |
| Gains from Asset Disposals ("-" for Losses) | 28 | | 336.61 | 20.88 | -40.64 |
| III. OPERATING PROFITS ("-" FOR LOSSES) | 29 | | 56,628.80 | 77,291.67 | 85,910.14 |
| Add. Non-operating Income | 30 | VII(40) | 8,527.74 | 6,822.67 | 5,585.32 |
| Less: Non-operating Expenses | 31 | VII(41) | 6,035.88 | 5,583.79 | 6,435.12 |
| IV. PROFIT BEFORE TAX ("-" FOR LOSSES) | 32 | | 59,120.66 | 78,530.55 | 85,061.34 |
| Less: Income Tax Expenses | 33 | VII(42) | 17,099.89 | 19,471.58 | 23,126.04 |
| V. NET PROFIT ("-" FOR LOSSES) | 34 | | 42,020.77 | 59,058.97 | 61,735.30 |
| 1. Classification by Ownership | 35 | | | | |
| Net Profit Attributable to Parent Company | 36 | | 38,504.71 | 56,180.69 | 59,306.04 |
| *Net Profit Attributable to Minority Shareholders | 37 | | 3,516.06 | 2,878.28 | 2,429.26 |
| 2. Classification by Business Continuity | 38 | | | | |
| Net Profit from Continuing Operations | 39 | | 42,020.77 | 59,058.97 | 61,735.30 |
| Net Profit from Discontinued Operations | 40 | | | | |
| VI. OTHER COMPREHENSIVE INCOME AFTER TAX | 41 | | -23,070.15 | -2,555.91 | -16,874.89 |
| Other Comprehensive Income Attributable to Parent Company After Tax | 42 | VII(43) | -21,153.39 | -1,842.01 | -14,934.90 |
| 1. Other Comprehensive Income Not Eligible to be Reclassified into Profit & Loss in Subsequent Periods | 43 | VII(43) | 63.34 | -1,191.65 | -244.51 |
| (1) Remeasurement of changes in defined benefit plans | 44 | VII(43) | -440.51 | -1,283.65 | -408.99 |
| (2) Other comprehensive income that cannot be transferred to profit or loss under the equity method | 45 | VII(43) | 503.85 | 92.01 | 164.48 |
| (3) Others | 46 | | | | |
| 2. Other Comprehensive Income Eligible to be Reclassified into Profit & Loss | 47 | VII(43) | -21,216.73 | -650.37 | -14,690.39 |
| (1) Other comprehensive income of transferable profit and loss under equity method | 48 | VII(43) | -851.61 | -1.76 | 984.88 |
| (2) Profit/(Loss) from Changes in Fair Value of Available-for-Sale Financial Assets | 49 | VII(43) | -1,891.49 | 3,058.92 | -3,439.05 |
| (3) Profit/(Loss) of Held-to-Maturity Investment Reclassified as Available-for-Sale Financial Assets | 50 | | | | |
| (4) Cash flow hedging reserve (effective part of profit and loss of cash flow hedging) | 51 | VII(43) | -2,122.89 | -428.70 | 548.47 |
| (5) Translation difference of foreign currency statements | 52 | VII(43) | -16,318.18 | -3,280.00 | -12,784.68 |
| (6) Others | 53 | VII(43) | -32.56 | 1.17 | |
| *Other Comprehensive Income Attributable to Minority Shareholders After Tax | 54 | | -1,916.76 | -713.89 | -1,139.99 |
| VII. TOTAL COMPREHENSIVE INCOME | 55 | | 18,950.62 | 56,503.06 | 45,660.41 |
| Total Comprehensive Income Attributable to Parent Company | 56 | | 17,351.32 | 54,338.68 | 44,371.14 |
| *Total Comprehensive Income Attributable to Minority Shareholders | 57 | | 1,599.30 | 2,164.39 | 1,289.27 |

Legal Representative:



Finance Officer:



Finance Manager:



Note: Items with * are specifically designed for consolidated financial statement items with * in the statement are for financial enterprises only.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 2020/12/31

Prepared by: State Grid Corporation of China

Currency: RMB 1 Million Yuan

| ITEM | LINE | NOTES | YEAR 2020 | YEAR 2019 | YEAR 2018 |
|---|------|--------|--------------|--------------|--------------|
| I. CASH FLOWS FROM OPERATING ACTIVITIES | 1 | | | | |
| Proceeds from Sale of Goods and Rendering of Services | 2 | | 2,897,660.89 | 2,904,415.87 | 2,793,561.61 |
| ΔNet Increase in Deposits from Customers and Other Bank | 3 | | 27,614.60 | 14,404.84 | 11,766.76 |
| ΔNet Increase in Borrowings from Central Bank | 4 | | | | |
| ΔNet Increase in Borrowings from Other Financial Institutions | 5 | | -33,325.34 | 14,081.23 | 26,775.03 |
| ΔProceeds from Premiums of Original Insurance Contracts | 6 | | 18,741.52 | 13,355.12 | 7,440.57 |
| ΔNet Amount of Reinsurance Business | 7 | | -234.10 | -451.08 | -380.78 |
| ΔNet Increase in Insured's Deposits and Investments | 8 | | -1,769.56 | -1,479.36 | 779.32 |
| ΔNet Increase in Disposal of Financial Assets Measured at Fair Value with Changes Included in Profit & Loss | 9 | | 266.66 | -675.74 | 755.19 |
| ΔCash Received for Interest, Fees and Commissions Income | 10 | | 3,072.04 | 2,724.35 | 3,973.62 |
| ΔNet Increase in Borrowings | 11 | | -550.00 | -1,250.00 | -70.00 |
| ΔNet Increase in Repurchasing | 12 | | 1,365.48 | 2,085.66 | -339.98 |
| ΔNet Cash Received from Securities Brokering | 13 | | 611.67 | 773.98 | -413.20 |
| Tax Refund Received | 3 | | 5,095.54 | 1,492.91 | 9,060.33 |
| Other Cash Received from Operating Activities | 4 | | 184,743.46 | 204,718.58 | 227,443.79 |
| TOTAL CASH INFLOWS FROM OPERATING ACTIVITIES | 5 | | 3,103,292.85 | 3,154,196.36 | 3,080,372.25 |
| Payments for Goods and Services | 6 | | 2,141,668.93 | 2,101,382.58 | 1,959,083.62 |
| ΔNet Increase in Loans and Advances | 7 | | -280.00 | 68.36 | 1,581.02 |
| ΔNet Increase in Deposits with Central Bank and Other Financial Institutions | 8 | | -4,070.08 | 11,364.20 | -6,544.42 |
| ΔPayment for Claim Settlements on Original Insurance Contract | 9 | | 3,262.06 | 2,971.04 | 3,371.98 |
| ΔNet Increase in Funds Lent | 10 | | | | |
| ΔPayment for interests, fees and commission | 11 | | 5,977.50 | 4,955.34 | 4,181.30 |
| ΔPayment for Policy Dividends | 12 | | 113.86 | 76.47 | 48.83 |
| Payment to and for Employees | 7 | | 241,548.08 | 240,008.00 | 225,822.01 |
| Payment of Various Taxes | 8 | | 114,927.60 | 147,183.02 | 167,799.76 |
| Other Payments for Operating Activities | 9 | | 275,624.35 | 278,136.26 | 293,469.06 |
| TOTAL CASH OUTFLOWS FROM OPERATING ACTIVITIES | 10 | | 2,778,772.29 | 2,786,145.26 | 2,648,813.17 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 11 | VI(45) | 324,520.56 | 368,051.10 | 431,559.08 |
| II. CASH FLOWS FROM INVESTING ACTIVITIES | 12 | | | | |
| Proceeds from Disposal of Investments | 13 | | 71,631.70 | 36,753.06 | 33,986.92 |
| Cash Received from Return on Investment | 14 | | 11,599.99 | 12,329.74 | 11,578.42 |
| Net Proceeds from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets | 15 | | 4,796.97 | 2,783.89 | 2,029.20 |
| Net Proceeds from Disposal of Subsidiaries and Other Business Units | 16 | | 719.45 | 934.14 | 268.63 |
| Other Proceeds from Investing Activities | 17 | | 36,867.60 | 71,755.38 | 67,242.58 |
| TOTAL CASH INFLOWS FROM INVESTING ACTIVITIES | 18 | | 125,615.71 | 124,556.18 | 115,105.95 |
| Payment for Acquisition of Fixed Assets, Intangible Assets and Other Long-term Assets | 19 | | 439,855.98 | 431,989.32 | 395,240.77 |
| Payment for Acquisition of Investment | 20 | | 116,670.21 | 60,153.05 | 58,326.30 |
| ΔNet Increase in Pledged Loans | 21 | | 54.57 | 33.63 | 31.57 |
| Net Payment for Acquisition of Subsidiaries and Other Business Units | 22 | | 16,585.26 | 430.23 | 582.75 |
| Other Payment for Investing Activities | 23 | | 28,606.56 | 5,194.27 | 13,079.38 |
| TOTAL CASH OUTFLOWS FROM INVESTING ACTIVITIES | 24 | | 601,772.58 | 497,800.50 | 467,260.77 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | 25 | | -476,156.87 | -373,244.32 | -352,154.82 |
| III. CASH FLOWS FROM FINANCING ACTIVITIES | 26 | | | | |
| Proceeds from Investors | 27 | | 43,993.42 | 22,901.91 | 26,887.06 |
| Incl. Cash Received by Subsidiaries from Minority Shareholders' Investment | 28 | | 32,615.22 | 6,381.64 | 2,740.96 |
| Proceeds from Borrowings | 29 | | 756,376.08 | 311,609.84 | 268,310.17 |
| Other Proceeds from Financing Activities | 30 | | 15,914.39 | 6,205.96 | 5,691.16 |
| TOTAL CASH INFLOWS FROM FINANCING ACTIVITIES | 31 | | 816,283.90 | 340,717.71 | 300,888.39 |
| Repayment of Borrowings | 32 | | 607,859.74 | 286,721.26 | 312,038.91 |
| Payment for Dividends, Profit Distributions and Interest | 33 | | 40,634.91 | 47,077.29 | 59,920.73 |
| Incl. Dividends and profits paid by subsidiaries to minority shareholders | 34 | | 2,617.90 | 2,252.07 | 2,354.67 |
| Other Payment for Financing Activities | 35 | | 5,940.72 | 3,216.02 | 11,194.18 |
| TOTAL CASH OUTFLOWS FROM FINANCING ACTIVITIES | 36 | | 654,235.37 | 337,014.57 | 383,153.82 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 37 | | 162,048.53 | 3,703.14 | -82,265.43 |
| IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS | 38 | | -5,023.66 | -279.20 | -249.35 |
| V. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 39 | VI(45) | 5,368.56 | -1,769.27 | -3,110.53 |
| Add: Beginning Balance of Cash and Cash Equivalents | 40 | VI(45) | 69,753.30 | 71,522.58 | 74,633.10 |
| VI. ENDING BALANCE OF CASH AND CASH EQUIVALENTS | 41 | VI(45) | 75,141.87 | 69,753.30 | 71,522.58 |

Legal Representative:



Finance Officer:



Finance Manager:



Note: Items with Δ in the statement are for financial enterprises only.

BALANCE SHEET (PARENT COMPANY)

AS AT 2020/12/31

Prepared by: State Grid Corporation of China (Parent Company)

Currency: RMB 1 Million Yuan

| ITEM | LINE | AS AT 2020/12/31 | AS AT 2019/12/31 | AS AT 2018/12/31 |
|---|------|------------------|------------------|------------------|
| CURRENT ASSET | 1 | | | |
| Cash and Cash Equivalents | 2 | 26,714.48 | 23,978.91 | 50,503.52 |
| Financial Assets Measured at Fair Value with Changes Included in Current Year's Profit & Loss | 3 | | | |
| Derivative Financial Assets | 4 | | | |
| Notes Receivables | 5 | 28.45 | 5.00 | |
| Accounts Receivables | 6 | 36,976.59 | 33,649.71 | 33,096.50 |
| Advances to Suppliers | 7 | 3,677.11 | 5,680.32 | 1,123.12 |
| Other Receivables | 8 | 162,097.27 | 61,188.40 | 71,436.61 |
| Inventories | 9 | 351.56 | 201.77 | 247.70 |
| Assets Held-for-sale | 10 | | | |
| Non-current Assets Due within One Year | 11 | 78,674.34 | 78,363.34 | 52,262.08 |
| Other Current Assets | 12 | 14,872.88 | 4,595.02 | 3,225.10 |
| TOTAL CURRENT ASSETS | 13 | 323,392.66 | 207,662.48 | 211,894.63 |
| NON-CURRENT ASSET | 14 | | | |
| Financial Assets Available-for-sale | 15 | 1,621.38 | 1,777.55 | 1,145.25 |
| Investments Held-to-maturity | 16 | 300.00 | | |
| Long-term Receivables | 17 | 239,458.65 | 278,544.22 | 276,025.13 |
| Long-term Equity Investments | 18 | 1,248,418.06 | 1,256,455.01 | 1,181,147.58 |
| Investment Property | 19 | 231.00 | 245.09 | 259.76 |
| Fixed Assets | 20 | 244,115.26 | 141,918.96 | 132,746.18 |
| Construction in Progress | 21 | 29,198.45 | 10,250.05 | 13,066.27 |
| Productive Biological Assets | 22 | | | |
| Oil & Gas Asset | 23 | | | |
| Intangible Assets | 24 | 2,131.95 | 1,776.75 | 1,619.70 |
| Development Costs | 25 | 363.42 | 534.53 | 300.20 |
| Goodwill | 26 | | | |
| Long-term Deferred Expenses | 27 | 22.34 | 19.75 | 33.66 |
| Deferred Income Tax Assets | 28 | 145.80 | 255.40 | 245.15 |
| Other Non-current Assets | 29 | 278.48 | 272.21 | 141.49 |
| TOTAL NON-CURRENT ASSETS | 30 | 1,766,284.79 | 1,692,049.53 | 1,606,730.36 |
| TOTAL ASSETS | 31 | 2,089,677.45 | 1,899,712.01 | 1,818,624.99 |

Legal Representative:



Finance Officer:



Finance Manager:



BALANCE SHEET (PARENT COMPANY) (CONT'D)

AS AT 2020/12/31

Prepared by: State Grid Corporation of China (Parent Company)

Currency: RMB 1 Million Yuan

| ITEM | LINE | AS AT 2020/12/31 | AS AT 2019/12/31 | AS AT 2018/12/31 |
|--|------|------------------|------------------|------------------|
| CURRENT LIABILITY | 32 | | | |
| Short-term Borrowings | 33 | 257,920.00 | 75,000.00 | 38,000.00 |
| Financial Liabilities Measured at Fair Value with Changes Included in Current Year's Profit & Loss | 34 | | | |
| Derivative Financial Liabilities | 35 | | | |
| Notes Payable | 36 | | | |
| Accounts Payable | 37 | 41,625.74 | 35,249.36 | 30,780.65 |
| Advances from Customers | 38 | 15.94 | 12.25 | 38.99 |
| Payroll Payable | 39 | 102.66 | 107.83 | 93.61 |
| Taxes and Surcharges Payable | 40 | 889.64 | 1,339.05 | 805.41 |
| Other Payables | 41 | 75,881.19 | 109,955.20 | 135,567.51 |
| Liabilities Held-for-sale | 42 | | | |
| Non-current Liabilities Due within One Year | 43 | 45,954.34 | 49,985.84 | 36,023.08 |
| Other Current Liabilities | 44 | | | |
| TOTAL CURRENT LIABILITIES | 45 | 422,389.51 | 271,649.54 | 241,309.26 |
| NON-CURRENT LIABILITY | 46 | | | |
| Long-term Borrowings | 47 | 41,299.67 | 30,543.02 | 34,088.86 |
| Bonds Payable | 48 | 73,000.00 | 111,000.00 | 158,000.00 |
| Incl. Preference Shares | 49 | | | |
| Perpetual Debt | 50 | | | |
| Long-term Payables | 51 | 4,164.90 | 179.00 | 577.55 |
| Long-term Payroll Payable | 52 | 334.09 | 1,370.03 | 1,370.03 |
| Provisions | 53 | | | |
| Deferred Income | 54 | 141.25 | 116.23 | 117.64 |
| Deferred Income Tax Liabilities | 55 | 3.46 | 35.23 | 27.15 |
| Other Non-Current Liabilities | 56 | | | |
| TOTAL NON-CURRENT LIABILITIES | 57 | 118,943.37 | 143,243.51 | 194,181.24 |
| TOTAL LIABILITIES | 58 | 541,332.88 | 414,893.05 | 435,490.50 |
| EQUITY | 59 | | | |
| Paid-in Capital (or Share Capital) | 60 | 1,437,825.25 | 1,402,428.79 | 1,304,520.14 |
| Other Equity Instrument Investment | 61 | | | |
| Incl. Preference Shares | 62 | | | |
| Perpetual Debt | 63 | | | |
| Capital Reserve | 64 | 26,551.72 | 1,158.39 | 1,146.21 |
| Less: Treasury Stock | 65 | | | |
| Other Comprehensive Income | 66 | | 105.68 | 81.46 |
| Special Reserves | 67 | | | |
| Surplus Reserves | 68 | 83,967.60 | 81,126.10 | 77,386.69 |
| Retained Earnings | 69 | | | |
| TOTAL EQUITY | 70 | 110,519.32 | 82,390.17 | 78,614.35 |
| TOTAL LIABILITIES AND EQUITY | 71 | 651,852.20 | 497,283.22 | 514,104.85 |

Legal Representative:



Finance Officer:



Finance Manager:



PROFIT & LOSS STATEMENT (PARENT COMPANY)

FOR THE YEAR ENDED 2020/12/31

Prepared by: State Grid Corporation of China (Parent Company)

Currency: RMB 1 Million Yuan

| | LINE | YEAR 2020 | YEAR 2019 | YEAR 2018 |
|--|------|------------|------------|------------|
| I. REVENUE | 1 | 376,615.34 | 359,242.46 | 319,447.21 |
| Less: Operating Cost | 2 | 355,603.24 | 336,545.03 | 301,954.50 |
| Taxes and Surcharges | 3 | 422.71 | 689.69 | 851.50 |
| Selling Expenses | 4 | | | |
| General & Administration Expenses | 5 | 1,242.29 | 1,764.74 | 19.81 |
| R&D Expenses | 6 | 210.21 | 189.93 | 122.73 |
| Financial Expenses | 7 | 4,679.44 | 1,392.80 | 517.05 |
| Incl. Interest Expense | 8 | 4,760.74 | 1,636.49 | |
| Interest Income | 9 | 244.59 | 269.28 | |
| Add: Other Income | 10 | 46.20 | 28.49 | 62.96 |
| Investment Income ("-" for Losses) | 11 | 18,693.56 | 25,443.59 | 28,162.21 |
| Incl. Investment Income from Associates and Joint Ventures | 12 | -137.95 | | |
| Gains from Changes in Fair Value ("-" for Losses) | 13 | | | |
| Impairment Loss on Assets ("-" for Losses) | 14 | | -63.49 | 22.63 |
| Gains from Asset Disposals ("-" for Losses) | 15 | -0.31 | 0.03 | |
| II. OPERATING PROFITS ("-" FOR LOSSES) | 16 | 33,196.90 | 44,068.89 | 44,229.42 |
| Add: Non-operating Income | 17 | 139.31 | 127.91 | 27.24 |
| Less: Non-operating Expenses | 18 | 253.10 | 465.74 | 1,063.11 |
| III. PROFIT BEFORE TAX ("-" FOR LOSSES) | 19 | 33,083.11 | 43,731.06 | 43,193.55 |
| Less: Income Tax Expenses | 20 | 4,668.08 | 6,336.92 | 4,799.56 |
| IV. NET PROFIT ("-" FOR LOSSES) | 21 | 28,415.03 | 37,394.14 | 38,394.00 |
| 1. Net Profit from Continuing Operations | 22 | 28,415.03 | 37,394.14 | 38,394.00 |
| 2. Net Profit from Discontinued Operations | 23 | | | |
| V. OTHER COMPREHENSIVE INCOME AFTER TAX | 24 | -105.68 | 24.22 | -92.24 |
| 1. Other Comprehensive Income Not Eligible to be reclassified into Profit & Loss in Subsequent Periods | 25 | | | |
| (1) Remeasurement of changes in defined benefit plans | 26 | | | |
| (2) Other comprehensive income that cannot be transferred to profit or loss under the equity method | 27 | | | |
| (3) Others | 28 | | | |
| 2. Other Comprehensive Income Eligible to be Reclassified into Profit & Loss | 29 | -105.68 | 24.22 | -92.24 |
| (1) Other comprehensive income of transferable profit and loss under equity method | 30 | | | |
| (2) Profit/(Loss) from Changes in Fair Value of Available-for-Sale Financial Assets | 31 | -105.68 | 24.22 | -92.24 |
| (3) Profit/(Loss) of Held-to-Maturity Investment Reclassified as Available-for-Sale Financial Assets | 32 | | | |
| (4) Cash flow hedging reserve (effective part of profit and loss of cash flow hedging) | 33 | | | |
| (5) Translation difference of foreign currency statements | 34 | | | |
| (6) Others | 35 | | | |
| VI. TOTAL COMPREHENSIVE INCOME | 36 | 28,309.35 | 37,418.36 | 38,301.76 |

Legal Representative:



Finance Officer:



Finance Manager:



CASH FLOW STATEMENT (PARENT COMPANY)

FOR THE YEAR ENDED 2020/12/31

Prepared by: State Grid Corporation of China (Parent Company)

Currency: RMB 1 Million Yuan

| ITEM | LINE | YEAR 2020 | YEAR 2019 | YEAR 2018 |
|--|------|-------------|------------|------------|
| I. CASH FLOWS FROM OPERATING ACTIVITIES | 1 | | | |
| Proceeds from Sale of Goods and Rendering of Services | 2 | 392,824.86 | 378,802.85 | 339,820.65 |
| Tax Refund Received | 3 | 26.82 | 2.01 | 398.88 |
| Other Cash Received from Operating Activities | 4 | 170,653.62 | 119,574.37 | 108,378.23 |
| TOTAL CASH INFLOWS FROM OPERATING ACTIVITIES | 5 | 563,505.30 | 498,379.23 | 448,597.76 |
| Payments for Goods and Services | 6 | 344,392.20 | 329,051.33 | 299,640.48 |
| Payment to and for Employees | 7 | 3,270.05 | 3,036.13 | 2,750.00 |
| Payment of Various Taxes | 8 | 6,770.70 | 9,556.16 | 10,692.77 |
| Other Payments for Operating Activities | 9 | 202,709.39 | 146,272.76 | 56,770.03 |
| TOTAL CASH OUTFLOWS FROM OPERATING ACTIVITIES | 10 | 557,142.34 | 487,916.37 | 369,853.28 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 11 | 6,362.96 | 10,462.86 | 78,744.48 |
| II. CASH FLOWS FROM INVESTING ACTIVITIES | 12 | | | |
| Proceeds from Disposal of Investments | 13 | | | |
| Cash Received from Return on Investment | 14 | 18,834.81 | 25,443.59 | 28,146.82 |
| Net Proceeds from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets | 15 | 30.20 | 68.29 | 3,803.86 |
| Net Proceeds from Disposal of Subsidiaries and Other Business Units | 16 | | | |
| Other Proceeds from Investing Activities | 17 | 121,003.61 | 49,194.82 | 210,021.07 |
| TOTAL CASH INFLOWS FROM INVESTING ACTIVITIES | 18 | 139,868.62 | 74,706.70 | 241,971.75 |
| Payment for Acquisition of Fixed Assets, Intangible Assets and Other Long-term Assets | 19 | 26,033.04 | 24,003.01 | 37,444.66 |
| Payment for Acquisition of Investment | 20 | 16,216.44 | 10,255.61 | 30,342.00 |
| Net Payment for Acquisition of Subsidiaries and Other Business Units | 21 | | | |
| Other Payment for Investing Activities | 22 | 271,533.76 | 135,809.47 | 201,817.26 |
| TOTAL CASH OUTFLOWS FROM INVESTING ACTIVITIES | 23 | 313,783.23 | 170,068.09 | 269,603.93 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | 24 | -173,914.61 | -95,361.39 | -27,632.18 |
| III. CASH FLOWS FROM FINANCING ACTIVITIES | 25 | | | |
| Proceeds from Investors | 26 | 17.44 | 830.68 | 191.82 |
| Proceeds from Borrowings | 27 | 472,385.00 | 127,400.00 | 58,000.00 |
| Other Proceeds from Financing Activities | 28 | 75,536.18 | 120,806.10 | 116,826.93 |
| TOTAL CASH INFLOWS FROM FINANCING ACTIVITIES | 29 | 547,938.62 | 249,036.78 | 175,018.75 |
| Repayment of Borrowings | 30 | 355,818.34 | 135,551.32 | 119,023.68 |
| Payment for Dividends, Profit Distributions and Interest | 31 | 21,535.01 | 23,927.80 | 35,938.37 |
| Other Payment for Financing Activities | 32 | 297.05 | 31,184.25 | 58,141.11 |
| TOTAL CASH OUTFLOWS FROM FINANCING ACTIVITIES | 33 | 377,650.40 | 190,663.36 | 213,103.16 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 34 | 170,288.22 | 58,373.42 | -38,084.40 |
| IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS | 35 | -1.01 | 0.50 | 0.52 |
| V. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 36 | 2,735.56 | -26,524.61 | 13,028.42 |
| Add: Beginning Balance of Cash and Cash Equivalents | 37 | 23,978.91 | 50,503.52 | 37,475.10 |
| VI. ENDING BALANCE OF CASH AND CASH EQUIVALENTS | 38 | 26,714.48 | 23,978.91 | 50,503.52 |

Legal Representative:



Finance Officer:



Finance Manager:



STATE GRID CORPORATION OF CHINA

Notes to the Financial Statements

For the Year Ended 31 December 2018, 31 December 2019, 31 December 2020

(Unless otherwise specified, all amounts are in RMB million Yuan.)

I. BASIC INFORMATION OF THE COMPANY

1. Historical Evolution, Place of Registration, Organisational Structure and Place of Head Office

State Grid Corporation of China (hereinafter referred to as "the Company") was established on 13 May 2003. It is a state-owned enterprise set up as a result of the former State Power Corporation reorganization, in accordance with the *Reply from the State Council on Issues Relating to the Formation of State Grid Corporation* (Guo Han [2003] No. 30), *Notice on the Issuance of the Scheme for the Establishment of the State Grid Corporation and the Articles of Association of the State Grid Corporation* (SETC Power [2003] No. 268) issued by the former State Economic and Trade Commission (SETC) and other provisions. It is a wholly state-owned company under the direct management of the central government.

On 30 November 2017, the Company completed corporate reforms and registered the changes with the State Administration for Industry and Commerce (SAIC) after receiving the approval from the State-owned Asset Supervision and Administration Commission (SASAC). As a result of the reform, the Company has restructured itself from an entity owned by the whole people to a wholly state-owned enterprise, and renamed itself as from "State Grid Corporation" into "State Grid Corporation Limited".

Corporate Unified Social Credit Code: 9111000071093123XX

Place of Registration: 86 West Chang'An Street, Xicheng District, Beijing

Legal Representative: XIN, Bao'An

The Company regularly transfer to increase its paid-in capital from the capital reserve and retained earnings in accordance with the *Notice of MOF on the Accounting Treatment of Asset Acquisition made by Power Grid Enterprises* (Cai Qi [2011] 129), *Notice on Strengthening Regulations of Enterprise Financial Information Management* (Cai Qi [2012] 23), and director resolutions. As at the end of 2020, the Company has its paid-in capital balance of 1,437,825,245,314.67 Yuan.

In 2020, as required by the *Notice of the State Council on the Issuance of the Implementation Plan Regarding Part of State-owned Capital transferred to Enrich the Social Security Fund* (Guo Fa [2017] 49) and the *Notice of the Ministry of Finance, the Ministry of Human Resources and Social Security, the State-owned Assets Supervision and Administration Commission, the State Administration of Taxation and the Securities Regulatory Commission on Comprehensively Promoting the Work of Transferring Part of State-owned Capital to Enrich the Social Security Fund* (Cai Zi [2019] 49), and take 31 December 2018 as the base date, 10% of the state-owned capital, which is equivalent to RMB130,452,014,429.05 Yuan, was transferred to the National Council for Social Security Fund.

2. Business Nature and Main Business Activities

The Company's core business is to invest in the construction and operation of power grid, undertaking the basic mission of ensuring safety, economic, clean and sustainable power supply. The Company's businesses network covers 26 provinces (including autonomous regions and municipalities directly controlled by the central government), more than 88% of the national land area, and provide power supply service for more than 1.10 billion people.

Scope of business: power transmission (valid until 25 January 2026), power supply (approved power supply zones), dispatching labor for oversea projects appropriate to its strength, scale and performance, industrial investment and business management, scientific research, technological development, information and communication on power production and dispatch, consulting services related to power supply, import and export business, contracting of overseas projects and domestic international bidding, export of equipment and materials required for the above-mentioned overseas projects, and holding various types of productive enterprises in foreign countries.

3. Name of Controlling Shareholder

The controlling shareholder of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

4. Approval and Release of Financial Statements

The financial statements of the Company is approved by the Board of Directors on 14 April 2021.

II. BASIS OF FINANCIAL STATEMENTS PREPARATION

The Company's financial statements have been prepared on a going concern basis, based on transactions and events that have actually occurred, in accordance with the Accounting

Standards for Business Enterprises issued by the Ministry of Finance and related regulations, and based on the accounting policies and estimates described in Note 4 "Significant Accounting Policies and Accounting Estimates" herein.

III. STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises and give a true and complete view of the Company's financial position, operation results, cash flows and other relevant information.

IV. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

1. Accounting Period

The accounting period of the Company is from January 1 to December 31 of the calendar year.

2. Functional Currency

RMB is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. The Company and its domestic subsidiaries used RMB as the functional currency for bookkeeping purpose, while the Company's foreign subsidiaries shall select the currency of the primary economic environment in which they operate as the functional currency. The Company's financial statements are presented in RMB Yuan.

3. Basis of Accounting and Principle of Measurement

In compliance with the Accounting Standards for Business Enterprises, the Company uses the accrual basis of accounting. Historical costs are adopted as the basis of measurement, except for certain financial instruments and financial asset held-for-sale. Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. If the asset is impaired, the corresponding provision for impairment shall be made according to relevant provisions.

4. Business Combination

Assets acquired and liabilities assumed in business combinations under common control are measured at the acquisition-date book value reported in the consolidated financial statements of the ultimate controlling entity by the Company, as the acquirer. The difference between the book value of the net assets acquired and the book value of the consideration paid for the combination is adjusted against capital reserve. If the capital reserve is not sufficient to cover the reduction, retained earnings are adjusted.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination not under common control are measured at acquisition-date fair value. The acquisition cost are calculated as the sum of the fair value of the cash or non-cash assets paid, liabilities issued or assumed and equity securities issued by the Company to obtain control of the acquiree at the date of acquisition, and all directly related costs incurred in the business combination. (For business combinations achieved in stages through multiple transactions, the acquisition cost is the sum of the costs of each individual transaction.) Where the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable net assets acquired, the difference is treated as goodwill. Where consideration is less than the fair value of acquired net assets, fair value of each identifiable asset, liability and contingent liability acquired in the combination, as well as the fair value of non-cash assets or equity securities issued in consideration of the combination, are first reviewed. If, after the review, the consideration paid for a business acquisition is still less than the fair value of the identifiable net assets acquired, the difference is recognized in the Profit & Loss Statement as non-operating income in the accounting period that the combination occurs.

5. Method for the Preparation of Consolidated Financial Statement

(1) Principles for the Determination of the Scope of Consolidation

The Company includes all controlled subsidiaries in the scope of its consolidated financial statements.

(2) Principles, Procedures and Methods of Consolidated Financial Statements Preparation

In preparation of consolidated financial statements, except for the new income standard, if the accounting policies or accounting periods adopted by the subsidiary and the Company are inconsistent, the financial statements of the subsidiary shall be adjusted according to the accounting policies or accounting periods of the Company. For listed company which has implemented the new income standard, its financial statements shall no longer be adjusted to be in line with the Company's accounting policies or accounting period when preparing the consolidated financial statements.

In preparing the consolidated financial statements, all major intragroup transactions, current balances and unrealized profits have been eliminated. Equities of the subsidiary that is not attributable to the Parent Company, net profit, other comprehensive income and total comprehensive income that attributable to minority shareholders, are reported as Minority Interests, Net Profit Attributable to Minority Shareholders, Other Comprehensive Income Attributable to Minority Shareholders and Total Comprehensive Income Attributable to Minority Shareholders in the consolidated financial statements respectively.

For subsidiaries acquired in a business combination under common control, their business operation results and cash flows are included in the consolidated financial statements since the beginning of the period in which the combination takes place. When preparing the comparative consolidated financial statements, adjustments are made to relevant items of last year's financial statements as if the reporting entity formed as a result of the merger has been in existence ever since the time when the ultimate controlling entity gains the control.

For business combination under common control achieved in stages, the accounting treatment of the consolidation shall be disclosed at the reporting period when control of the acquiree is obtained.

For subsidiaries acquired by business combination not under common control, the operating results and cash flow shall be included in the consolidated financial statements from the date when the Company obtains the control. When preparing the consolidated financial statements, the financial statements of the subsidiaries shall be adjusted on the basis of the fair value of the identifiable assets, liabilities and contingent liabilities determined on the acquisition date.

For business combination not under common control achieved in stages, the accounting treatment of the consolidation shall be disclosed at the reporting period when control of the acquiree is obtained.

The Company disposes part of the long-term equity investment of the subsidiary without losing the control. In the consolidated financial statements, the difference between the disposal price and the net asset share of the subsidiary continuously calculated from the purchase date or the merger date corresponding to the disposal of the long-term equity investment shall be adjusted to the capital premium. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

If the company loses the control of the investee due to the disposal of part of the equity investment, the remaining equity shall be re-measured according to its fair value on the date of loss of control in the preparation of the consolidated financial statements. The difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity, less the share of the net assets of the original subsidiary calculated continuously from the purchase date or the merger date according to the original shareholding ratio, shall be included in the investment profit and loss of the current period when the control right is lost, and the goodwill shall be offset at the same time. Other comprehensive income related to the equity investment of the original subsidiary shall be converted into the current investment profit and loss when the control right is lost.

If the Company disposes the equity investment of the subsidiary step by step through multiple transactions until losing the control right, if the transactions of disposing the equity investment of the subsidiary until losing the control right belong to a package deal, the transactions shall be treated as a transaction of disposing the subsidiary and losing the control right. However, before the loss of control, the difference between each disposal price and the net asset share of the subsidiary corresponding to the disposal investment is recognized as other comprehensive income in the consolidated financial statements, and transferred to the investment profit and loss of the current period when the control right is lost.

6. Classification of Joint Venture Arrangement and Accounting Treatment of Joint Operation

The joint venture arrangement of the Company includes joint operation and joint venture. For joint operation projects, the Company, as the joint venture party in joint operation, recognizes the assets and liabilities held separately, and the assets and liabilities held by shares, and recognizes the relevant income and expenses separately or by shares according to relevant agreements. Where the purchase or sale of assets does not constitute a business with the joint operation, only the part of the profits and losses arising from the transaction attributable to other participants in the joint operation shall be recognized.

7. Recognition of Cash and Cash Equivalents

Cash is referred to cash on hand and deposit ready for payment at any moment. The cash equivalents are defined as those investment held no longer than 3 months, with strong liquidity, can be easily converted into known amount of cash, and bears low risk of fluctuation in value.

8. Accounting Treatment and Converting Methods of Foreign Currency Transactions

(1) Transactions in Foreign Currency

The Company's foreign currency transactions are translated into RMB amounts at the spot exchange rates (or as the case may be) at the transaction date. At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rate at the balance sheet date. The resulting translation differences are recognized directly in profit or loss for the current period, except for exchange differences arising from special borrowings in foreign currencies for the purpose of acquiring or producing assets eligible for capitalization, which are treated on a capitalization basis.

(2) Translation of Foreign Currency Financial Statements

Assets and liabilities in the foreign currency balance sheet are translated at the spot exchange rate on the balance sheet date, while owner's equity items are translated at the spot exchange rate at the time of business occurrence except for retained earnings. Income and expenses in the income statement are translated at the spot exchange rate (or actual situation) on the transaction date. The translation difference of foreign currency statements arising from the above translation shall be listed in the owner's equity "other comprehensive income" item. Foreign currency cash flow is translated at the spot exchange rate (or actual situation) on the date of cash flow. The impact of exchange rate changes on cash is shown separately in the cash flow statement.

9. Financial Assets and Financial Liabilities

(1) Financial Assets

Financial assets or liabilities are recognized at the time when the Company becomes a party to a financial instrument contract.

i. Classification, Recognition and Measurement of Financial Assets

The Company classifies its financial assets into Financial Assets Measured at Fair Value with Changes Included in Current Year's Profit & Loss, Investments Held-to-maturity, Receivables, and Financial Assets Available-for-sale according to the purpose and economic substance of the investments.

Financial Assets Measured at Fair Value with Changes Included in Current Year's Profit & Loss include trading financial assets and financial assets initially designated as measured at fair value with changes included in current year's profit & loss. The Company classifies financial assets that meet any one of the following conditions as trading financial assets: The purpose of obtaining the financial assets is to sell them in the near future; Forming part of the portfolio of identifiable financial instruments under centralized management and for which there are objective evidences proving that the enterprise may manage the portfolio by way of short-term profit making in the near future; Being a derivative instrument, excluding the designated derivative instruments which are effective hedging instruments, or derivative instruments to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments. Only the financial instruments that meet one of the following conditions can be designated as financial assets measured at fair value with changes included in current year's profit & loss: the designation can eliminate or significantly reduce the inconsistency in

recognition or measurement of relevant gains or losses caused by different measurement basis of the financial instrument; The formal written document of risk management or investment strategy has stated that the financial instrument portfolio would be managed, evaluated and reported to the key management personnel based on its fair value; hybrid instruments that contain one or more embedded derivatives, unless the embedded derivative does not materially alter the cash flows of the hybrid instrument or it is clear that the embedded derivative should not be separated from the relevant hybrid instrument; hybrid instruments that contain embedded derivatives that are required to be separated but cannot be measured separately at acquisition or at subsequent balance sheet dates.

Financial Assets Measured at Fair Value with Changes Included in Current Year's Profit & Loss are subsequently measured at fair value. Changes in fair value are reported as Gains/(Losses) from Changes in Fair Value. Interests or cash dividends received during the asset holding period are reported as Investment Income. When disposed, the difference between its fair value and the initial cost base is reported as Investment Income/(Loss), Gains/(Losses) from Changes in Fair Value are adjusted accordingly in the meantime.

Investment Held-to-Maturity, refers to a non-derivative financial asset that has a fixed maturity and either fixed or determinable payments, and for which an entity has both the ability and the intention to hold to maturity. The effective interest method is adopted for accounting of the Held-to-Maturity Investment, and such investment is subsequently measured at its amortised cost. The amortization cost, impairment losses, and any gain/(loss) arising from the termination of recognition are included in the current year's Profit & Loss.

Receivables, refers to non-derivative financial assets that have either fixed or determinable recoverable amount that are not quoted on an active market. They are subsequently measured at amortised cost using the effective interest method. The amortization costs, impairment losses, and any gains or losses arising from the termination of recognition are included in the current year's Profit & Loss.

Financial Assets Available-for-Sale refers to non-derivative financial assets that are initially recognized as available for sale, and financial assets which have not been assigned to any of the other financial assets categories. Within this category, investments in equity instruments which are not quoted on an active market and whose fair value cannot be reliably measured, and the derivative financial assets that are linked to and must be settled by delivery of such equity instruments, are subsequently measured at cost. Other assets for which quoted prices in an active market is available or for which there is no quoted price in an active market but whose fair value can be reliably measured are measured at fair value, with changes in fair value reported in Other Comprehensive Income. For such financial assets subsequently measured at fair value, except for impairment losses and exchange gains or losses arising from foreign

currency monetary financial assets, changes in the fair value of Financial Assets Available-for-Sale are recognized directly in shareholders' equity, and upon derecognition of the financial assets, the cumulative amount of changes in fair value previously recognized directly in equity is transferred to profit or loss for the current period. Interest of the available-for-sale debt instruments investment calculated using the effective interest method over the holding period and cash dividends declared by the investee relating to investments in available-for-sale equity instruments are recognized as investment income in current year's Profit & Loss. Investments in equity instruments which has no quotation in the active market and whose fair value cannot be reliably measured are measured at cost.

ii. Measurement and Recognition of Financial Asset Transfers

The financial assets are derecognized when one of the following conditions is satisfied: the contractual right to the cash flows from the financial assets has expired; where the financial asset has been transferred and an enterprise has transferred substantially all the risks and rewards related to the ownership of the financial asset to the transferee; if the financial asset has been transferred, although the enterprise does not transfer or retain substantially all the risks and rewards related to the ownership of the financial asset, the enterprise has waived its control over the financial asset.

Where an enterprise neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset and does not relinquish control over the financial asset, the financial asset shall be recognized to the extent of the entity's continuing involvement in the transferred financial asset and the related liability shall be recognized accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the book value of the transferred financial asset and the sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in Other Comprehensive Income shall be reported in the Profit & Loss of the current period.

If the transfer of partial financial asset satisfies the conditions of derecognition, the entire book value of the transferred financial asset shall be apportioned between the derecognised part and the non-derecognised portion according to their respective fair value. The difference between the sum of consideration received due to the transfer, and the accumulative amount of changes in fair value originally recorded in Other Comprehensive Income that should be apportioned to the derecognized portion, and the apportioned book value above-mentioned shall be recorded in the Profit & Loss of the current period.

iii. Method of Impairment Test and Accounting Treatment of Financial Assets

The Company shall review the book value of each of the financial assets other than Financial Assets Measured at Fair Value with Changes Included in Current Year's Profit & Loss. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision shall be made.

When the financial assets measured at amortised cost are impaired, the provision for impairment shall be made at an amount equals to the difference between the present value of the estimated future cash flow (excluding the future credit loss that has not yet occurred) and the book value. If there is objective evidence that the value of the financial asset has recovered and is objectively related to the events occurring after the loss is recognized, the originally recognized impairment loss shall be reversed and included in the current year's Profits & Loss.

iv. When Financial Assets Available-for-Sale are impaired, the accumulated losses caused by the decrease of fair value which are originally directly included in the owner's equity shall be transferred out and included in the impairment loss. For the debt instrument investment available for sale with impairment loss recognized, if the fair value increases after the period and is objectively related to the events occurred after the original impairment loss is recognized, the original recognized impairment loss shall be reversed and included in the current profit and loss. For the investment in available for sale equity instruments with impairment loss recognized, the increase of fair value afterwards is directly included in the owner's equity.

(2) Financial Liabilities

i. Classification, Recognition and Measurement of Financial Liabilities

The Company's financial liabilities are initially classified into Financial Liabilities Measured at Fair Value with Changes Included in Current Year's Profit & Loss and Other Financial Liabilities.

Financial Liabilities Measured at Fair Value with Changes Included in Current Year's Profit & Loss include Trading Financial Liabilities and financial liabilities initially designated as measured at fair value with changes included in current period's Profits & Loss (relevant classification basis shall be disclosed with reference to classification basis of financial assets). Subsequent measurement is carried out according to the fair value. Any profits or losses arising from changes in the fair value and the dividends and interest expenses related to the financial liabilities are included in the current period's Profit and Loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

ii. Conditions for Derecognition of Financial Liabilities

When the current obligation of a financial liability are fully or partially relieved may the recognition of the financial liability be terminated in all or partly. If the Company and the creditors enter into an agreement to replace the existing financial liabilities by taking on new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, the recognition of the existing financial liability shall be terminated, and new financial liability shall be recognized in the meantime. The difference between the book value of the derecognized part and the consideration paid shall be included in the current period's Profit & Loss.

(3) Fair Value Measurement of Financial Assets and Financial Liabilities

The Company measures the fair value of financial assets and financial liabilities based on quoted prices in the main active markets. If there is no major markets, the fair values of financial assets and financial liabilities are measured based on quoted price in the most favorable market. Valuation techniques that are applicable at that time and supported by sufficient data and other information is adopted. The input value used in fair value measurement can be divided into three hierarchies: Input value of Level 1 is the unadjusted quote prices as at the measurement date in active market for identical assets and liabilities. Input value of Level 2 is the input other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly or indirectly. Level 3 input is the input that is not observable in the market.

(4) Offsetting Financial Assets and Liabilities

The Company's financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other. However, they are presented in the balance sheet in net amounts after offsetting each other if both of the following conditions are met: i. the Company has a legal right to offset the recognized amounts and such legal right is currently enforceable; and ii. the Company plans to settle on a net basis, or to realize the financial asset and pay off the financial liability at the same time.

(5) Distinction between Financial Liabilities and Equity Instruments and Corresponding Accounting Treatment

The Company distinguishes between a financial liability and equity based on the following rules:

i. If the Company cannot unconditionally avoid performing a contractual obligation to transfer cash or another financial asset, such contractual obligation conforms to the definition of financial liabilities. Although some financial instruments do not explicitly contain the terms and conditions of the obligation to deliver cash or other financial assets, they may indirectly form contractual obligations through other terms and conditions.

ii. If a financial instrument needs to be settled or can be settled by delivering the Company's own equity, it is necessary to consider whether the Company's own equity used to settle the instrument shall be recognised as a substitution of cash or other financial assets, or it is used to entitle the instrument owners to the residual equity over the assets that remains after the instrument issuer subtract all liabilities. If it is the former, the instrument is the financial liability of the issuer. If it is the latter, the instrument is the equity instrument of the issuer.

In some circumstances, the financial instrument contract may state that, the Company will or may use its own equity instruments to settle the financial instrument, with the amount of the contractual rights or obligations equals to the number of its own equity instruments deliverable or to be delivered multiplied by its fair value at the time of settlement. Such contractual right or obligation shall be categorized as financial liability regardless of whether it is for a fixed amount or an amount that fluctuates in part or in full in response to changes in a variable other than the market price of the Company's own equity instruments (e.g. an interest rate, a commodity price, or a financial instrument price).

The Company considers all terms and conditions between issuers and holders of the financial instrument when classifying a financial instrument (or a component of it) in consolidated financial statements. An instrument should be classified as a financial liability if the Company has an obligation to deliver cash or another financial asset in respect of the instrument or to settle it in a manner that results in liability classification.

Where a financial instrument or its component parts are classified as financial liabilities, the related interest, dividends, gains or losses, and gains or losses arising from redemption or refinancing are recognized in Profit & Loss for the period.

Where a financial instruments or its component part are classified as equity instruments, the issuance (including refinancing), buy-back, sale or cancellation of the financial instrument shall be treated by the Company as a change in equity. No change in fair value of the equity instrument shall be recognized.

10. Hedging Instrument

The hedging instrument that the Company used include the fair value hedge, cash flow hedge and hedge of a net investment position in a foreign operation. Where the hedging relationship meets the following conditions, changes in the fair value of the hedging instrument, offset by changes in the fair value of the hedged item, are to be recognised in the current year's Profit & Loss:

- (1) The hedging relationship consists of eligible hedging instrument and hedged items only.

(2) At inception of the hedging relationship, the Company shall formally designate and document the hedging instrument, hedged items, and the Company's risk management objectives and strategies. The document shall at least specify the hedging instrument, the hedged item, the nature of the risk been hedged and the hedging effectiveness testing method (including the cause analysis of the hedge ineffectiveness and the determination method of the hedge ratio).

(3) The hedging relationship meets the hedge effectiveness requirements if it satisfies all of the following conditions:

i. the Company recognizes that there is an economic relationship between the hedged item and the hedging instrument. The economic relationship makes the value of the hedging instrument and the hedged item change in the opposite direction when exposed to the same hedged risk.

ii. The effect of credit risk does not dominate the value changes that result from the above-mentioned economic relationship.

iii. The hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

11. Provision for Bad Debts on Accounts Receivables

The Company takes the following situations as the recognition criteria of bad debt loss on receivables: debtor cancellation, bankruptcy, insolvency, serious shortage of cash flow, serious natural disasters, etc., which leads to the debtor's production shutdown and hence its inability to pay debts within the foreseeable future, and other conclusive evidence shows that the debt is impossible or unlikely to recover.

The allowance method is adopted to account the possible bad debt loss. At the end of the reporting period, the impairment test is conducted separately or in combination, and the bad debt provision is recorded and included in the current year's Profit & Loss. Receivables that are proved to be irrecoverable by conclusive evidence shall be regarded as bad debt loss after being approved by the Company according to specified procedures, and the provision for bad debts shall be written off.

(1) Individually Significant Receivables with Provision for Bad Debts Assessed Separately

| | |
|---|--|
| Recognition Criteria & Threshold Amount of Individually Significant Receivables | Individual receivable with an amount of more than 50 million Yuan shall be recognized as individually significant receivables. |
| Measurement of Separate Provision for Bad Debts on Individually Significant Receivables | Provision for Bad Debts are measured at the difference between the present value of future cash flows and its book value. |

(2) Receivables with Provision for Bad Debts Assessed Based on Group of Credit Risk Character**i. Basis of Defining the Group of Credit Risk Character**

Receivables not individually significant and receivables individually significant but not considered as impaired under separate impairment test, are divided into groups according to the similarity and correlation of their embedded credit risk characteristics. These credit risks usually reflect the debtor's ability to repay all due amounts according to the contract terms of the assets, and are related to the measurement of the future cash flow of the inspected assets.

ii. Measurement Based on Group of Credit Risk Character

When the impairment test is carried out for the group, the amount of provision for bad debt is determined according to the combination structure of receivables, the similarities of their credit risk characteristics (e.g. the debtor's ability to repay debts according to the contract terms), past experiences on losses, current economic situation, and the existing loss in the expected receivables combination.

a) Combination 1: Provision for Bad Debts Assessed and Recorded Collectively by Aging Method

| Age of Account | Percentage of Provision for Bad Debts on Accounts Receivables (%) | Percentage of Provision for Bad Debts on Other Receivables (%) |
|--|---|--|
| Less than 1 year (inclusive, the same below) | 5.00 | 5.00 |
| 1-2 years | 10.00 | 10.00 |
| 2-3 years | 50.00 | 50.00 |
| 3-4 years | 80.00 | 80.00 |

| Age of Account | Percentage of Provision for Bad Debts on Accounts Receivables (%) | Percentage of Provision for Bad Debts on Other Receivables (%) |
|-------------------|---|--|
| 4-5 years | 90.00 | 90.00 |
| More than 5 years | 100.00 | 100.00 |

Subsidiaries of the Company, Xuji Electric Co., Ltd. and its subsidiaries, Shanghai Zhixin Electric Co., Ltd., subsidiary of State Grid Yingda Co., Ltd have their percentages of Provision for Bad Debts determined via board resolution. As required by the local government and authorities, State Grid International Development Co., Ltd. and its subsidiary State Grid Brazil Holdings Co., Ltd., SGSP (Aust) Assets Pty Ltd, implement separate impairment test for receivables aging more than 90 days. Corresponding provision for bad debts herewith been estimated and reported. Considering the special regulatory requirements of the local government, no provision for bad debts is made for receivables aged less than 90 days.

b) Combination 2: Provision for Bad Debts Assessed and Recorded by Individual Identification Method

| Name of Combination | Percentage of Provision for Bad Debts on Accounts Receivables (%) | Percentage of Provision for Bad Debts on Other Receivables (%) |
|---|---|--|
| Receivables Expected to be Received not in Full | Calculated % | Calculated % |
| Receivables Expected to be fully Received | 0.00 | 0.00 |

iii. Measurement of Provision for Bad Debts Assessed Separately on Receivables Not Individually Significant

Receivables that are not individually significant but satisfied the conditions below are test for impairment separately:

- a) receivables in dispute with the other party or involved in litigation or arbitration,
- b) receivables with obvious indicators that the debtor is likely to be unable to perform the repayment obligation;
- c) receivables from related parties, etc.

If there is objective evidence indicates that the receivable is impaired, the impairment loss shall be recognized and the excess amount that the book value over the present value of future cash flows. Provision for bad debt shall be reported accordingly.

(3) Reversal of the Provision for Bad Debts

If there is objective evidence indicates that the value of the receivables has recovered and is objectively related to the events occurring after the loss is recognized, the originally recognized impairment loss shall be reversed and included in the current year's Profit & Loss. However, the book value after the reversal shall not exceed the amortised cost of the receivables on the reversal date under the assumption that no provision for impairment is made.

If the company transfers receivables to financial institutions without recourse, the difference after deducting the book value of the transferred receivables and relevant taxes from the transaction amount shall be included in the current year's Profit & Loss.

12. Inventories

The Company's inventory mainly includes raw materials, packaging materials, low value consumables, work-in-progress products, finished goods, etc.

Perpetual inventory system is used as a method of inventory management. Inventory is valued at its acquisition cost. The weighted average method is used to determine the actual cost when inventory is received or delivered. Low value materials and packaging materials are amortised using direct write-off method.

Inventory at the period-end is valued at cost or net realizable value, whichever is lower. For inventory which cost is expected to be uncollectible due to damage, obsolescence in whole or in part, and/or insufficient sales price to cover the cost, provision of inventory impairment shall be recorded. Provision for inventory impairment on stock on hand and bulk raw materials are reported at the difference between the cost of a single inventory item and its net realizable value. Provision for inventory impairment on other raw and auxiliary materials with large quantity and low unit price are reported according to category.

The net realizable value of inventory directly held for sale, such as stock on hand, work-in-progress products and materials for sale, shall be determined by the estimated selling price of the inventory minus the estimated selling expenses and relevant taxes. The net realizable value of inventory used for production shall be determined by the estimated selling price of finished goods minus the estimated cost to be incurred at the time of completion, the estimated amount of sales expenses and related taxes.

13. Contractual Assets

Contract assets, refer to the right that domestic listed companies and overseas subsidiaries of the Company that have implemented the new accounting standard has to receive consideration from customers after transferred goods to them, and such right depends on other factors other than the passage of time.

14. Long-term Equity Investment

(1) Determine the Judgment of Having Control, Joint Control or Significant Influence on the Invested Unit

The Company's long-term equity investment mainly includes the equity investment held by the Company that can control and have a significant impact on the investee, as well as the equity investment in its joint venture.

Control means that the Company has the right to the investee, enjoys variable return by participating in the relevant activities of the investee, and has the ability to use the right to the investee to influence the amount of return.

Joint control refers to the common control of an arrangement according to relevant agreements, and the related activities of the arrangement can only be decided after the consensus of the participants who share the control right. Joint venture arrangement refers to an arrangement jointly controlled by two or more participants. A joint venture refers to a joint venture arrangement in which the joint venture party only has the right to the net assets of the arrangement.

Significant influence refers to the right to participate in the decision-making of the financial and operating policies of the investee, but not to control or jointly control the formulation of these policies with other parties. The determination of significant impact is mainly based on the representation in the board of directors or similar authority of the invested unit and the implementation of significant impact through the right to speak in the financial and operational decision-making process of the invested unit. The Company directly or indirectly owns more than 20% (inclusive) but less than 50% of the voting shares of the invested unit through its subsidiaries, if there is clear evidence that it cannot participate in the production and operation decisions of the investee under such circumstances, it cannot form a significant impact. When determining whether the Company can exert significant influence on the investee, on the one hand, the Company will consider the voting shares of the investee directly or indirectly held, and on the other hand, the influence of the current executable potential voting rights held by the Company and other parties on the assumption that they are converted into the equity of the

investee, such as the current convertible warrants issued by the investee, share options and convertible bonds.

(2) Recognition of Initial Cost, Subsequent Measurement and Recognition of Profit and Loss

If cash payment, transfer of non-cash assets or assumption of liabilities are taken as the merger consideration, the share of the book value of the owner's equity of the merged party in the consolidated financial statements of the ultimate controller shall be taken as the initial investment cost of the long-term equity investment on the merger date. According to the difference between the initial investment cost of long-term equity investment and the book value of cash paid, non-cash assets transferred and debts undertaken, the equity premium in the capital reserve shall be adjusted; if the equity premium in the capital reserve is insufficient to be offset, the retained earnings shall be adjusted.

If the issue of equity securities is taken as the merger consideration, on the merger date, the share of the book value of the owner's equity of the merged party in the final controlling party's consolidated financial statements shall be taken as the initial investment cost of the long-term equity investment, and the total par value of the issued shares shall be taken as the share capital. The difference between the initial investment cost of the long-term equity investment and the total par value of the issued shares shall be calculated and adjusted against the equity premium in the capital reserve. If the equity premium in the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

Business combination not under the same control: the company takes the combination cost determined on the purchase date as the initial investment cost of long-term equity investment.

Audit, legal services, evaluation and consultation intermediary fees and other related management fees incurred for business combination shall be included in the current profits and losses when they occur. Transaction costs of equity securities or debt securities issued as merger consideration shall be included in the initial recognition amount of equity securities or debt securities.

In addition to the above-mentioned long-term equity investment obtained through business combination, the long-term equity investment obtained by paying cash shall be regarded as the investment cost according to the purchase price actually paid; the long-term equity investment obtained by issuing equity securities shall be regarded as the investment cost according to the fair value of issuing equity securities; the long-term equity investment invested by investors shall be regarded as the investment cost according to the investment contract or agreement. The long-term equity investment obtained by means of debt restructuring and exchange of non-monetary assets shall be determined according to relevant accounting standards.

The Company adopts the cost method to calculate the long-term equity investment that can control the invested unit; and the equity method to calculate the investment in associates and joint ventures.

When the cost method is adopted, the long-term equity investment is valued at the initial investment cost, and the cost of the long-term equity investment is adjusted when the investment is added or recovered. The profits or cash dividends declared and distributed by the investee are recognized as investment income.

When the equity method is adopted for accounting, the difference between the initial investment cost and the fair value share of the investee's identifiable net assets at the time of investment shall not be adjusted; the difference between the initial investment cost and the fair value share of the investee's identifiable net assets at the time of investment shall be included in the current profits and losses, and the cost of long-term equity investment shall be adjusted at the same time. After obtaining the long-term equity investment, the investment income and other comprehensive income shall be recognized respectively according to the share of the net profit and loss and other comprehensive income of the investee that should be enjoyed or shared in the current year, and the book value of the long-term equity investment shall be adjusted at the same time; the investor shall calculate the part that should be enjoyed according to the profit or cash dividend declared and distributed by the investee, and the long-term equity investment shall be reduced accordingly. The investor shall adjust the book value of the long-term equity investment and include it in the owner's equity for other changes in the owner's equity of the investee except for the net profit and loss, other comprehensive income and profit distribution. When confirming the share of the net profit and loss of the investee, the net profit of the investee shall be adjusted according to the accounting policies and accounting period of the company on the basis of the fair value of the identifiable assets of the investee when obtaining the investment, and the unrealized internal transaction profit and loss between the joint venture and the associated enterprise shall be offset, and the profit and loss shall be calculated and attributed to the joint venture according to the share proportion. The investment income is recognized on the basis of the part of the investment enterprise.

(3) Changes to the Long-term Equity Investment

If the invested entity can be under common control or significant influence due to additional investment and other reasons, but it does not constitute control, the sum of the fair value of the equity investment originally held and classified as financial assets available for sale plus the new investment cost shall be regarded as the initial investment cost calculated according to the equity method. The difference between the fair value and the book value, as well as the changes in the accumulated fair value originally included in other comprehensive income, are transferred to the current profits and losses accounted by the equity method. The difference between the

initial investment cost calculated above and the fair value share of the investee's identifiable net assets on the additional investment date calculated and determined according to the new shareholding ratio after the additional investment. If the former is greater than the latter, the book value of the long-term equity investment shall not be adjusted; if the former is less than the latter, the book value of the long-term equity investment shall be adjusted and included in the current period's profit and loss.

For the long-term equity investment that can control the investee not under the same control due to additional investment and other reasons, when preparing individual financial statements, the sum of the book value of the equity investment originally held plus the new investment cost shall be taken as the initial investment cost calculated according to the cost method. Other comprehensive income of equity investment recognized by equity method before the purchase date shall be accounted on the same basis as the investee's direct disposal of relevant assets or liabilities. If the equity investment held before the purchase date is classified as available for sale financial assets for accounting treatment, the changes in the accumulated fair value originally included in other comprehensive income will be transferred to the current profit and loss when the cost method is adopted.

If the company no longer has joint control or significant influence on the investee due to the disposal of part of equity investment and other reasons, and the remaining equity after disposal is classified as available for sale financial assets, the difference between the fair value and the book value on the date of losing joint control or significant influence shall be included in the current profits and losses. The other comprehensive income of the original equity investment recognized by the equity method shall be accounted on the same basis as the direct disposal of relevant assets or liabilities by the invested entity when the equity method is terminated.

If the investor loses the control over the investee due to disposal of part of the equity investment and other reasons, and the residual equity after disposal can jointly control or exert significant influence on the investee in the preparation of individual financial statements, the equity method shall be adopted for accounting, and the residual equity shall be adjusted as if the equity method had been adopted since it was obtained. If the residual equity after disposal cannot exercise joint control or significant influence on the investee and is classified as available for sale financial assets, the difference between the fair value and the book value on the date of loss of control shall be included in the current profits and losses.

(4) Disposal of Long-term Equity Investment

For disposal of long-term equity investment, the difference between the book value and the actual price shall be included in the current investment income. For the long-term equity investment accounted by the equity method, when disposing of the investment, the part

originally included in other comprehensive income shall be accounted according to the corresponding proportion on the same basis as the investee's direct disposal of relevant assets or liabilities.

15. Investment Property

The Company's investment property includes the right to use any land which has already been rented, the right to use any land which is held and prepared for transfer after appreciation, and the right to use any building which has already been rented.

The Company's investment property is initially valued at its cost. Cost of outsourcing investment property includes the purchase price, relevant taxes and other expenses directly attributable to the asset; the cost of self-construction investment property consists of the necessary expenses incurred before the construction of the asset reaches the expected usable state.

When the purpose of investment property is changed to self-use, the investment property shall be converted into fixed assets or intangible assets from the date of change. When the purpose of self-use property is changed to earn rent or capital appreciation, fixed assets or intangible assets will be converted into investment property from the date of change. In case of conversion, the book value before conversion shall be taken as the entry value after conversion.

When an investment property is disposed of, or permanently withdrawn from use, and it is not expected to obtain economic benefits from its disposal, the recognition of the investment property shall be terminated. The amount of the disposal income from the sale, transfer, scrapping or damage of the investment real estate after deducting its book value and relevant taxes is included in the current profits and losses.

16. Fixed Assets

The fixed assets of the company refer to the tangible assets with the all of the following characteristics, that is, the tangible assets are held for the production of goods, the provision of labor services, leasing or operation and management, and the useful life is more than one year.

Fixed assets include land, buildings, machinery and equipment, transportation vehicles, electronic equipment, office equipment, hotel furniture and others. The cost at the time of acquisition is taken as the entry value. Among them, the cost of purchased fixed assets includes purchase price, import duties and other related taxes, as well as the cost incurred before the fixed assets reach the expected serviceable state, which can be directly attributed to the fixed assets. The cost of self-built fixed assets consists of the necessary expenses incurred before the construction of the assets reaches the expected serviceable state; the fixed assets invested by

investors shall be recorded according to the value agreed in the investment contract or agreement, but if the value agreed in the contract or agreement is unfair, it shall be recorded according to the fair value; the fixed assets leased by financial leasing shall be recorded according to the lease value at the lower of the fair value of the leased assets and the present value of the minimum lease payment on the start date shall be regarded as the entry value (if the new lease standard is implemented, this content shall be deleted).

Subsequent expenses related to fixed assets, including repair expenses and renovation expenses, are included in the cost of fixed assets if they meet the recognition conditions of fixed assets, and the book value of the replaced part is derecognized; if they do not meet the recognition conditions of fixed assets, they are included in the current profits and losses when they occur.

Except for the fixed assets that have been fully depreciated and are still in use and the land that has been separately valued and recorded, the company accrues depreciation on all fixed assets. The straight-line method (or other methods) is adopted for depreciation, and it is included in the cost of relevant assets or current expenses according to the purpose. The classified useful life, estimated salvage value rate and depreciation rate of the company's fixed assets are as follows:

| No. | Category | Useful Life (Year) | Salvage Value (%) | Annual Dep'n Rate (%) |
|-----|-----------------------|--------------------|-------------------|-----------------------|
| 1 | Land | | | |
| 2 | Plant & Buildings | 5-45 | 5 | 2.11-19.00 |
| 3 | Machinery & Equipment | 7-30 | 0-5 | 3.17-14.29 |
| 4 | Transport Vehicles | 6-10 | 0-5 | 9.50-16.67 |
| 5 | Electronics | 5-12 | 0-5 | 7.92-20.00 |
| 6 | Office Equipment | 5-10 | 0-5 | 9.50-20.00 |
| 7 | Hotel Furniture | 5-8 | 5 | 11.88-19.00 |
| 8 | Others | 5-12 | 0-5 | 7.92-20.00 |

At the end of each year, the company reviews the estimated useful life, estimated salvage value and depreciation method of fixed assets. If there is any changes, it will be treated as changes of accounting estimate.

When a fixed asset is disposed of, or it is not expected to generate economic benefits through use or disposal, the recognition of the fixed asset shall be terminated. The amount of the disposal income from the sale, transfer, scrapping or damage of fixed assets after deducting its book value and relevant taxes is included in the current profits and losses.

17. Construction in Progress

Construction in progress is measured according to the actual cost. Self-supporting construction projects are measured by direct materials, direct wages, direct construction costs, etc.; contracted construction projects are measured by project price payable, etc.; equipment installation projects are determined by the value of installed equipment, installation costs, expenses incurred in project commissioning, etc. The cost of construction in progress also includes the borrowing costs and exchange gains and losses that should be capitalized.

From the date when the project under construction reaches the expected serviceable state, it shall carry forward the fixed assets according to the estimated value according to the project budget, cost or actual cost, and the depreciation shall be withdrawn from the next month, and the original value difference of fixed assets shall be adjusted after the completion of final accounts.

18. Borrowing Costs

Borrowing costs include interest, amortization of discount or premium, auxiliary costs and exchange differences due to foreign currency loans. The borrowing costs that can be directly attributable to the acquisition, construction or production of the assets that meet the capitalization conditions begin to be capitalized when the asset expenditure has occurred, the borrowing costs have occurred, and the acquisition, construction or production activities necessary to make the assets reach the expected serviceable or marketable state have started; when the acquisition, construction or production of the assets that meet the capitalization conditions reach the expected serviceable or marketable state, the borrowing costs will be capitalized. Stop capitalization. Other borrowing costs are recognized as expenses in the current period.

The actual interest expense of the special loan in the current period is capitalized after deducting the interest income from the unused loan fund deposited in the bank or the investment income from temporary investment. The capitalization amount of general borrowings is determined by multiplying the weighted average asset expenditure of the part where the accumulated asset expenditure exceeds the special borrowings by the weighted average interest rate of the general borrowings occupied.

Assets eligible for capitalization refer to fixed assets, investment real estate, inventory and other assets that need a long time (usually more than one year) of acquisition and construction or production activities to reach the expected usable or marketable state.

If the acquisition, construction or production of assets meeting the capitalization conditions is interrupted abnormally for more than three months, the capitalization of borrowing costs shall be suspended until the acquisition, construction or production of assets starts again.

19. Intangible Assets

The intangible assets of the company include land use right, patent right, non patented technology, software, franchise, etc., which are measured according to the actual cost at the time of acquisition. For the intangible assets purchased, the actual cost shall be the price actually paid and other relevant expenses; for the intangible assets invested by investors, the actual cost shall be determined according to the value agreed in the investment contract or agreement, but the actual cost shall not be determined according to the contract or agreement. If the agreed value is unfair, the actual cost shall be determined according to the fair value.

For the intangible assets owned by the acquiree but not recognized in its financial statements obtained from business combination not under the same control, when the acquiree's assets are initially recognized, if one of the following conditions is met, they shall be recognized as intangible assets according to their fair value: (1) Derived from the same rights or other legal rights; (2) Can be separated or divided from the acquiree, and can be recognized as intangible assets. Sold, transferred, licensed, leased or exchanged individually or in combination with related contracts, assets and liabilities.

The right to the use of land shall be averagedly amortised according to the period of transfer from the date of transfer; patented technology, non patented technology and other intangible assets shall be averagedly amortised by stages according to the shortest of the expected service life, the beneficial life stipulated in the contract and the effective life stipulated in the law. The amortization amount is included in the cost of relevant assets and current profit and loss according to the beneficiary.

The estimated service life and amortization method of intangible assets with limited service life shall be reviewed at the end of each year. If there is any change, it shall be treated as the change of accounting estimate. In each accounting period, the expected service life of intangible assets with uncertain service life shall be reviewed. If there is evidence that the service life of intangible assets is limited, the service life of intangible assets shall be estimated and amortised within the expected service life.

20. Research and Development

The company's R&D expenditure is divided into research stage expenditure and development stage expenditure according to its nature and whether there is great uncertainty in the final formation of intangible assets from R&D activities. The expenditure in the research stage shall

be included in the current profits and losses when it occurs; the expenditure in the development stage shall be recognized as intangible assets if it meets the following conditions at the same time:

- (1) It is technically feasible to complete the intangible assets so that they can be used or sold,
- (2) It has the intention to complete the intangible assets and use or sell them,
- (3) There is a market for the products produced by using the intangible assets or there is a market for the intangible assets themselves,
- (4) Have sufficient technical, financial and other resources to support the development of the intangible assets, and have the ability to use or sell the intangible assets,
- (5) The expenditure attributable to the development stage of the intangible assets can be measured reliably.

The expenses in the development stage that do not meet the above conditions shall be included in the current profits and losses when they occur. The development expenditure that has been included in the profit and loss in the earlier period shall not be recognized as assets in the later period. The capitalized development expenditures are listed as development expenditures on the balance sheet, and are transferred to intangible assets from the date when the project reaches the expected serviceable state.

21. Long-term Deferred Expenses

The long-term deferred expenses of the company refer to the expenses that have been paid but should be borne by the current period and subsequent periods with an amortization period of more than one year (excluding one year), and these expenses are averagely amortized in the benefit period. If the long-term deferred expenses cannot benefit the future accounting period, the unamortized amortization value of the project will be transferred to the current profit and loss.

22. Goodwill

Goodwill refers to the difference between the cost of equity investment or the cost of business combination not under the same control and the fair value share of the investee's or the acquiree's identifiable net assets on the acquisition date or the acquisition date.

Goodwill related to subsidiaries is listed separately in the consolidated financial statements. Goodwill related to joint ventures and joint ventures is included in the book value of long-term equity investment.

23. Impairment of Non-Financial Long-term Assets

The company checks the long-term equity investment, fixed assets, construction in progress, intangible assets with limited service life and other items on each balance sheet date. When there are the following signs, it indicates that the assets may be impaired, and the company will carry out the impairment test. For intangible assets with uncertain goodwill and service life, no matter whether there are signs of impairment, impairment test is conducted at the end of each year. If it is difficult to test the recoverable amount of a single asset, the test shall be based on the asset group or combination of asset groups to which the asset belongs.

After the impairment test, if the book value of the asset exceeds its recoverable amount, the difference is recognized as impairment loss. Once the impairment loss of the above asset is recognized, it will not be reversed in the future accounting period. The recoverable amount of an asset refers to the higher one between the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset.

Signs of impairment are as follows:

- (1) The market price of the assets falls sharply in the current period, which is significantly higher than the expected decline due to the passage of time or normal use.
- (2) The economic, technological or legal environment in which the enterprise operates and the market in which the assets are located have significant changes in the current period or in the near future, which will have adverse effects on the enterprise.
- (3) The market interest rate or other market rate of return on investment has increased in the current period, which affects the discount rate of the enterprise to calculate the present value of the expected future cash flow of the assets, resulting in a significant reduction in the recoverable amount of the assets.
- (4) There is evidence to show that the assets are out of date or the entity has been damaged.
- (5) The assets have been or will be idle, terminated or planned to be disposed in advance.
- (6) The evidence of the internal report of the enterprise shows that the economic performance of the assets has been or will be lower than the expected, such as the net cash flow created by the assets or the realized operating profit (or loss) is far lower (or higher) than the expected amount, etc.
- (7) Other indications that assets may have been impaired.

24. Contractual Liabilities

Domestic listed entities and oversea subsidiaries of the Group that implement new accounting standards presents contract assets or contract liabilities in the balance sheet according to the relationship between performance of obligations and payment by customers. The company's obligation to transfer or provide services to customers for consideration received or receivable from customers is listed as contract liabilities.

25. Payroll

The employee compensation of the company refers to various forms of remuneration or compensation given by the company to obtain the services provided by employees or terminate the labor relationship, including short-term remuneration, post-employment welfare, dismissal welfare and other long-term employee welfare. The benefits provided by the company to employees' spouses, children, dependants, deceased employees' family members and other beneficiaries also belong to employee compensation.

(1) Short term salary, refers to the salary that the company needs to pay within 12 months after the end of the annual report period when the employees provide relevant services, except for the compensation given due to the termination of the labor relationship with the employees. The company's short-term salary includes: employee salary, bonus, allowance and subsidy, employee welfare, medical insurance, industrial injury insurance, maternity insurance and other social insurance, housing accumulation fund, labor union funds and employee education funds, short-term paid absence, short-term profit-sharing plan, non-monetary welfare and other short-term salary.

During the accounting period when employees provide services, the company will recognize the actual short-term compensation as liabilities, and include it into the current profit and loss or relevant asset costs according to the beneficiaries of the services provided by employees. If short-term salary is non-monetary welfare, it shall be measured at fair value.

(2) Post-employment welfare refers to various forms of remuneration and welfare provided by the company after the employees retire or terminate the labor relationship with the company in order to obtain the services provided by the employees, except for short-term remuneration and dismissal welfare.

The defined contribution plan of the company refers to the payment of basic endowment insurance, unemployment insurance and enterprise annuity for employees in accordance with the relevant provisions of the local government. During the accounting period when employees provide services for the company, the amount payable is calculated according to the payment

base and proportion specified by the local government, recognized as liabilities, and included in the current profits and losses or related asset costs.

The company establishes an enterprise annuity, which is jointly paid by the company and individuals. The part paid by the company shall be disbursed from the cost of the company, and the part paid by the individual shall be withheld and paid by the company from the wages of the employees.

According to the formula determined by the expected cumulative welfare unit method, the welfare obligations arising from the defined benefit plan are attributed to the period when employees provide services, and are included in the current profits and losses or related asset costs. The deficit or surplus formed by the present value of defined benefit plan obligations minus the fair value of defined benefit plan assets is recognized as the net liabilities or net assets of a defined benefit plan. If there is surplus in the defined benefit plan, the company measures the net assets of the defined benefit plan by the lower of the surplus and the upper limit of assets.

All defined benefit plan obligations, including the obligations expected to be paid within 12 months after the end of the annual report period in which employees provide services, are discounted according to the market yield of national bonds or high-quality corporate bonds in the active market that match the period and currency of defined benefit plan obligations on the balance sheet date.

The service cost and the net interest of the net liabilities or assets of the defined benefit plan are included in the current profit and loss or related asset costs; the changes arising from remeasuring the net liabilities or assets of the defined benefit plan are included in other comprehensive income and are not reversed to profit and loss in the subsequent accounting period.

In the settlement of defined benefit plan, the settlement gains or losses shall be recognized according to the difference between the present value of defined benefit plan obligations and the settlement price determined on the settlement date.

(3) Dismissal welfare refers to the compensation given by the company to the employees to terminate the labor relationship with them before the expiration of their labor contract, or to encourage them to accept the layoff voluntarily. Although the employee does not terminate the labor contract with the company, but no longer provides services for the company in the future, which cannot bring economic benefits to the company, and the company promises to provide economic compensation with the nature of dismissal welfare in essence. In case of "early retirement", the employee shall be treated according to the dismissal welfare before the formal

retirement date, and after the formal retirement date, according to the Treatment of post-employment benefits.

If the company provides dismissal benefits to employees, when the company can not unilaterally withdraw the dismissal benefits provided by the labor relationship termination plan or layoff proposal, or when the company confirms the costs or expenses related to the restructuring of the payment of dismissal benefits, whichever is earlier, the employee compensation liabilities arising from the dismissal benefits shall be recognized and included in the current profits and losses.

For the dismissal welfare that cannot be fully paid within 12 months after the end of the annual report period and the dismissal plan that the substantive dismissal work is completed within one year but the compensation payment is more than one year, the company selects the appropriate discount rate and measures the amount of dismissal welfare accrued in the current profit and loss with the discounted amount.

(4) Other long-term employee benefits refer to all employee benefits except short-term compensation, post-employment benefits and dismissal benefits, including long-term paid absence, long-term disability benefits, long-term profit-sharing plan, etc.

If other long-term employee benefits provided by the company to employees meet the conditions of defined contribution plan, accounting treatment shall be conducted in accordance with relevant provisions of defined contribution plan. If other long-term employee benefits provided by the company to employees meet the conditions of the defined benefit plan, the company shall confirm and measure the net burden of other long-term employee benefits in accordance with the relevant provisions of the defined benefit plan Components: service cost; net interest of other long-term employee welfare net liabilities or net assets; changes caused by remeasuring other long-term employee welfare net liabilities or net assets. The total net amount is included in the current profit and loss or related asset cost.

26. Share-based Payment

Share based payment refers to the transaction of granting equity instruments or undertaking liabilities based on equity instruments in order to obtain services provided by employees or other parties. Share based payment is divided into equity settled share based payment and cash settled share based payment.

Equity settled share based payment in exchange for services provided by employees shall be measured at the fair value of equity instruments granted to employees on the date of grant. The amount of the fair value can only be exercised after the completion of the services within the waiting period or the achievement of the specified performance conditions. During the waiting

period, based on the best estimate of the number of equity instruments, it is calculated and included in the relevant costs or expenses according to the straight-line method, and the capital reserve is increased accordingly.

The cash settled share based payment shall be measured according to the fair value of the liabilities determined on the basis of shares or other equity instruments undertaken by the company. If the right can be exercised immediately after the grant, the fair value of the liabilities assumed shall be included in the relevant costs or expenses on the grant date, and the liabilities shall be increased accordingly; if the right can only be exercised after the completion of the services within the waiting period or the achievement of the specified performance conditions, on each balance sheet date of the waiting period, based on the best estimate of the situation of the right to be exercised, according to the fair value of the liabilities assumed by the company, the right to be exercised shall be calculated. The services obtained in the current period are included in the costs or expenses, and the liabilities are adjusted accordingly.

On each balance sheet date and settlement date before the settlement of the relevant liabilities, the fair value of the liabilities is re measured, and the changes are included in the current profits and losses.

27. Bonds Payable

Non-convertible corporate bonds issued by the company shall be treated as liabilities according to the amount actually received (deducting relevant transaction costs); The difference between the amount actually received from the bond issuance and the total face value of the bond is regarded as the bond premium or discount, which is amortised at the time of interest accrual according to the effective interest rate during the duration of the bond, and handled according to the principle of borrowing costs.

28. Provisions

When the business related to external guarantee, pending litigation or arbitration, product quality assurance and other contingencies meet the following conditions at the same time, the company will recognize it as a liability: the obligation is the current obligation undertaken by the company; the performance of the obligation is likely to lead to the outflow of economic benefits from the enterprise; the amount of the obligation can be reliably measured.

The estimated liabilities are initially measured according to the best estimate of the expenditure required to fulfill the relevant current obligations, and the factors such as risks, uncertainties and time value of money related to contingencies are comprehensively considered. If the time value of money has a significant impact, the best estimate is determined by discounting the relevant

future cash outflow. On each balance sheet date, the book value of the estimated liabilities is reviewed. If there is any change, the book value is adjusted to reflect the current best estimate.

29. Revenue Recognition

The operating income of the company mainly includes income from selling goods, income from providing labor services, income from transferring the right to use assets and income from construction contracts. The revenue recognition principles are as follows:

(1) The company has transferred the main risks and rewards of the ownership of the goods to the buyer, the company does not retain the continuous management right usually associated with the ownership, nor does it effectively control the sold goods, the amount of income can be reliably measured, and the relevant economic benefits are likely to flow into the enterprise. When the relevant costs incurred or to be incurred can be reliably measured, the realization of sales revenue is recognized.

(2) The company recognizes the realization of service income when the total income and total cost of service can be reliably measured, the economic benefits related to service are likely to flow into the company, and the completion progress of service can be reliably determined. On the balance sheet date, if the result of providing labor service transaction can be reliably estimated, the relevant labor service income shall be recognized according to the percentage of completion method, and the percentage of completion shall be determined according to the measurement of completed work / the proportion of labor service provided in the total labor service to be provided / (the proportion of cost incurred in the estimated total cost). If the transaction result of providing labor services cannot be reliably estimated and the labor costs incurred are expected to be compensated, the income from providing labor services shall be recognized according to the amount of labor costs incurred that can be compensated, and the labor costs incurred shall be carried forward; if the transaction result of providing labor services cannot be reliably estimated and all labor costs incurred are expected to be unable to be compensated, the income from providing labor services shall be recognized. The labor cost incurred is included in the current profit and loss, and the income from providing labor service is not recognized.

(3) When the economic benefits related to the transaction are likely to flow into the company and the amount of income can be reliably measured, the realization of the income from transferring the right to use assets shall be recognized.

(4) For listed companies and overseas entities of the Group that have implemented the new revenue standards, revenue are recognized based on the following rules:

Revenue is recognized when the performance obligation in the contract is fulfilled, that is, when the customer obtains control of the relevant goods or services.

If the contract contains two or more performance obligations, transaction price is apportioned to each single performance obligation at the beginning of the contract according to the relative proportion of the single price of the goods or services promised by each single performance obligation, and the income is measured according to the transaction price allocated to each single performance obligation.

The transaction price refers to the amount of consideration entitled to receive due to the transfer of goods or services to customers, excluding the amount collected on behalf of a third party. The transaction price shall not exceed the amount that the accumulated recognized income is unlikely to have significant reversal when the relevant uncertainty is eliminated. The amount expected to be returned to the customer is not included in the transaction price as a liability. If there is significant financing element in the contract, transaction price shall be determined according to the amount payable in cash at the time that the customer obtains the control right of goods or services. The difference between the transaction price and the contract consideration shall be amortised with the effective interest method during the contract period. On the commencement date of the contract, if the interval between the customer's acquisition of control over the goods or services and the customer's payment is expected to be not more than one year, the major financing elements in the contract shall not be considered.

If one of the following conditions is met, obligation shall be performed within a certain period of time; otherwise, the obligation shall be performed at a certain point of time:

- i. The customer obtains and consumes the economic benefits of performance while performing the contract.
- ii. Customers can control the goods under construction during the performance of the contract.
- iii. The goods produced in the course of performance have irreplaceable uses, and the entity has the right to collect money for the performance part that has been completed so far during the whole contract period.

For the performance obligations performed within a certain period of time, revenue shall be recognized according to the performance progress within that period. If the performance progress cannot be reasonably determined, and the company's costs incurred are expected to be compensated, the revenue shall be recognized according to the cost amount incurred until the performance progress can be reasonably determined.

For the performance obligation performed at a certain time point, revenue shall be recognized when the customer obtains the control right of relevant goods or services. In determining whether a customer has acquired control of goods or services, the following signs shall be considered:

- i. Entitlement to receive payment for the goods or services.
- ii. The legal ownership of the goods has been transferred to the customer.
- iii. Goods in kind has been transferred to customers.
- iv. Main risks and rewards of the goods ownership has been transferred to the customers.
- v. The customer has accepted the goods or services, etc.

Goods or services that have been transferred to customers with entitlement to receive consideration is listed as contract assets. Entitlement to collect consideration from customers unconditionally is listed as receivables. Obligation to transfer goods or services to customers after receiving the consideration from customers shall be listed as contract liabilities.

30. Construction Contract

When the total contract revenue of the company can be reliably measured, the economic benefits related to the contract are likely to flow into the company, the actual contract cost can be clearly distinguished and reliably measured, and the contract completion progress and the cost to complete the contract can be reliably determined, the contract revenue and contract expenses shall be recognized by the percentage of completion method on the balance sheet date. When the percentage of completion method is adopted, the contract completion schedule is determined according to the proportion of the actual contract cost in the estimated total contract cost / the proportion of the completed contract workload in the estimated total contract workload / the actual measured completion schedule.

When the result of a construction contract cannot be estimated reliably, if the contract cost can be recovered, the contract revenue shall be recognized according to the actual contract cost that can be recovered, and the contract cost shall be recognized as cost in the current period when it occurs; if the contract cost cannot be recovered, it shall be recognized as cost immediately when it occurs, and no revenue shall be recognized.

The company checks the construction contract at the end of the period. If the estimated total cost of the construction contract will exceed the estimated total revenue of the contract, the company withdraws the loss provision and recognizes the estimated loss as the current cost.

The listed companies and overseas subsidiaries that have implemented the new accounting standards shall perform the accounting treatment accordingly.

31. Government Subsidies

Government subsidy means that the company obtains monetary assets or non monetary assets free of charge from the government. Government subsidies shall be recognized when the company can meet the attached conditions and receive them.

If the government subsidy is a monetary asset, it shall be measured according to the amount actually received; if the subsidy is appropriated according to a fixed quota standard, or if there is conclusive evidence at the end of the period that it can meet the relevant conditions of the financial support policy and is expected to receive the financial support fund, it shall be measured according to the amount receivable; if the government subsidy is a non monetary asset, it shall be measured according to the fair value, If the fair value cannot be obtained reliably, it shall be measured according to the nominal amount (1 yuan).

The government subsidies of the company are divided into asset related government subsidies and income related government subsidies. Among them, the government subsidies related to assets refer to the government subsidies obtained by the company for the purchase and construction of long-term assets or formed in other ways; the government subsidies related to income refer to the government subsidies other than those related to assets. If the government documents do not specify the subsidy object, the company will make judgment according to the above differentiation principle. If it is difficult to distinguish, it will be classified as the government subsidy related to income.

Government subsidies related to assets shall be offset against the book value of relevant assets or recognized as deferred income.

The government subsidies related to assets recognized as deferred income shall be included in the profits and losses by stages in a reasonable and systematic way within the service life of relevant assets.

If the relevant assets are sold, transferred, scrapped or damaged before the end of their service life, the balance of relevant deferred income that has not been allocated shall be transferred to the profits and losses of the current period of asset disposal.

The government subsidies related to income, which are used to compensate the related costs or losses in the future period, are recognized as deferred income, and are included in the current profits and losses or offset the related costs during the period when the related costs or losses are recognized; those used to compensate the related costs or losses that have occurred are

directly included in the current profits and losses or offset the related costs. Government subsidies related to daily activities shall be included in other income or offset related costs according to the essence of economic business. Government subsidies unrelated to daily activities shall be included in non-operating income and expenditure.

If the company obtains the discount of policy preferential loans, it should distinguish between the two situations that the finance allocates the discount funds to the lending bank and the finance allocates the discount funds directly to the company, and carry out accounting treatment according to the following principles:

(1) If the finance allocates the discount fund to the lending bank and the lending bank provides the loan to the company at the preferential policy interest rate, the company takes the actual amount of the loan received as the entry value of the loan, The relevant borrowing costs are calculated according to the principal of the loan and the preferential policy interest rate (or the fair value of the loan is taken as the entry value of the loan, and the borrowing costs are calculated according to the effective interest method. The difference between the amount actually received and the fair value of the loan is recognized as deferred income. The deferred income is amortised with the effective interest method during the duration of the loan to offset the relevant borrowing costs.

(2) The finance will directly allocate the discount fund to the company, and the company will offset the corresponding discount against the relevant borrowing costs.

If the recognized government subsidies of the company need to be returned, the accounting treatment shall be carried out according to the following provisions in the current period when they need to be returned:

(1) If the book value of relevant assets is offset at the time of initial recognition, the book value of assets shall be adjusted.

(2) If there are relevant deferred income, the book balance of relevant deferred income shall be offset, and the excess part shall be included in the current profit and loss.

(3) In other cases, it shall be directly included in the current profits and losses.

32. Deferred Tax Assets and Deferred Tax Liabilities

The company's deferred income tax assets and liabilities are calculated and recognized according to the difference (temporary difference) between the tax basis of assets and liabilities and their book value. As for the deductible loss and tax deduction that can offset the taxable income in future years according to the tax law, it is regarded as temporary difference and the

corresponding deferred income tax assets are recognized. On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured according to the applicable tax rate during the period when the assets are expected to be recovered or the liabilities are expected to be settled.

The company recognizes the deferred income tax assets generated by the deductible temporary differences to the extent that it is likely to obtain the taxable income used to offset the deductible temporary differences. For the recognized deferred income tax assets, when it is estimated that it is impossible to obtain enough taxable income to offset the deferred income tax assets in the future, the book value of the deferred income tax assets shall be written down. When it is likely to obtain enough taxable income, the amount written down shall be reversed.

33. Leases

The company divides the lease into financing lease and operating lease on the lease beginning date.

Financial leasing is a kind of leasing which transfers all the risks and rewards related to the ownership of assets. When the company is the lessee, on the lease beginning date, the lower of the fair value of the leased assets and the present value of the minimum lease payment on the lease beginning date is taken as the entry value of the fixed assets under financing lease, the minimum lease payment is taken as the entry value of the long-term accounts payable, and the difference between the two is recorded as unrecognized financing expenses.

Operating lease refers to other leases except financing lease. The rent of the company as the lessee is included in the relevant asset cost or current profit and loss according to the straight-line method in each period of the lease term, and the rent of the company as the lessor is recognized as income according to the straight-line method in each period of the lease term.

34. Non-current Assets Held-for-Sale

The company divides the non current assets or disposal groups meeting the following conditions into held for sale:

- i. According to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under the current situation;
- ii. The sale is very likely to occur, that is, a decision has been made on a sale plan and a firm purchase commitment has been obtained, and the sale is expected to be completed within one year. If the relevant provisions require the approval of relevant authorities or regulatory authorities before the sale, relevant approval shall be obtained. Before the company divides the

non current assets or disposal group into held for sale categories for the first time, the book value of various assets and liabilities in the non current assets or disposal group shall be measured in accordance with relevant accounting standards. When initial measurement or re measurement of non current assets or disposal group held for sale on the balance sheet date, if the book value is higher than the net amount of fair value minus selling expenses, the book value shall be written down to the net amount of fair value minus selling expenses, and the written down amount shall be recognized as asset impairment loss and included in the current profit and loss, and provision for impairment of assets held for sale shall be made at the same time.

(2) The non current assets or disposal group obtained by the company for resale shall be classified as held for sale on the acquisition date if they meet the specified conditions of "the sale is expected to be completed within one year" on the acquisition date and are likely to meet other classification conditions of held for sale categories in a short term (usually three months). In the initial measurement, compare the initial measurement amount and the net amount of fair value minus selling expenses under the assumption that it is not divided into held for sale categories, and measure it by the lower one. Except for the non current assets or disposal group obtained in the business combination, the difference arising from the initial measurement of the net amount of the non current assets or disposal group after the fair value minus the selling expenses is included in the current profits and losses.

(3) If the company loses the control of the subsidiary due to the sale of the investment in the subsidiary and other reasons, no matter whether the company retains part of the equity investment after the sale, when the investment in the subsidiary to be sold meets the classification conditions of held for sale category, the investment in the subsidiary will be classified as held for sale category in the individual financial statements of the parent company, and the subsidiary will be classified as held for sale category in the consolidated financial statements All assets and liabilities of the company are classified as held for sale.

(4) If the net amount of the fair value of the non current assets held for sale minus the selling expenses increases on the subsequent balance sheet date, the amount previously written down shall be restored and reversed within the amount of asset impairment loss recognized after being divided into the categories held for sale, and the reversed amount shall be included in the current profits and losses. The impairment loss of assets recognized before being classified as held for sale shall not be reversed.

(5) For the assets impairment loss amount recognized by the disposal group held for sale, the book value of goodwill in the disposal group shall be offset first, and then the book value shall be offset in proportion according to the proportion of the book value of various non current assets.

If the net amount of the fair value of the disposal group held for sale minus the selling expenses increases on the subsequent balance sheet date, the amount previously written down shall be restored and reversed within the amount of asset impairment loss recognized by non current assets applicable to relevant measurement provisions after being classified as held for sale, and the reversed amount shall be included in the current profits and losses. The book value of the offset goodwill and the impairment loss of non current assets recognized before they are classified as held for sale shall not be reversed.

The subsequent reversal amount of the asset impairment loss recognized by the disposal group held for sale shall be increased in proportion to the book value of all non current assets in the disposal group, except goodwill.

(6) Non current assets held for sale or non current assets in the disposal group are not subject to depreciation or amortization, and the interest and other expenses of liabilities in the disposal group held for sale are continuously recognized.

(7) When the non current assets or disposal group held for sale are no longer classified as held for sale because they no longer meet the classification conditions of held for sale, or the non current assets are removed from the disposal group held for sale, they shall be measured according to the lower of the following two: i. the book value before classified as held for sale should have been recognized under the assumption that they are not classified as held for sale; ii. the recoverable amount.

(8) When the non-current assets or disposal group held for sale are derecognized, the unrecognized gains or losses shall be included in the current profits and losses.

35. Measurement at Fair Value

(1) Initial Measurement at Fair Value

For the assets and liabilities measured at fair value, considering the characteristics of the assets or liabilities, the company measures the fair value at the price that the market participants can receive by selling an asset or pay by transferring a liability in the orderly transaction on the measurement date. When the relevant assets or liabilities are measured at fair value, the transaction of market participants selling assets or transferring liabilities on the measurement date is an orderly transaction under the current market conditions; the orderly transaction of selling assets or transferring liabilities is conducted in the main market of relevant assets or liabilities. If there is no major market, it is assumed that the transaction is conducted in the most favorable market for the relevant assets or liabilities; the assumption used by market participants to maximize their economic benefits when pricing the assets or liabilities is adopted. When measuring non-financial assets at fair value, the ability of market participants to generate

economic benefits by using the assets for the best use or by selling the assets to other market participants that can be used for the best use shall be considered.

(2) Valuation Technology

The company measures relevant assets or liabilities at fair value and adopts valuation techniques that are applicable in the current situation and are supported by sufficient available data and other information. The valuation techniques used mainly include market method, income method and cost method. When applying valuation techniques, relevant observable input values are preferred, only when relevant observable input values cannot be obtained or cannot be obtained The unobservable input value is used only when it is feasible.

(3) Fair Value Hierarchy

The company determines the level of fair value measurement results according to the lowest level of the input value which is of great significance to the fair value measurement as a whole: the first level of input value is the unadjusted quoted price of the same assets or liabilities that can be obtained on the measurement date in the active market. An active market refers to a market where the trading volume and frequency of relevant assets or liabilities are sufficient to continuously provide pricing information. The second level input value is the directly or indirectly observable input value of related assets or liabilities in addition to the first level input value. The third level input value is the unobservable input value of related assets or liabilities.

36. Financial Asset Transfers

If a financial asset is transferred, it shall be judged according to the transfer of almost all the risks and rewards of the ownership of the relevant financial asset: if all the risks and rewards of the ownership of the relevant financial asset have been transferred, the recognition of the corresponding financial asset shall be terminated; if almost all the risks and rewards of the ownership of the relevant financial asset have not been transferred and retained, the recognition shall not be terminated; if the ownership of the relevant financial asset has not been transferred or retained, the recognition shall not be terminated If it has almost all the risks and rewards in the right, it shall decide whether to terminate the recognition according to the degree of control over the financial asset: if it has given up the control over the financial asset, it shall terminate the recognition of the financial asset; if it has not given up the control over the financial asset, it shall recognize the relevant financial asset according to the degree of its continuous involvement in the financial asset, and recognize the relevant liabilities accordingly. If the financial assets are in line with the overall derecognition, the difference between the consideration received by the transfer and the corresponding book value shall be included in the current profits and losses, and the accumulated changes in the fair value of the relevant financial

assets originally directly included in the owner's equity shall also be included in the current profits and losses; If the conditions for termination of recognition of partial transfer are met, the book value of the whole financial asset involved in the transfer shall be apportioned between the terminated part and the non terminated part according to their respective relative fair value, and the partially transferred part shall be treated according to the apportioned book value. If the conditions for derecognition are not met, the consideration received shall be recognized as a financial liability.

37. Termination of Operation

Termination of operation refers to the component of the company that meets one of the following conditions and can be distinguished separately, and the component has been disposed of or divided into held for sale categories: (1) The component represents an independent main business or a separate main business area; (2) The component is intended to dispose of an independent main business or a separate main business area Part of an associated plan of; (3) The component is a subsidiary acquired specifically for resale.

V. TAXATION

1. Main Taxes and Tax Rate

| Type of Tax | Tax Base | Tax Rate |
|--|--|---------------------------------------|
| Value-added tax | The taxable amount is the difference between the output VAT and the deductible input VAT. | 13%, 11%, 9%, 6%, 5%, 3%, 2% |
| Urban maintenance and construction tax | Levied at actual consumption tax and VAT paid. | 7%, 5%, 3%, 1% |
| Corporate income tax | Levied at taxable income | 34%, 30%, 25%, 15%, 16.5%, 12.5%, 10% |
| Education surcharges | Levied at actual consumption tax and VAT paid | 5%, 3% |
| Local education surcharge | Levied at actual consumption tax and VAT paid | 2%, 1.5%, 1% |
| Property tax | Price-based: 1.2% of the residual value after 30% of the original value of the property is deducted. Rent-based: 12% of the rental income | 12%, 1.2% |

Note 1. According to the announcement on deepening the reform of value added tax (announcement [2019] No. 39 of the General Administration of Customs of the State Administration of Taxation of the Ministry of Finance), since April 1, 2019, if the taxpayer

conducts taxable sales or imports goods, the original tax rates of 16% and 10% will be adjusted to 13% and 9% respectively.

Note 2. Profits tax applicable to Hong Kong, China of State Grid Overseas Investment Co., Ltd. is calculated and paid at 16.5% of the taxable income.

Note 3. The statutory corporate income tax rates applicable to SG International Development Co., Ltd., a subsidiary of State Grid International Development Co., Ltd., are 16.5% (Hong Kong). The corporate income tax rate is 34% for State Grid Brazil Holding Company and CPFL Energia S.A., and 30% for SGSP (Aust) assets Pty Ltd. The legal rate of enterprise income tax applicable to Georgia Eastern Electric Power Company is 15%.

2. Tax Preferences

(1) Tax Preferences of VAT

i. According to the notice of the Ministry of Finance and the State Administration of Taxation on Exempting the value-added tax of rural power grid maintenance fee (CSZ [1998] No. 47) and the notice of the State Administration of Taxation on Exempting the value-added tax of rural power grid maintenance fee (GSH [2009] No. 591), the income of rural power grid maintenance fee collected is exempt from the value-added tax.

ii. According to the notice of the Ministry of Finance and the State Administration of Taxation on the policy issues of value added tax, business tax and enterprise income tax for promoting the development of energy-saving service industry (CS [2010] No. 110), State Grid Integrated Energy Services Group Co., Ltd. implements the qualified energy management contract project, transfers the Value-added Tax Taxable goods in the project to the energy consuming enterprises, and temporarily exempts the income tax Value tax.

iii. According to the notice of the Ministry of Finance and the State Administration of Taxation on the value added tax policy for software products (CS [2011] No. 100), the subsidiary companies of the company, such as State Grid Electric Power Research Institute Co., Ltd., China Electric Power Research Institute Co., Ltd., State Grid Information and Communication Industry Group Co., Ltd., enjoy the value-added tax, and the general taxpayers sell the products developed and produced by themselves For software products, the part of the actual value-added tax burden exceeding 3% shall be refunded immediately.

iv. According to the announcement on deepening the reform of value added tax (announcement [2019] No. 39 of the General Administration of Customs of the State Administration of Taxation of the Ministry of Finance), from April 1, 2019 to December 31, 2021, taxpayers of

production and living services are allowed to deduct the tax payable by adding 10% of the current deductible input tax.

v. According to the notice of the Ministry of Finance and the State Administration of Taxation on comprehensively promoting the pilot project of replacing business tax with value-added tax (CS [2016] No. 36), the premium income of life insurance products with a term of more than one year established by insurance companies is exempt from value-added tax.

vi. According to the notice of the Ministry of Finance and the State Administration of Taxation on issues related to value added tax of asset management products (CS [2017] No. 56), for the Value-added Tax Taxable behavior of asset management products in the operation process before January 1, 2018, those who have not paid the value-added tax will no longer pay it; for those who have paid the value-added tax, the amount of tax paid will be offset from the value-added tax payable by the asset management product manager in the following months. At the same time, the simple tax calculation method is temporarily applied to the VAT taxable behavior of asset management product managers in the process of operating asset management products, and the VAT is paid at the rate of 3%.

vii. According to the announcement on VAT related issues of general taxpayers selling their used fixed assets (No.1 announcement of the State Administration of Taxation in 2012) and the Ministry of Finance According to the notice of the State Administration of Taxation on the policy of collection rate of degenerate value added tax (Cai Shui [2014] No. 57), ordinary taxpayers who sell their used fixed assets that are not deductible and have not deducted the input tax according to Article 10 of the Provisional Regulations of the people's Republic of China on value added tax shall collect value-added tax at a reduced rate of 2% according to the simple method of 3% collection rate.

viii. According to Annex 3 of the notice of the Ministry of Finance and the State Administration of Taxation on the pilot tax policy of replacing business tax with value-added tax in the transportation industry and some modern service industries (CS [2013] No. 37), the company provides technology transfer, technology development and related technical consulting and technical services free of value-added tax.

ix. According to the notice of the Ministry of Finance and the State Administration of Taxation on the value added tax policy for wind power generation (CS [2015] No. 74), since July 1, 2015, 50% of the value-added tax will be refunded as soon as the value-added tax is levied on the sales of self-produced electric power products using wind power.

(2) Tax Preferences of CIT

i. According to the notice of the Ministry of finance, the General Administration of customs and the State Administration of Taxation on tax policy issues related to the in-depth implementation of the western development strategy (CS [2011] No. 58), the company's subsidiaries are State Grid Sichuan electric power company, State Grid Chongqing Electric Power Company, state grid Gansu Electric Power Company, State Grid Ningxia Electric Power Co., Ltd., State Grid Qinghai electric power company, State Grid Chongqing Electric Power Company, State Grid Gansu Electric Power Company, State Grid Ningxia electric power company, State Grid Qinghai electric power company, State Grid Chongqing Electric Power Company, State Grid Ningxia Electric State Grid Shaanxi electric power company, State Grid Tibet Electric Power Co., Ltd., State Grid Xinjiang Electric Power Co., Ltd. and other units enjoy the preferential tax policies for the western development, and the enterprise income tax is calculated and paid at 15% of the taxable income.

ii. According to the notice of the Ministry of Finance and the State Administration of Taxation on the enterprise income tax policy issues related to the acceptance of user assets by power grid enterprises (CS [2011] No. 35), the income tax payable by the company and its subsidiaries on the acceptance of user assets will not be collected and put into storage, but will be directly transferred to the national capital, and the accepted user assets will be depreciated according to the accepted value, and will be included in the enterprise income tax Pre tax deduction.

iii. According to the announcement of the State Administration of Taxation on the preferential income tax policies for new power grid projects of power grid enterprises (Announcement No. 26, 2013 of the State Administration of Taxation), new power grid (power transmission and transformation facilities) projects that meet the conditions and standards specified in the catalogue of enterprise income tax preferences for public infrastructure projects (2008 Edition) can enjoy the "three benefits" according to law The preferential enterprise income tax policy of "three free and half reduced".

iv. According to the notice of the Ministry of Finance and the State Administration of Taxation on the policy issues of promoting the development of value added tax, business tax and enterprise income tax in energy saving service industry (CS [2010] No. 110), contract energy management shall be implemented for qualified state grid comprehensive energy service group Co., Ltd., and the first production contract shall be obtained for those conforming to the relevant provisions of enterprise income tax law Starting from the tax year of the business income, the enterprise income tax shall be exempted from the first year to the third year, and the enterprise income tax shall be reduced by half at the legal rate of 25% from the fourth year to the sixth year.

v. According to the provisions of the enterprise income tax law of the people's Republic of China, the regulations on the implementation of the enterprise income tax law of the people's

Republic of China (Order No. 512 of the State Council) and the notice of the Ministry of Finance and the State Administration of Taxation on preferential policies for enterprise income tax of public infrastructure projects and environmental protection, energy conservation and water saving projects (CS [2012] No. 10), enterprises engaged in activities in line with 《The income from investment and operation of public infrastructure projects specified in the preferential catalogue of enterprise income tax for public infrastructure projects and those conforming to the preferential catalogue of enterprise income tax for environmental protection, energy conservation and water conservation projects shall be exempted from enterprise income tax from the first to the third year and reduced by half from the fourth to the sixth year from the tax year in which the first production and operation income is obtained income tax.

vi. According to the enterprise income tax law of the people's Republic of China, the notice of the Ministry of finance, the State Administration of Taxation, the national development and Reform Commission, the Ministry of industry and information technology and the Ministry of environmental protection on printing and distributing the preferential catalogue of enterprise income tax on special equipment for energy saving, water saving and environmental protection (2017 Edition) (CS [2017] No. 71) and the notice of the Ministry of finance, the State Administration of Taxation and the Ministry of emergency management on printing and distributing According to the notice on preferential catalogue of enterprise income tax of special equipment for work safety (2018 Edition) (CS [2018] No. 84), enterprises purchase and actually use the preferential catalogue of enterprise income tax of special equipment for environmental protection, preferential catalogue of enterprise income tax of special equipment for energy saving and water saving, and preferential catalogue of enterprise income tax of special equipment for work safety If special equipment such as water saving and safe production can be used, the enterprise income tax payable in the current year can be offset by 10% of the investment amount of the special equipment. If the enterprise's tax payable in the current year is not enough to offset, it can be carried forward to the following years, but the carrying forward period shall not exceed five tax years.

vii. According to the notice of the Ministry of finance, the State Administration of Taxation and the Ministry of science and technology on increasing the proportion of pre tax deduction of R & D expenses (CS [2018] No. 99), if the R & D expenses actually occurred in the enterprise's R & D activities do not form intangible assets and are included in the current profits and losses, on the basis of actual deduction according to the regulations, the R & D expenses shall be deducted from January 1, 2018 to December 31, 2020 75% of the actual amount shall be deducted before tax; if intangible assets are formed, they shall be amortised before tax according to 175% of the cost of intangible assets during the above period.

viii. According to the notice of the Ministry of Finance and the State Administration of Taxation on the preferential policies of enterprise income tax for the placement of disabled persons in employment (CS [2009] No. 70), the enterprise placement of disabled persons can be deducted according to 100% of the wages paid to disabled workers on the basis of actual deduction.

ix. In accordance with Article 28 of the enterprise income tax law, Article 93 of the regulations on the implementation of the enterprise income tax law and other relevant provisions, the company's subsidiaries include China Electric Power Research Institute Co., Ltd., PingGao Group Co., Ltd., Xuji Group Co., Ltd., global energy Internet Research Institute Co., Ltd., State Grid General Aviation Co., Ltd. and State Grid Energy Research Institute Co., Ltd. State Grid e-commerce Co., Ltd., State Grid economic and Technological Research Institute Co., Ltd. and other enterprises are recognized as high-tech enterprises, and the enterprise income tax is calculated and paid at 15% of the taxable income.

x. According to the notice of the Ministry of Finance and the State Administration of Taxation on the policy of deducting enterprise income tax from equipment and appliances (CS [2018] No. 54), if the unit value of equipment and appliances newly purchased by an enterprise during the period from January 1, 2018 to December 31, 2020 does not exceed 5 million yuan, it is allowed to be included in the current cost once, and the expenses are deducted when calculating the taxable income, and no longer calculated by year Depreciation. If the unit value exceeds 5 million yuan, the implementation regulations of the enterprise income tax law shall still apply.

xi. According to the notice of the Ministry of Finance and the State Administration of Taxation on the pre Tax Deduction Policy of enterprise employees' education expenses (CS [2018] No. 51), from January 1, 2018, the part of employees' education expenses that does not exceed 8% of the total wages and salaries is allowed to be deducted when calculating the taxable income of enterprise income tax; the excess part is allowed to be carried forward and deducted in the future tax years.

xii. According to the announcement of relevant policies on pre tax deduction of enterprise income tax for loan loss reserve of financial enterprises (Ministry of Finance) The announcement of the State Administration of Taxation (No. 86, 2019) stipulates that from January 1, 2019 to December 31, 2023, the loan loss reserve drawn by financial enterprises this year shall be deducted before the enterprise income tax at the ratio of 1% after deducting the balance of the loan loss reserve which has been deducted before the tax at the end of last year.

xiii. According to the regulations of several policies for encouraging the development of software industry and integrated circuit industry (GF [2000] No. 18), notice on some preferential policies for enterprise income tax (CS [2008] No. 1) and notice on Further Encouraging the development of enterprise income tax policies for software industry and

integrated circuit industry (CS [2012] No. 27) issued by the Ministry of Finance and the State Administration of taxation It is decided that the key software manufacturing enterprises within the national planning layout, if they do not enjoy tax exemption in that year, will be subject to enterprise income tax at a reduced rate of 10%.

xiv. According to the notice of the people's Government of the Tibet Autonomous Region on printing and Distributing Several Provisions (Trial Implementation) on preferential policies for attracting investment in the Tibet Autonomous Region (Tzf [2018] No. 25), from January 1, 2018 to December 31, 2021, the local share of enterprise income tax (the enterprise income tax is the central local share tax, of which the central share tax is 60% and the local share tax is 40%) is exempted.

VI. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

There are 58 secondary subsidiaries included in the scope of consolidation in 2020, including 1 regional power grid company, 27 provincial power companies, 29 secondary subsidiaries and 1 public institution.

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and Cash Equivalents

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|----------------------------------|--------------|--------------|--------------|
| Cash in hand | 10.04 | 12.60 | 7.47 |
| Bank deposit | 73,584.19 | 68,409.62 | 69,971.20 |
| Other monetary assets | 4,509.49 | 4,193.66 | 3,466.34 |
| Total | 78,103.72 | 72,615.88 | 73,445.01 |
| Incl.: amount deposited overseas | 11,907.05 | 14,595.03 | 7,811.82 |

2. Financial Assets Measured at Fair Value with Changes Included in Current Year's Profit & Loss

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|--------------------------|--------------|--------------|--------------|
| Trading Financial Assets | 16,559.29 | 7,724.17 | 2,210.01 |
| Incl.: Stock | 385.90 | 375.43 | 101.1361493 |
| Bond | 3,940.62 | 2,861.41 | 837.4162687 |
| Fund | 8,119.24 | 1,007.08 | 699.28 |

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|--------------|------------------|-----------------|-----------------|
| Others | 4,113.53 | 3,480.25 | 572.1740573 |
| Total | 16,559.29 | 7,724.17 | 2,210.01 |

3. Notes Receivable

| Item | 31 Dec. 2020 | | |
|------------------|------------------|-------------------------|------------------|
| | Book Amount | Provision for Bad Debts | Book Value |
| Bank acceptance | 8,433.40 | | 8,433.40 |
| Trade acceptance | 2,117.09 | 14.46 | 2,102.63 |
| Total | 10,550.49 | 14.46 | 10,536.02 |

(Continued)

| Item | 31 Dec. 2019 | | |
|------------------|-----------------|-------------------------|-----------------|
| | Book Amount | Provision for Bad Debts | Book Value |
| Bank acceptance | 4,842.15 | | 4,842.15 |
| Trade acceptance | 2,941.77 | 18.81 | 2,922.96 |
| Total | 7,783.92 | 18.81 | 7,765.11 |

(Continued)

| Item | 31 Dec. 2018 | | |
|------------------|-----------------|-------------------------|-----------------|
| | Book Amount | Provision for Bad Debts | Book Value |
| Bank acceptance | 4,901.83 | | 4,901.83 |
| Trade acceptance | 348.02 | | 348.02 |
| Total | 5,249.85 | | 5,249.85 |

4. Accounts Receivable

| Item | 31 Dec. 2020 | | | |
|---|------------------|----------|-------------------------|----------|
| | Book Amount | | Provision for Bad Debts | |
| | Amount | % | Amount | % |
| Individually Significant Receivables with Provision for Bad Debts Assessed Separately | 21,348.00 | 22.13 | 1,891.86 | 8.86 |
| Receivables with Provisions for Bad Debts Assessed According to Group of Credit Risks Character | 46,021.42 | 47.7 | 7,886.58 | 17.14 |
| Receivables Not Individually Significant with Provision for Bad Debt Assessed Separately | 29,102.75 | 30.17 | 1,076.47 | 3.7 |
| Total | 96,472.17 | — | 10,854.91 | — |

(Continued)

| Item | 31 Dec. 2019 | | | |
|---|------------------|----------|-------------------------|----------|
| | Book Amount | | Provision for Bad Debts | |
| | Amount | % | Amount | % |
| Individually Significant Receivables with Provision for Bad Debts Assessed Separately | 47,349.17 | 49.09 | 1,866.41 | 3.94 |
| Receivables with Provisions for Bad Debts Assessed According to Group of Credit Risks Character | 33,225.80 | 34.45 | 6,605.31 | 19.88 |
| Receivables Not Individually Significant with Provision for Bad Debt Assessed Separately | 15,876.45 | 16.46 | 1,260.83 | 7.94 |
| Total | 96,451.42 | — | 9,732.55 | — |

(Continued)

| Item | 31 Dec. 2018 | | | |
|---|--------------|-------|-------------------------|-------|
| | Book Amount | | Provision for Bad Debts | |
| | Amount | % | Amount | % |
| Individually Significant Receivables with Provision for Bad Debts Assessed Separately | 26,587.98 | 26.76 | 2,533.19 | 9.53 |
| Receivables with Provisions for Bad Debts Assessed According to Group of Credit Risks Character | 27,861.39 | 28.04 | 6,191.01 | 22.22 |

| Item | 31 Dec. 2018 | | | |
|--|--------------|-------|-------------------------|------|
| | Book Amount | | Provision for Bad Debts | |
| | Amount | % | Amount | % |
| Receivables Not Individually Significant with Provision for Bad Debt Assessed Separately | 44,902.99 | 45.20 | 845.95 | 1.88 |
| Total | 99,352.36 | — | 9,570.15 | — |

Receivables with Provisions for Bad Debts Assessed According to Group of Credit Risks Character

Account Receivables with Provision for Bad Debt Estimated using Aging Analysis

| Age of Account | 31 Dec. 2020 | | |
|---------------------------------|--------------|-------|------------------------|
| | Book Amount | | Provision for Bad Debt |
| | Amount | % | |
| Less than 1 year (incl. 1 year) | 33,046.55 | 71.81 | 1,710.51 |
| 1~2 years (incl. 2 years) | 5,194.89 | 11.29 | 462.04 |
| 2~3 years (incl. 3 years) | 2,514.93 | 5.46 | 1,155.87 |
| More than 3 years | 5,265.05 | 11.44 | 4,558.16 |
| Total | 46,021.42 | — | 7,886.58 |

(Continued)

| Age of Account | 31 Dec. 2019 | | |
|---------------------------------|--------------|-------|------------------------|
| | Book Amount | | Provision for Bad Debt |
| | Amount | % | |
| Less than 1 year (incl. 1 year) | 22,053.02 | 66.37 | 950.02 |
| 1~2 years (incl. 2 years) | 4,026.40 | 12.12 | 422.29 |
| 2~3 years (incl. 3 years) | 2,658.43 | 8.00 | 1,326.72 |
| More than 3 years | 4,487.95 | 13.51 | 3,906.28 |
| Total | 33,225.80 | — | 6,605.31 |

(Continued)

| Age of Account | 31 Dec. 2018 | | |
|---------------------------------|--------------|-------|------------------------|
| | Book Amount | | Provision for Bad Debt |
| | Amount | % | |
| Less than 1 year (incl. 1 year) | 15,495.78 | 55.62 | 757.10 |
| 1~2 years (incl. 2 years) | 5,204.47 | 18.68 | 498.80 |
| 2~3 years (incl. 3 years) | 2,917.86 | 10.47 | 1,309.59 |
| More than 3 years | 4,243.28 | 15.23 | 3,625.52 |
| Total | 27,861.39 | — | 6,191.01 |

5. Advances to Suppliers

| Age of Account | 31 Dec 2020 | | |
|---------------------------------|-------------|-------|------------------------|
| | Book Amount | | Provision for Bad Debt |
| | Amount | % | |
| Less than 1 year (incl. 1 year) | 15,197.65 | 63.06 | 44.21 |
| 1~2 years (incl. 2 years) | 5,796.50 | 24.05 | 58.56 |
| 2~3 years (incl. 3 years) | 2,060.31 | 8.55 | 57.98 |
| More than 3 years | 1,045.86 | 4.34 | 80.01 |
| Total | 24,100.32 | — | 240.76 |

(Continued)

| Age of Account | 31 Dec 2019 | | |
|---------------------------------|-------------|-------|------------------------|
| | Book Amount | | Provision for Bad Debt |
| | Amount | % | |
| Less than 1 year (incl. 1 year) | 25,363.11 | 82.51 | 86.54 |
| 1~2 years (incl. 2 years) | 3,192.98 | 10.39 | 77.14 |
| 2~3 years (incl. 3 years) | 878.56 | 2.86 | 42.48 |
| More than 3 years | 1,306.34 | 4.24 | 63.35 |
| Total | 30,740.99 | — | 269.51 |

(Continued)

| Age of Account | 31 Dec. 2018 | | |
|---------------------------------|--------------|-------|------------------------|
| | Book Amount | | Provision for Bad Debt |
| | Amount | % | |
| Less than 1 year (incl. 1 year) | 13,459.93 | 71.17 | 109.13 |
| 1~2 years (incl. 2 years) | 2,480.58 | 13.12 | 23.89 |
| 2~3 years (incl. 3 years) | 790.26 | 4.18 | 16.71 |
| More than 3 years | 2,181.42 | 11.53 | 108.06 |
| Total | 18,912.19 | — | 257.79 |

6. Other Receivables

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|----------------------|--------------|--------------|--------------|
| Interest receivable | 1,280.18 | 1,051.40 | 1,051.62 |
| Dividends receivable | 254.81 | 481.09 | 504.71 |
| Other receivables | 21,922.45 | 16,576.94 | 14,115.61 |
| Total | 23,457.44 | 18,109.43 | 15,671.94 |

(1) Interest Receivable

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|--|--------------|--------------|--------------|
| Deposit | 100.47 | 5.83 | 3.88 |
| Entrusted loan | 168.38 | 169.21 | 160.05 |
| Investment in bonds | 730.19 | 726.61 | 721.37 |
| Granting of loans | | 19.52 | 9.24 |
| Buying back the sale of financial assets | 21.80 | 6.63 | 46.63 |
| Others | 323.60 | 184.45 | 161.53 |
| Sub-total | 1,344.44 | 1,112.25 | 1,102.70 |
| Less: impairment loss | 64.26 | 60.85 | 51.08 |
| Total | 1,280.18 | 1,051.40 | 1,051.62 |

(2) Dividend Receivable

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|--|--------------|--------------|--------------|
| Dividend Receivable with Age of Account less than 1 year | 254.81 | 391.18 | 392.77 |
| Dividend Receivable with Age of Account more than 1 year | | 99.70 | 121.72 |
| Sub-total | 254.81 | 490.88 | 514.49 |
| Less: impairment loss | | 9.78 | 9.78 |
| Total | 254.81 | 481.09 | 504.71 |

(3) Other Receivables

| Item | 31 Dec. 2020 | | | |
|---|--------------|-------|-------------------------|-------|
| | Book Amount | | Provision for Bad Debts | |
| | Amount | % | Amount | % |
| Individually Significant Receivables with Provision for Bad Debts Assessed Separately | 12,288.36 | 47.62 | 1,351.08 | 10.99 |
| Receivables with Provisions for Bad Debts Assessed According to Group of Credit Risks Character | 3,584.52 | 13.89 | 1,380.93 | 38.52 |
| Receivables Not Individually Significant with Provision for Bad Debt Assessed Separately | 9,934.48 | 38.49 | 1,152.90 | 11.61 |
| Total | 25,807.36 | — | 3,884.91 | — |

(Continued)

| Item | 31 Dec. 2019 | | | |
|---|--------------|-------|------------------------|-------|
| | Book Amount | | Provision for Bad Debt | |
| | Amount | % | Amount | % |
| Individually Significant Receivables with Provision for Bad Debts Assessed Separately | 9,048.75 | 42.80 | 1,663.21 | 18.38 |
| Receivables with Provisions for Bad Debts Assessed According to Group of Credit Risks Character | 4,052.15 | 19.17 | 1,887.07 | 46.57 |
| Receivables Not Individually Significant with Provision for Bad Debt Assessed Separately | 8,041.30 | 38.03 | 1,014.98 | 12.62 |
| Total | 21,142.20 | — | 4,565.26 | — |

(Continued)

| Item | 31 Dec. 2018 | | | |
|---|------------------|----------|------------------------|----------|
| | Book Amount | | Provision for Bad Debt | |
| | Amount | % | Amount | % |
| Individually Significant Receivables with Provision for Bad Debts Assessed Separately | 7,609.34 | 40.21 | 1,374.92 | 18.07 |
| Receivables with Provisions for Bad Debts Assessed According to Group of Credit Risks Character | 3,840.95 | 20.30 | 2,249.02 | 58.55 |
| Receivables Not Individually Significant with Provision for Bad Debt Assessed Separately | 7,473.41 | 39.49 | 1,184.15 | 15.84 |
| Total | 18,923.70 | — | 4,808.09 | — |

Other Receivables with Provisions for Bad Debts Assessed According to Group of Credit Risks Character

Account Receivables with Provision for Bad Debt Estimated using Aging Analysis

| Age of Account | 31 Dec. 2020 | | |
|------------------------------|-----------------|----------|------------------------|
| | Book Amount | | Provision for Bad Debt |
| | Amount | % | |
| Less than 1 year (inclusive) | 1,800.71 | 50.24 | 87.52 |
| 1~2 years | 373.79 | 10.43 | 36.47 |
| 2~3 years | 166.07 | 4.63 | 64.65 |
| More than 3 years | 1,243.95 | 34.70 | 1,192.29 |
| Total | 3,584.52 | — | 1,380.93 |

(Continued)

| Age of Account | 31 Dec. 2019 | | |
|------------------------------|--------------|-------|------------------------|
| | Book Amount | | Provision for Bad Debt |
| | Amount | % | |
| Less than 1 year (inclusive) | 1,775.72 | 43.82 | 75.42 |
| 1~2 years | 336.76 | 8.31 | 32.39 |
| 2~3 years | 166.44 | 4.11 | 81.74 |
| More than 3 years | 1,773.23 | 43.76 | 1,697.52 |

| Age of Account | 31 Dec. 2019 | | |
|----------------|--------------|---|------------------------|
| | Book Amount | | Provision for Bad Debt |
| | Amount | % | |
| Total | 4,052.15 | — | 1,887.07 |

(Continued)

| Age of Account | 31 Dec. 2018 | | |
|------------------------------|--------------|-------|------------------------|
| | Book Amount | | Provision for Bad Debt |
| | Amount | % | |
| Less than 1 year (inclusive) | 1,192.77 | 31.05 | 59.01 |
| 1~2 years | 311.81 | 8.12 | 30.76 |
| 2~3 years | 273.83 | 7.13 | 130.90 |
| More than 3 years | 2,062.54 | 53.70 | 2,028.35 |
| Total | 3,840.95 | — | 2,249.02 |

7. Inventory

| Item | 31 Dec. 2020 | | |
|--|--------------|--------------------------|------------|
| | Book Amount | Provision for Impairment | Book Value |
| Raw Material | 10,077.03 | 219.98 | 9,857.05 |
| Work-in-Progress Products | 11,784.13 | 212.53 | 11,571.60 |
| Finished goods | 5,769.22 | 137.83 | 5,631.39 |
| Low-cost& short-lived articles | 2,901.00 | 55.61 | 2,845.39 |
| Consumptive biological assets | 0.30 | | 0.30 |
| Assets bonded to construction contracts | 2,173.20 | 5.95 | 2,167.25 |
| Development cost of real estate under construction | | | |
| Undeveloped land reserve | | | |
| Total | 32,704.88 | 631.90 | 32,072.98 |

(Continued)

| Item | 31 Dec. 2019 | | |
|--|-------------------|--------------------------|-------------------|
| | Book Amount | Provision for Impairment | Book Value |
| Raw Material | 7,835.78 | 214.07 | 7,621.71 |
| Work-in-Progress Products | 10,818.07 | 95.83 | 10,722.24 |
| Finished goods | 28,864.75 | 1,213.32 | 27,651.43 |
| Low-cost& short-lived articles | 2,260.74 | 15.72 | 2,245.02 |
| Consumptive biological assets | 0.07 | | 0.07 |
| Assets bonded to construction contracts | 2,332.28 | 5.93 | 2,326.35 |
| Development cost of real estate under construction | 57,384.18 | 3,073.53 | 54,310.65 |
| Undeveloped land reserve | 8,650.44 | | 8,650.44 |
| Total | 118,146.31 | 4,618.40 | 113,527.91 |

(Continued)

| Item | 31 Dec. 2018 | | |
|--|-------------------|--------------------------|-------------------|
| | Book Amount | Provision for Impairment | Book Value |
| Raw Material | 8,045.46 | 160.02 | 7,885.44 |
| Work-in-Progress Products | 9,496.41 | 30.88 | 9,465.53 |
| Finished goods | 26,052.65 | 817.10 | 25,235.55 |
| Low-cost& short-lived articles | 1,947.09 | 17.08 | 1,930.01 |
| Consumptive biological assets | 5.14 | | 5.14 |
| Assets bonded to construction contracts | 2,584.15 | 7.10 | 2,577.05 |
| Development cost of real estate under construction | 62,338.92 | 2,040.77 | 60,298.15 |
| Undeveloped land reserve | 17,494.99 | | 17,494.99 |
| Total | 127,964.81 | 3,072.95 | 124,891.86 |

8. Non-current Assets Due within One Year

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|---|------------------|-----------------|-----------------|
| Long-term Receivables Due within 1 Year | 6,591.18 | 451.74 | 2,770.78 |
| Entrust Loans Due within 1 Year | 69.00 | 280.00 | |
| Other Long-term Asset Due within 1 Year | 8,116.05 | 8,201.91 | 6,856.68 |
| Total | 14,776.23 | 8,933.65 | 9,627.46 |

9. Other Current Assets

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|--|------------------|-------------------|------------------|
| Currency Margin Receivable | 1,128.96 | 776.80 | 982.34 |
| Deposits Paid | 67.00 | 177.99 | 152.46 |
| Settlement Deposit Receivable | 10.00 | 10.00 | 10.00 |
| Pledge Deposit Receivable | 44.53 | 8.97 | 5.45 |
| Gain/(Loss) of Asset to be Disposed of | 28.97 | 21.40 | 24.24 |
| VAT Reclassification | 10,249.90 | 7,073.13 | 26,174.65 |
| Others | 88,039.32 | 93,387.51 | 50,234.13 |
| Total | 99,568.68 | 101,455.80 | 77,583.27 |

10. Financial Asset Available-for-Sale

| Item | 31 Dec. 2020 | | |
|--------------|-------------------|--------------------------|-------------------|
| | Book Amount | Provision for Impairment | Book Value |
| Stock | 21,594.73 | 3,528.83 | 18,065.90 |
| Bond | 27,979.80 | | 27,979.80 |
| Fund | 24,431.68 | | 24,431.68 |
| Others | 39,734.60 | 788.80 | 38,945.80 |
| Total | 113,740.81 | 4,317.63 | 109,423.18 |

(Continued)

| Item | 31 Dec. 2019 | | |
|--------------|------------------|--------------------------|------------------|
| | Book Amount | Provision for Impairment | Book Value |
| Stock | 23,867.03 | 2,729.89 | 21,137.14 |
| Bond | 18,445.13 | | 18,445.13 |
| Fund | 13,909.70 | | 13,909.70 |
| Others | 37,329.18 | 753.96 | 36,575.22 |
| Total | 93,551.04 | 3,483.84 | 90,067.19 |

(Continued)

| Item | 31 Dec. 2018 | | |
|--------------|-------------------|--------------------------|-------------------|
| | Book Amount | Provision for Impairment | Book Value |
| Stock | 21,874.76 | 2,410.89 | 19,463.87 |
| Bond | 15,622.05 | | 15,622.05 |
| Fund | 14,950.47 | | 14,950.47 |
| Others | 51,443.75 | 892.37 | 50,551.38 |
| Total | 103,891.02 | 3,303.26 | 100,587.76 |

11. Investments Held-to-Maturity

| Item | 31 Dec. 2020 | | |
|--------------------|-----------------|--------------------------|-----------------|
| | Book Amount | Provision for Impairment | Book Value |
| Government bonds | 399.49 | | 399.49 |
| Corporate bonds | 2,658.05 | 0.36 | 2,657.69 |
| Financial products | 199.59 | 18.52 | 181.07 |
| Others | 2,440.19 | | 2,440.19 |
| Total | 5,697.32 | 18.88 | 5,678.44 |

(Continued)

| Item | 31 Dec. 2019 | | |
|------------------|--------------|--------------------------|------------|
| | Book Amount | Provision for Impairment | Book Value |
| Government bonds | 953.84 | | 953.84 |

| Item | 31 Dec. 2019 | | |
|--------------------|--------------|--------------------------|------------|
| | Book Amount | Provision for Impairment | Book Value |
| Corporate bonds | 7,341.09 | 0.37 | 7,340.72 |
| Financial products | 420.96 | 22.00 | 398.96 |
| Others | 500.29 | | 500.29 |
| Total | 9,216.18 | 22.37 | 9,193.81 |

(Continued)

| Item | 31 Dec. 2018 | | |
|--------------------|--------------|--------------------------|------------|
| | Book Amount | Provision for Impairment | Book Value |
| Government bonds | 972.45 | | 972.45 |
| Corporate bonds | 7,388.35 | 0.36 | 7,387.99 |
| Financial products | 252.58 | 20.00 | 232.58 |
| Others | 2,000.36 | | 2,000.36 |
| Total | 10,613.74 | 20.36 | 10,593.38 |

12. Long-term Receivables

| Item | 31 Dec. 2020 | | |
|------------------------------------|--------------|------------------------|------------|
| | Book Amount | Provision for Bad Debt | Book Value |
| Financial leases | 39,821.56 | 1,253.62 | 38,567.94 |
| Incl.: unrealized financing income | 6,456.36 | | 6,456.36 |
| Installment sales of goods | 104.66 | 19.39 | 85.27 |
| Instalment sales of labor services | | | |
| Others | 42,948.57 | 251.72 | 42,696.85 |
| Total | 76,418.43 | 1,524.73 | 74,893.70 |

(Continued)

| Item | 31 Dec. 2019 | | |
|------------------|--------------|------------------------|------------|
| | Book Amount | Provision for Bad Debt | Book Value |
| Financial leases | 32,664.47 | 958.84 | 31,705.63 |

| Item | 31 Dec. 2019 | | |
|------------------------------------|------------------|------------------------|------------------|
| | Book Amount | Provision for Bad Debt | Book Value |
| Incl.: unrealized financing income | 6,338.56 | | 6,338.56 |
| Installment sales of goods | 311.77 | 6.36 | 305.41 |
| Instalment sales of labor services | | | |
| Others | 46,898.26 | 152.36 | 46,745.90 |
| Total | 73,535.94 | 1,117.56 | 72,418.38 |

(Continued)

| Item | 31 Dec. 2018 | | |
|------------------------------------|------------------|------------------------|------------------|
| | Book Amount | Provision for Bad Debt | Book Value |
| Financial leases | 11,280.44 | 687.40 | 10,593.04 |
| Incl.: unrealized financing income | 2,130.18 | | 2,130.18 |
| Installment sales of goods | 132.93 | 3.25 | 129.68 |
| Instalment sales of labor services | | | |
| Others | 41,286.15 | 95.50 | 41,190.65 |
| Total | 50,569.34 | 786.15 | 49,783.19 |

13. Long-term Equity Investment

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|---|-------------------|-------------------|-------------------|
| Investment in Subsidiaries (in the process of clean-up and rectification) | 111.11 | 394.13 | 327.27 |
| Investment in Joint Ventures | 19,226.93 | 21,343.46 | 20,973.60 |
| Investment in Associates | 176,398.75 | 129,553.04 | 122,723.72 |
| Subtotal | 195,736.79 | 151,290.63 | 144,024.59 |
| Less: Provision for Impairment | 78.35 | 1,086.41 | 1,054.64 |
| Total | 195,658.44 | 150,204.22 | 142,969.95 |

14. Investment Property

Investment Property measured at Cost

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|---|--------------|--------------|--------------|
| Original cost | 7,283.71 | 16,977.05 | 14,522.15 |
| (1) Plant & Buildings | 7,208.39 | 14,585.23 | 12,529.55 |
| (2) Land usage right | 75.32 | 2,391.82 | 1,992.60 |
| Total Accumulated depreciation & amortization | 2,990.87 | 3,757.03 | 3,259.20 |
| (1) Plant & Buildings | 2,966.72 | 3,616.02 | 3,179.60 |
| (2) Land usage right | 24.15 | 141.01 | 79.60 |
| Total Net value | 4,292.84 | 13,220.02 | 11,262.95 |
| (1) Plant & Buildings | 4,241.67 | 10,969.21 | 9,349.95 |
| (2) Land usage right | 51.17 | 2,250.81 | 1,913.00 |
| Total Provision for Impairment | 0.06 | | |
| (1) Plant & Buildings | 0.06 | | |
| (2) Land usage right | | | |
| Total Book Value | 4,292.78 | 13,220.02 | 11,262.95 |
| (1) Plant & Buildings | 4,241.61 | 10,969.21 | 9,349.95 |
| (2) Land usage right | 51.17 | 2,250.81 | 1,913.00 |

15. Fixed Asset

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|-------------------------|--------------|--------------|--------------|
| Fixed asset | 2,913,344.04 | 2,783,054.55 | 2,643,985.31 |
| Disposal of fixed asset | 594.02 | 531.11 | 282.62 |
| Total | 2,913,938.06 | 2,783,585.66 | 2,644,267.93 |

(1) Fixed Asset Information

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|---------------------|--------------|--------------|--------------|
| Total Original cost | 6,232,702.50 | 5,821,782.01 | 5,388,275.75 |
| Incl.: Land | 7,362.29 | 7,533.95 | 7,491.72 |

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|--------------------------------|--------------|--------------|--------------|
| Plant & Buildings | 724,289.10 | 704,143.39 | 660,583.78 |
| Machinery & Equip. | 4,995,602.56 | 4,705,390.50 | 4,378,914.55 |
| Vehicles | 37,887.38 | 36,960.39 | 35,572.53 |
| Electronics | 323,251.23 | 269,916.00 | 246,859.19 |
| Office equipment | 23,758.82 | 22,671.14 | 21,196.13 |
| Others | 120,551.12 | 75,166.64 | 37,657.85 |
| Total Accum. Dep'n | 3,318,489.34 | 3,037,870.78 | 2,743,456.18 |
| Incl.: Land | — | — | — |
| Plant & Buildings | 365,172.65 | 336,221.28 | 304,711.60 |
| Machinery & Equip. | 2,675,112.27 | 2,462,151.68 | 2,232,865.36 |
| Vehicles | 25,638.16 | 25,009.25 | 24,209.65 |
| Electronics | 182,377.02 | 161,310.61 | 145,994.57 |
| Office Equip. | 16,637.79 | 15,706.45 | 15,176.38 |
| Others | 53,551.45 | 37,471.51 | 20,498.62 |
| Total Net value | 2,914,213.16 | 2,783,911.23 | 2,644,819.57 |
| Incl.: Land | 7,362.29 | 7,533.95 | 7,491.72 |
| Plant & Buildings | 359,116.45 | 367,922.11 | 355,872.18 |
| Machinery & Equip. | 2,320,490.29 | 2,243,238.82 | 2,146,049.19 |
| Vehicles | 12,249.22 | 11,951.14 | 11,362.88 |
| Electronics | 140,874.21 | 108,605.39 | 100,864.62 |
| Office equip. | 7,121.03 | 6,964.69 | 6,019.75 |
| Others | 66,999.67 | 37,695.13 | 17,159.23 |
| Total Provision for Impairment | 869.12 | 856.68 | 834.26 |
| Incl.: Land | — | — | — |
| Plant & Buildings | 247.28 | 248.56 | 257.54 |
| Machinery & Equip. | 609.99 | 595.78 | 557.88 |
| Vehicles | 0.04 | 0.68 | 0.32 |
| Electronics | 7.83 | 7.69 | 6.37 |
| Office Equip. | 2.24 | 2.23 | 11.65 |

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|--------------------|--------------|--------------|--------------|
| Others | 1.74 | 1.74 | 0.5 |
| Total Book value | 2,913,344.04 | 2,783,054.55 | 2,643,985.31 |
| Incl.: Land assets | 7,362.29 | 7,533.95 | 7,491.72 |
| Property & Plant | 358,869.17 | 367,673.55 | 355,614.64 |
| Machinery Equip. | 2,319,880.30 | 2,242,643.04 | 2,145,491.31 |
| Vehicles | 12,249.18 | 11,950.46 | 11,362.56 |
| Electronics | 140,866.38 | 108,597.70 | 100,858.25 |
| Office equip. | 7,118.79 | 6,962.46 | 6,008.10 |
| Others | 66,997.93 | 37,693.39 | 17,158.73 |

(2) Disposal of Fixed Asset

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|-------------------------|--------------|--------------|--------------|
| Disposal of Fixed Asset | 594.02 | 531.11 | 282.62 |
| Total | 594.02 | 531.11 | 282.62 |

16. Construction in Progress

| Item | 31 Dec. 2020 | | |
|--------------------------|--------------|--------------------------|------------|
| | Book Amount | Provision for Impairment | Book Value |
| Construction in Progress | 398,717.55 | 140.27 | 398,577.28 |
| Engineering materials | 10,969.69 | | 10,969.69 |
| Total | 409,687.24 | 140.27 | 409,546.97 |

(Continued)

| Item | 31 Dec. 2019 | | |
|--------------------------|--------------|--------------------------|------------|
| | Book Amount | Provision for Impairment | Book Value |
| Construction in Progress | 386,239.25 | 87.97 | 386,151.28 |
| Engineering materials | 16,216.24 | | 16,216.24 |
| Total | 402,455.49 | 87.97 | 402,367.52 |

(Continued)

| Item | 31 Dec. 2018 | | |
|--------------------------|--------------|--------------------------|------------|
| | Book Amount | Provision for Impairment | Book Value |
| Construction in Progress | 372,485.83 | 84.53 | 372,401.30 |
| Engineering materials | 12,312.14 | | 12,312.14 |
| Total | 384,797.97 | 84.53 | 384,713.44 |

17. Intangible Assets

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|---------------------------------|--------------|--------------|--------------|
| Total Original Cost | 143,361.09 | 142,816.84 | 135,114.86 |
| Incl.: Software | 36,794.77 | 31,455.47 | 27,727.00 |
| Land Use Right | 33,055.89 | 43,849.92 | 40,682.59 |
| Patent Right | 3,678.16 | 2,881.96 | 3,036.10 |
| Non-patent Technology | 1,713.69 | 1,473.94 | 1,159.71 |
| Trademarks | 0.24 | 0.27 | 6.19 |
| Copyright | 1,154.95 | 926.47 | 542.16 |
| Concessions | 63,173.35 | 59,061.20 | 58,021.37 |
| Others | 3,790.04 | 3,167.61 | 3,939.74 |
| Total Accum. Amortisation | 54,004.61 | 52,257.37 | 45,844.39 |
| Incl.: Software | 21,843.43 | 19,262.91 | 16,616.53 |
| Land Use Right | 6,945.89 | 7,339.66 | 6,421.21 |
| Patent Right | 1,297.84 | 914.30 | 842.94 |
| Non-patent Technology | 851.90 | 728.79 | 639.47 |
| Trademarks | 0.09 | 0.18 | 1.43 |
| Copyright | 605.54 | 457.13 | 225.19 |
| Concessions | 20,828.26 | 22,096.38 | 19,909.11 |
| Others | 1,631.67 | 1,458.02 | 1,188.51 |
| Total Provisions for Impairment | 166.13 | 99.59 | 103.86 |
| Incl.: Software | 5.74 | 5.74 | 5.93 |

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|-------------------------|------------------|------------------|------------------|
| Land Use Right | | | |
| Patent Right | 69.38 | 5.18 | 0.70 |
| Non-patent Technology | 2.33 | | |
| Trademarks | | | |
| Copyright | 0.91 | 0.91 | 0.91 |
| Concessions | | | |
| Others | 87.77 | 87.76 | 96.32 |
| Total Book Value | 89,190.34 | 90,459.88 | 89,166.61 |
| Incl.: Software | 14,945.61 | 12,186.82 | 11,104.54 |
| Land Use Right | 26,110.00 | 36,510.26 | 34,261.38 |
| Patent Right | 2,310.94 | 1,962.48 | 2,192.46 |
| Non-patent Technology | 859.46 | 745.15 | 520.24 |
| Trademarks | 0.15 | 0.09 | 4.76 |
| Copyright | 548.49 | 468.43 | 316.06 |
| Concessions | 42,345.09 | 36,964.82 | 38,112.26 |
| Others | 2,070.61 | 1,621.83 | 2,654.91 |

18. Goodwill

| Items | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|---------------------------------|------------------|------------------|------------------|
| Book Amount | 16,617.46 | 17,731.65 | 16,220.77 |
| Less: Provisions for Impairment | 1,821.12 | 1,736.05 | 1,704.65 |
| Total | 14,796.34 | 15,995.60 | 14,516.12 |

19. Deferred Tax Assets and Deferred Tax Liabilities

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|--------------------------|--------------|--------------|--------------|
| Deferred Tax Assets | 49,297.53 | 49,983.45 | 43,659.78 |
| Deferred Tax Liabilities | 30,163.44 | 27,518.34 | 25,397.71 |

20. Other Non-Current Assets

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|---|--------------|--------------|--------------|
| Hedging Instrument | 3,464.46 | 3,302.47 | 2,802.29 |
| Hedged Items | | | 0.82 |
| Circulation Right for Equity Separation | 186.18 | 186.18 | 186.18 |
| Guarantee Deposits Paid | 1,420.00 | 1,420.00 | 1,420.00 |
| Life Insurance Reserves | 0.62 | 0.62 | 0.27 |
| Health Insurance Reserves | 1.83 | 1.21 | 0.52 |
| Vat Reclassification | 3,017.58 | 6,549.26 | 7,143.32 |
| Others | 32,580.32 | 38,237.60 | 32,879.91 |
| Total | 40,670.99 | 49,697.34 | 44,433.31 |

21. Short-term Borrowings

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|-----------------------|--------------|--------------|--------------|
| Pledged Borrowings | | | 60.00 |
| Mortgaged Borrowings | | | 1,277.47 |
| Guaranteed Borrowings | 1,499.00 | 1,070.00 | 6,359.10 |
| Credit Borrowings | 347,814.38 | 160,726.27 | 104,965.25 |
| Total | 349,313.38 | 161,796.27 | 112,661.82 |

22. Note Payable

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|------------------|--------------|--------------|--------------|
| Bank Acceptance | 84,418.95 | 50,242.88 | 5,551.97 |
| Trade Acceptance | 8,783.00 | 5,635.57 | 25,525.02 |
| Total | 93,201.95 | 55,878.45 | 31,076.99 |

23. Accounts Payable

| Age of Account | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|---------------------------------|--------------|--------------|--------------|
| Less than 1 year (incl. 1 year) | 429,918.83 | 442,479.11 | 432,743.93 |

| Age of Account | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|---------------------------|-------------------|-------------------|-------------------|
| 1~2 years (incl. 2 years) | 39,478.27 | 41,796.29 | 45,034.04 |
| 2~3 years (incl. 3 years) | 10,645.56 | 11,565.03 | 18,091.07 |
| More than 3 years | 5,332.88 | 7,995.33 | 8,255.58 |
| Total | 485,375.54 | 503,835.76 | 504,124.62 |

24. Advance from Customers

| Age of Account | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|---------------------------------|-------------------|-------------------|-------------------|
| Less than 1 year (incl. 1 year) | 148,359.51 | 157,519.66 | 181,286.80 |
| More than 1 year | 3,753.26 | 3,416.56 | 14,788.25 |
| Total | 152,112.77 | 160,936.22 | 196,075.05 |

25. Tax and Surcharges Payable

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|--|------------------|------------------|------------------|
| Value-added Tax | 14,788.67 | 8,286.38 | 19,575.80 |
| Consumption Tax | | 0.96 | 0.85 |
| Sales Tax | | | 30.66 |
| Resource Tax | 13.30 | 13.62 | 10.00 |
| Company Income Tax | 14,832.55 | 18,622.25 | 14,073.71 |
| Urban Maintenance and Construction Tax | 912.53 | 276.06 | 504.43 |
| Real Estate Tax | 720.44 | 658.41 | 525.13 |
| Land Use Tax | 197.61 | 200.53 | 182.23 |
| Individual Income Tax | 2,397.16 | 2,048.53 | 2,014.20 |
| Education Surcharges | 618.22 | 183.39 | 372.09 |
| Others | 2,147.73 | 6,371.29 | 3,943.51 |
| Total | 36,628.21 | 36,661.42 | 41,232.61 |

26. Other Payables

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|------------------|-------------------|-------------------|-------------------|
| Interest Payable | 9,014.00 | 10,415.47 | 10,288.84 |
| Dividend Payable | 12,720.68 | 19,319.00 | 20,132.97 |
| Other Payables | 331,316.55 | 348,819.36 | 330,899.82 |
| Total | 353,051.23 | 378,553.83 | 361,321.63 |

(1) Interest Payable

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|---|-----------------|------------------|------------------|
| Short-term Borrowings | 404.78 | 203.37 | 232.44 |
| Short-term Bonds | 460.57 | 163.95 | 200.66 |
| Medium-term Note | 174.23 | 123.26 | 190.40 |
| Interest on Long-term Loans with Interest Paid by Installments and Principal Paid at Maturity | 614.75 | 1,058.19 | 749.44 |
| Corporate Bond | 3,737.01 | 5,612.49 | 6,179.80 |
| Discount Interest | 27.22 | | |
| Interest Payable on Deposit | 2,884.38 | 2,750.86 | 2,312.33 |
| Others | 711.06 | 503.35 | 423.77 |
| Total | 9,014.00 | 10,415.47 | 10,288.84 |

(2) Dividend Payable

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|--------------------------|------------------|------------------|------------------|
| Ordinary Shares Dividend | 600.79 | 381.67 | 388.05 |
| Others | 12,119.89 | 18,937.33 | 19,744.92 |
| Total | 12,720.68 | 19,319.00 | 20,132.97 |

(3) Other Payables

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|---|--------------|--------------|--------------|
| Collection of Various Funds and Additions | 18,534.69 | 19,621.40 | 17,460.32 |

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|--|-------------------|-------------------|-------------------|
| Incl.: Rural Network Loan Repayment Fund | 3,302.25 | 3,421.46 | 3,080.10 |
| National Major Water Conservancy Project Construction Fund | 1,492.23 | 1,227.95 | 1,985.46 |
| Urban Public Utilities Add-On | 1,152.23 | 1,276.17 | 1,840.33 |
| Support Fund for Reservoir Migration in The Later Period | 2,617.19 | 2,626.89 | 2,343.06 |
| Renewable Energy Addition | 7,581.71 | 8,352.40 | 5,978.10 |
| Differential Price (Punitive Price) | 634.84 | 642.25 | 446.36 |
| Project Payment of Users | 256,671.56 | 264,837.18 | 230,851.55 |
| Temporary Power Supply Security | 19.57 | 73.53 | 295.04 |
| Personal Social Insurance Premium of Employees | 769.85 | 947.84 | 1,075.34 |
| Others | 55,320.88 | 63,339.41 | 81,217.57 |
| Total | 331,316.55 | 348,819.36 | 330,899.82 |

27. Non-current Liabilities Due within One Year

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|---|------------------|-------------------|------------------|
| Long-Term Debt Due within 1 Year | 45,898.05 | 50,138.82 | 33,236.53 |
| Bonds Payable Due within 1 Year | 43,294.19 | 56,272.69 | 49,732.97 |
| Long-Term Payables Due within 1 Year | 462.38 | 485.58 | 901.22 |
| Other Long-Term Liabilities Due within 1 Year | 292.72 | 412.43 | 549.18 |
| Total | 89,947.34 | 107,309.52 | 84,419.90 |

28. Long-term Borrowings

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|-----------------------|--------------|--------------|--------------|
| Pledged Borrowings | 3,901.11 | 10,100.98 | 9,885.89 |
| Mortgaged Borrowings | 683.89 | 15,091.85 | 13,664.27 |
| Guaranteed Borrowings | 19,339.12 | 28,103.24 | 28,781.79 |
| Credit Borrowings | 193,970.73 | 205,290.93 | 210,411.59 |

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|-------|--------------|--------------|--------------|
| Total | 217,894.85 | 258,587.00 | 262,743.54 |

29. Bonds Payable

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|---------------|--------------|--------------|--------------|
| Bonds Payable | 233,035.48 | 272,044.82 | 309,831.21 |
| Total | 233,035.48 | 272,044.82 | 309,831.21 |

30. Long-term Payables

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|---------------------------|--------------|--------------|--------------|
| Long-term Payables | 6,844.69 | 8,228.90 | 7,241.53 |
| Special Accounts Payables | 29,116.84 | 27,896.60 | 26,112.28 |
| Total | 35,961.53 | 36,125.50 | 33,353.81 |

31. Provisions

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|------------------------------|--------------|--------------|--------------|
| External Guarantee | 181.22 | 49.62 | 74.24 |
| Pending Litigation | 212.22 | 210.88 | 162.30 |
| Product Quality Assurance | 31.48 | 28.65 | 2.79 |
| Loss Contract to Be Executed | 48.28 | 37.90 | 3.24 |
| Others | 4,848.57 | 6,351.53 | 5,703.27 |
| Total | 5,321.77 | 6,678.58 | 5,945.84 |

32. Paid-in Capital

| Name of Investor | 31 Dec. 2020 | | 31 Dec. 2019 | | 31 Dec. 2018 | |
|---|-------------------|--------------|-------------------|--------------|-------------------|--------------|
| | Investment Amount | Investment % | Investment Amount | Investment % | Investment Amount | Investment % |
| SASAC | 1,307,373.23 | 90.93 | 1,402,428.79 | 100.00 | 1,304,520.14 | 100.00 |
| National Council for Social Security Fund | 130,452.02 | 9.07 | | | | |

| Name of Investor | 31 Dec. 2020 | | 31 Dec. 2019 | | 31 Dec. 2018 | |
|------------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|
| | Investment Amount | Investment % | Investment Amount | Investment % | Investment Amount | Investment % |
| Total | 1,437,825.25 | 100.00 | 1,402,428.79 | 100.00 | 1,304,520.14 | 100.00 |

33. Capital Reserve

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|-----------------|--------------|--------------|--------------|
| Capital Reserve | 217,769.82 | 201,439.68 | 197,928.38 |
| Total | 217,769.82 | 201,439.68 | 197,928.38 |

34. Surplus Reserve

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|---------------------------|--------------|--------------|--------------|
| Statutory Surplus Reserve | 83,967.60 | 81,126.10 | 77,386.69 |
| Other Surplus Reserve | | | |
| Total | 83,967.60 | 81,126.10 | 77,386.69 |

35. Retained Earnings

| Item | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2018 |
|--|--------------|--------------|--------------|
| Balance as at the Beginning of the Year | 113,333.63 | 118,727.37 | 247,571.91 |
| Increment of Current Year | 39,515.58 | 59,506.14 | 63,158.89 |
| Incl.: Net Profit that Attributable to the Parent Company Transferred In | 38,504.71 | 56,180.69 | 59,306.04 |
| Other Adjustment Factors | 1,010.87 | 3,325.45 | 3,852.85 |
| Decrement of The Year | 29,687.92 | 64,899.88 | 192,003.43 |
| Incl.: Surplus Reserve Extraction | 2,841.50 | 3,739.41 | 8,303.34 |
| General Risk Reserve Extraction | 878.62 | 68.38 | 492.09 |
| Cash Dividend Distribution | 3,172.73 | 11,492.01 | 29,869.76 |
| Retained Earnings into Capital | 22,410.61 | 48,423.57 | 150,094.66 |
| Other Decrease | 384.46 | 1,176.51 | 3,243.58 |
| Balance as at the End of the Year | 123,161.29 | 113,333.63 | 118,727.37 |

36. Operating Income and Operating Cost

| Item | For the Year ended 31 Dec. 2020 | | For the Year ended 31 Dec. 2019 | | For the Year ended 31 Dec. 2018 | |
|---------------------------|------------------------------------|--------------|------------------------------------|--------------|------------------------------------|--------------|
| | Income | Cost | Income | Cost | Income | Cost |
| Main Business Operations | 2,624,389.43 | 2,460,990.39 | 2,628,931.93 | 2,427,548.29 | 2,545,474.00 | 2,368,171.73 |
| Other Business Operations | 20,127.62 | 18,350.84 | 20,551.66 | 18,777.99 | 9,096.61 | 7,536.30 |
| Total | 2,644,517.05 | 2,479,341.23 | 2,649,483.59 | 2,446,326.28 | 2,554,570.61 | 2,375,708.03 |

37. Investment Income

| Item | For the Year ended 31 Dec. 2020 | For the Year ended 31 Dec. 2019 | For the Year ended 31 Dec. 2018 |
|--|------------------------------------|------------------------------------|------------------------------------|
| Investment Income from Long-term Equity Investment Measured using Equity Accounting Method | 11,794.08 | 12,403.65 | 11,953.30 |
| Investment Income from Disposal of Long-term Equity Investment | 707.43 | 448.00 | 703.47 |
| Investment Income arising from the Holding Period of Financial Assets Measured at Fair Value with Changes Included in Current Year's Profit & Loss | 232.64 | 190.34 | 112.05 |
| Investment Income arising from Disposal of Financial Assets Measured at Fair Value with Changes Included in Current Year's Profit & Loss | 215.07 | 102.52 | -33.51 |
| Investment Income arising from the Holding Period of Investments Held-to-Maturity | 444.47 | 555.85 | 580.90 |
| Investment Income arising from Disposal of Investments Held-to-Maturity | -0.04 | -0.01 | |
| Investment Income from Financial Asset Available-for-Sale | 4,345.44 | 4,777.23 | 4,731.43 |
| Investment Income arising from Disposal of Financial Asset Available-for-Sale | 912.23 | 46.51 | 557.76 |
| Gain from Equity Revaluation when obtain control | | 410.48 | |
| Gain from Equity Revaluation when losing control | 2.29 | | |
| Others | 947.91 | 728.85 | 651.15 |
| Total | 19,601.52 | 19,663.42 | 19,256.55 |

38. Profit/(Loss) from Changes in Fair Value

| Item | For the Year ended 31 Dec. 2020 | For the Year ended 31 Dec. 2019 | For the Year ended 31 Dec. 2018 |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| Financial Assets Measured at Fair Value with Changes Included in Current Year's Profit & Loss | 92.69 | 124.41 | -7.63 |
| Derivative Financial Assets | -16.95 | 15.14 | 1.96 |
| Financial Liabilities Measured at Fair Value with Changes Included in Current Year's Profit & Loss | | 0.31 | 0.92 |
| Derivative Financial Liabilities | | | 4.51 |
| Others | -399.93 | 102.80 | -2.68 |
| Total | -324.19 | 242.66 | -2.92 |

39. Impairment Loss on Assets

| Item | For the Year ended 31 Dec. 2020 | For the Year ended 31 Dec. 2019 | For the Year ended 31 Dec. 2018 |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| Provision of Bad Debt Losses | -1,710.83 | -992.73 | -4,023.04 |
| Provision of Impairment Loss on Inventory | -343.61 | -1,729.98 | -2,502.75 |
| Provision of Impairment Loss on Financial Asset Available-for-Sale | -1,103.42 | -298.05 | -1,532.41 |
| Provision of Impairment Loss on Investment Held-to- Maturity | 3.49 | -2.00 | -4.00 |
| Provision of Impairment Loss on Long-term Equity Investment | -15.22 | -36.69 | -116.11 |
| Provision of Impairment Loss on Fixed Assets | -34.04 | -30.94 | -77.00 |
| Provision of Impairment Loss on Construction in Progress | -134.65 | -114.13 | -10.42 |
| Provision of Impairment Loss on Intangible Assets | -66.54 | -13.86 | -16.71 |
| Provision of Impairment Loss on Goodwill | -153.07 | -31.40 | -1,622.93 |
| Others | -84.10 | -123.11 | -25.78 |
| Total | -3,641.99 | -3,372.89 | -9,931.15 |

40. Non-Operating Income

| Item | For the Year | For the Year | For the Year |
|--|-----------------------|-----------------------|-----------------------|
| | ended 31 Dec. 2020 | ended 31 Dec. 2019 | ended 31 Dec. 2018 |
| Gains from scrapping of non-current assets | 191.62 | 289.60 | 444.55 |
| Gains from Debt Restructuring | | | 109.06 |
| Acceptance of donation | 46.60 | 142.49 | 14.18 |
| Government grant | 1,627.16 | 848.82 | 899.87 |
| Others | 6,662.36 | 5,541.76 | 4,118.66 |
| Total | 8,527.74 | 6,822.67 | 5,586.32 |

41. Non-Operating Expenses

| Item | For the Year | For the Year | For the Year |
|---|-----------------------|-----------------------|-----------------------|
| | ended 31 Dec. 2020 | ended 31 Dec. 2019 | ended 31 Dec. 2018 |
| Losses from damage or scrapping of non-current assets | 2,591.85 | 2,346.79 | 2,391.48 |
| Donation | 1,976.19 | 444.00 | 2,453.03 |
| Others | 1,467.84 | 2,793.00 | 1,590.61 |
| Total | 6,035.88 | 5,583.79 | 6,435.12 |

42. Income Tax Expense

| Item | For the Year | For the Year | For the Year |
|---|-----------------------|-----------------------|-----------------------|
| | ended 31 Dec. 2020 | ended 31 Dec. 2019 | ended 31 Dec. 2018 |
| Current income tax according to tax laws and relevant rules | 17,379.86 | 23,317.23 | 28,032.96 |
| Adjustment of deferred tax | -279.97 | -3,808.62 | -4,706.92 |
| Others | | -37.03 | |
| Total | 17,099.89 | 19,471.58 | 23,326.04 |

43. Other Comprehensive Income Attributable to Parent Company

Other Comprehensive Income Items and their Impacts on Income Tax and Status of Whether been Transferred to Profit & Loss

| Item | For the Year ended 31 Dec. 2020 | | |
|--|---------------------------------|------------|------------------|
| | Amount before Tax | Income Tax | Amount after Tax |
| (1) Other comprehensive income that will not be reclassified into profit and loss in subsequent periods | -171.41 | -234.75 | 63.34 |
| i. Changes of net liabilities or assets from re-measurement of defined benefit plans | -675.27 | -234.75 | -440.52 |
| ii. Shares from other comprehensive income not to be reclassified into profit and loss under equity method | 503.86 | | 503.86 |
| (2) Other comprehensive income to be reclassified into profit and loss in subsequent periods | -22,315.59 | -1,098.86 | -21,216.73 |
| i. Shares enjoyed from other comprehensive income to be classified into profit and loss under equity method | -851.61 | | -851.61 |
| Less: amount reclassified into current profit and loss which had been recognized in other comprehensive before | | | |
| Sub-total | -851.61 | | -851.61 |
| ii. Gains and losses from fair value changes of available-for-sale financial assets | -2,800.86 | -971.08 | -1,829.78 |
| Less: amount reclassified into current profit and loss which had been recognized in other comprehensive before | 82.28 | 20.57 | 61.71 |
| Sub-total | -2,883.14 | -991.65 | -1,891.49 |
| iii. Profits and losses of held to maturity investment reclassified as available for sale financial assets | | | |
| Less: included in other comprehensive income in the previous period and transferred into profit and loss in the current period | | | |
| Sub-total | | | |
| iv. Effective portion of cash flow hedging gains and losses | -2,213.32 | -90.43 | -2,122.89 |
| Less: amount reclassified into current profit and loss which had been recognized in other comprehensive before | | | |

| Item | For the Year ended 31 Dec. 2020 | | |
|--|---------------------------------|------------|------------------|
| | Amount before Tax | Income Tax | Amount after Tax |
| Included in other comprehensive income in the previous period and transferred to profit and loss in the current period | | | |
| Sub-total | -2,213.32 | -90.43 | -2,122.89 |
| v. Exchange difference on translation of foreign operations | -16,318.18 | | -16,318.18 |
| Less: amount reclassified into current profit and loss which had been recognized in other comprehensive before | | | |
| Sub-total | -16,318.18 | | -16,318.18 |
| vi. Others | -49.34 | -16.78 | -32.56 |
| Less: amount reclassified into current profit and loss which had been recognized in other comprehensive before | | | |
| Sub-total | -49.34 | -16.78 | -32.56 |
| (3) Total other comprehensive income | -22,487.00 | -1,333.61 | -21,153.39 |

(Continued)

| Item | For the Year ended 31 Dec. 2019 | | |
|--|---------------------------------|------------|------------------|
| | Amount before Tax | Income Tax | Amount after Tax |
| (1) Other comprehensive income that will not be reclassified into profit and loss in subsequent periods | -1,851.85 | -660.21 | -1,191.64 |
| i. Changes of net liabilities or assets from re-measurement of defined benefit plans | -1,943.86 | -660.21 | -1,283.65 |
| ii. Shares from other comprehensive income not to be reclassified into profit and loss under equity method | 92.01 | | 92.01 |
| (2) Other comprehensive income to be reclassified into profit and loss in subsequent periods | -540.97 | 109.40 | -650.37 |
| i. Shares enjoyed from other comprehensive income to be classified into profit and loss under equity method | -1.76 | | -1.76 |
| Less: amount reclassified into current profit and loss which had been recognized in other comprehensive before | | | |
| Sub-total | -1.76 | | -1.76 |

| Item | For the Year ended 31 Dec. 2019 | | |
|--|---------------------------------|------------|------------------|
| | Amount before Tax | Income Tax | Amount after Tax |
| ii. Gains and losses from fair value changes of available-for-sale financial assets | 3,351.96 | 301.16 | 3,050.80 |
| Less: amount reclassified into current profit and loss which had been recognized in other comprehensive before | -10.83 | -2.71 | -8.12 |
| Sub-total | 3,362.79 | 303.87 | 3,058.92 |
| iii. Profits and losses of held to maturity investment reclassified as available for sale financial assets | | | |
| Less: included in other comprehensive income in the previous period and transferred into profit and loss in the current period | | | |
| Sub-total | | | |
| iv. Effective portion of cash flow hedging gains and losses | -623.17 | -194.47 | -428.70 |
| Less: amount reclassified into current profit and loss which had been recognized in other comprehensive before | | | |
| Included in other comprehensive income in the previous period and transferred to profit and loss in the current period | | | |
| Sub-total | -623.17 | -194.47 | -428.70 |
| v. Exchange difference on translation of foreign operations | -3,280.00 | | -3,280.00 |
| Less: amount reclassified into current profit and loss which had been recognized in other comprehensive before | | | |
| Sub-total | -3,280.00 | | -3,280.00 |
| vi. Others | 1.17 | | 1.17 |
| Less: amount reclassified into current profit and loss which had been recognized in other comprehensive before | | | |
| Sub-total | 1.17 | | 1.17 |
| (3) Total other comprehensive income | -2,392.82 | -550.81 | -1,842.01 |

(Continued)

| Item | For the Year ended 31 Dec. 2018 | | |
|--|---------------------------------|------------|------------------|
| | Amount before Tax | Income Tax | Amount after Tax |
| (1) Other comprehensive income that will not be reclassified into profit and loss in subsequent periods | -455.40 | -210.89 | -244.51 |
| i. Changes of net liabilities or assets from re-measurement of defined benefit plans | -619.88 | -210.89 | -408.99 |
| ii. Shares from other comprehensive income not to be reclassified into profit and loss under equity method | 164.48 | | 164.48 |
| (2) Other comprehensive income to be reclassified into profit and loss in subsequent periods | -15,173.85 | -483.46 | -14,690.39 |
| i. Shares enjoyed from other comprehensive income to be classified into profit and loss under equity method | 984.88 | | 984.88 |
| Less: amount reclassified into current profit and loss which had been recognized in other comprehensive before | | | |
| Sub-total | 984.88 | | 984.88 |
| ii. Gains and losses from fair value changes of available-for-sale financial assets | -3,925.04 | -452.84 | -3,472.20 |
| Less: amount reclassified into current profit and loss which had been recognized in other comprehensive before | -44.20 | -11.06 | -33.14 |
| Sub-total | -3,880.84 | -441.78 | -3,439.06 |
| iii. Profits and losses of held to maturity investment reclassified as available for sale financial assets | | | |
| Less: included in other comprehensive income in the previous period and transferred into profit and loss in the current period | | | |
| Sub-total | | | |
| iv. Effective portion of cash flow hedging gains and losses | 506.79 | -41.68 | 548.47 |
| Less: amount reclassified into current profit and loss which had been recognized in other comprehensive before | | | |
| Included in other comprehensive income in the previous period and transferred to profit and loss in the current period | | | |

| Item | For the Year ended 31 Dec. 2018 | | |
|--|---------------------------------|------------|------------------|
| | Amount before Tax | Income Tax | Amount after Tax |
| Sub-total | 506.79 | -41.68 | 548.47 |
| v. Exchange difference on translation of foreign operations | -12,784.68 | 0.00 | -12,784.68 |
| Less: amount reclassified into current profit and loss which had been recognized in other comprehensive before | | | |
| Sub-total | -12,784.68 | | -12,784.68 |
| vi. Others | | | |
| Less: amount reclassified into current profit and loss which had been recognized in other comprehensive before | | | |
| Sub-total | | | |
| (3) Total other comprehensive income | -15,629.25 | -694.35 | -14,934.90 |

44. Segment Information

| Item | Power | | |
|--|--------------|--------------|--------------|
| | 2020 | 2019 | 2018 |
| Operating Income | 2,436,137.24 | 2,445,335.59 | 2,398,000.82 |
| Investment Income from Associates and Joint Ventures | 543.21 | 381.01 | 511.24 |
| Impairment Loss on Assets | 323.27 | 221.65 | -2,606.46 |
| Depreciation and Amortisation | 309,993.99 | 308,690.40 | 309,902.52 |
| Profit before Tax | 28,257.28 | 46,915.00 | 53,186.38 |
| Income Tax Expenses | 8,962.18 | 11,131.85 | 15,756.15 |
| Net Profit | 19,295.10 | 35,783.15 | 37,430.23 |
| Total Assets | 3,856,039.43 | 3,656,985.02 | 3,465,417.26 |
| Total Liabilities | 2,036,814.81 | 1,902,853.59 | 1,798,452.48 |

(Continued)

| Item | Other | | |
|------|-------|------|------|
| | 2020 | 2019 | 2018 |

| Item | Other | | |
|--|--------------|--------------|--------------|
| | 2020 | 2019 | 2018 |
| Operating Income | 385,338.06 | 375,608.95 | 335,646.48 |
| Investment Income from Associates and Joint Ventures | 13,173.49 | 12,874.62 | 11,920.97 |
| Impairment Loss on Assets | -4,351.45 | -4,679.18 | -8,795.55 |
| Depreciation and Amortisation | 18,693.54 | 18,985.05 | 12,883.69 |
| Profit before Tax | 58,147.59 | 49,347.71 | 40,374.58 |
| Income Tax Expenses | 10,106.08 | 9,891.67 | 8,645.71 |
| Net Profit | 48,041.50 | 39,456.04 | 31,728.87 |
| Total Assets | 2,040,727.28 | 1,921,950.15 | 1,593,987.56 |
| Total Liabilities | 1,487,244.39 | 1,299,569.68 | 1,143,344.66 |

(Continued)

| Item | Elimination | | |
|--|---------------|---------------|---------------|
| | 2020 | 2019 | 2018 |
| Operating Income | -153,807.48 | -154,961.64 | -165,790.53 |
| Investment Income from Associates and Joint Ventures | -1,922.62 | -851.98 | -478.91 |
| Impairment Loss on Assets | 386.19 | 1,084.64 | 1,470.86 |
| Depreciation and Amortisation | -613.26 | -4,564.30 | -4,110.46 |
| Profit before Tax | -27,284.21 | -17,732.16 | -8,499.62 |
| Income Tax Expenses | -1,968.37 | -1,551.94 | -1,075.82 |
| Net Profit | -25,315.83 | -16,180.22 | -7,423.80 |
| Total Assets | -1,550,539.13 | -1,382,126.55 | -1,076,060.32 |
| Total Liabilities | -1,078,018.76 | -848,927.06 | -693,895.42 |

(Continued)

| Item | Total | | |
|--|--------------|--------------|--------------|
| | 2020 | 2019 | 2018 |
| Operating Income | 2,667,667.82 | 2,665,982.90 | 2,567,856.77 |
| Investment Income from Associates and Joint Ventures | 11,794.08 | 12,403.65 | 11,953.30 |
| Impairment Loss on Assets | -3,641.99 | -3,372.89 | -9,931.15 |

| Item | Total | | |
|-------------------------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2018 |
| Depreciation and Amortisation | 328,074.27 | 323,111.15 | 318,675.75 |
| Profit before Tax | 59,120.66 | 78,530.55 | 85,061.34 |
| Income Tax Expenses | 17,099.89 | 19,471.58 | 23,326.04 |
| Net Profit | 42,020.77 | 59,058.97 | 61,735.30 |
| Total Assets | 4,346,227.58 | 4,196,808.62 | 3,983,344.50 |
| Total Liabilities | 2,446,040.44 | 2,353,496.21 | 2,247,901.72 |

45. Consolidated Cash Flow Statement

| Item | 2020 | 2019 | 2018 |
|---|------------|------------|------------|
| (1) Reconciliation of net profit to cash flows from operating activities | — | — | — |
| Net profit | 42,020.77 | 59,058.97 | 61,735.30 |
| Add: Provision of Impairment on Assets | 3,641.99 | 3,372.89 | 9,931.15 |
| Depreciation of fixed assets, oil & gas assets, Productive biological assets | 321,257.66 | 315,695.97 | 311,374.79 |
| Amortisation of Intangible Assets | 6,288.04 | 6,954.47 | 6,848.95 |
| Amortization of long-term deferred expenses | 528.57 | 460.72 | 452.01 |
| Losses on disposal of fixed assets, intangible assets and other long-term assets (“-“ for gain) | -336.61 | -20.88 | 40.84 |
| Losses on scrapping of fixed assets (“-“ for gain) | 3,200.23 | 2,557.33 | 1,946.92 |
| Losses on the changes in fair value (“-“ for gain) | 324.19 | -242.66 | 2.92 |
| Financial expenses (“-“ for gain) | 44,459.39 | 30,094.45 | 31,110.90 |
| Losses arising from investments (“-“ for gain) | -20,418.79 | -19,663.42 | -19,066.53 |
| Decrease in deferred tax assets (“-“ for increase) | 685.92 | -6,373.10 | -6,178.61 |
| Increase in deferred tax liabilities (“-“ for decrease) | 2,645.10 | 2,591.88 | 489.69 |
| Decrease in inventory (“-“ for increase) | 85,441.43 | 6,871.59 | 12,777.70 |
| Decrease in operating receivables (“-“ for increase) | -44,860.54 | -4,272.03 | -29,461.84 |

| Item | 2020 | 2019 | 2018 |
|---|-------------|------------|------------|
| Increase in operating payables (“-“ for decrease) | -120,480.01 | -29,192.06 | 49,554.89 |
| Others | 123.22 | 156.98 | |
| Net cash flows from operating activities | 324,520.56 | 368,051.10 | 431,559.08 |
| 2. Major investment and financing activities not involving cash receipts and payments | | | |
| Debt to capital | | | |
| Convertible bonds due within one year | | | |
| Fixed assets under finance lease | | | |
| 3. Net changes of cash and cash equivalents | — | — | — |
| Cash at the end of the period | 74,560.00 | 69,256.74 | 70,955.24 |
| Less: Cash at the beginning of the period | 69,256.74 | 70,955.24 | 73,882.61 |
| Add: Cash equivalents at the end of the period | 581.86 | 496.57 | 567.34 |
| Less: Cash equivalents at the beginning of the period | 496.57 | 567.34 | 750.50 |
| Net increase in cash and cash equivalents | 5,388.56 | -1,769.27 | -3,110.53 |

VIII. CONTINGENCIES

The guarantee amount of the Company and its subsidiaries is 200,856,700,945.85 RMB as at December 31, 2020 of which 193,479,786,812.84 RMB is for intra-group organizations, 2,057,005,463.81 RMB for holding subsidiary companies and 5,319,908,669.20 RMB for organizations outside the group.

IX. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The company has no significant events after the balance sheet date that need to be disclosed this year.

X. OTHER INFORMATION REQUIRED TO BE DISCLOSED

The company has no other contents that should be disclosed this year.

State Grid Corporation of China

14 /04 /2021

证书序号: 0014624

说明

- 1、《会计师事务所执业证书》是证明持有人经财政部门依法审批, 准予执行注册会计师法定业务的凭证。
- 2、《会计师事务所执业证书》记载事项发生变动的, 应当向财政部门申请换发。
- 3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
- 4、会计师事务所终止或执业许可注销的, 应当向财政部门交回《会计师事务所执业证书》。

会计师事务所 执业证书

名称: 信永中和会计师事务所 (特殊普通合伙)

首席合伙人: 谭小春

主任会计师:

经营场所: 北京市东城区朝阳门北大街8号富华大厦A座8层

组织形式: 特殊普通合伙

执业证书编号: 11010136

批准执业文号: 京财会许可[2011]0056号

批准执业日期: 2011年07月07日



中华人民共和国财政部制



营业执照

(副本) (3-1)

统一社会信用代码

91110101592354581W



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名称 信永中和会计师事务所(特殊普通合伙)

类型 特殊普通合伙

执行事务合伙人 张克、叶韶勋、顾仁荣、李晓英、谭小青

经营范围 审查企业会计报表，出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、增资、减资、清算等事务，出具审计报告；代理企业申请设立企业中的审计、代理记账、清算事务、企业管理咨询、法律、法规规定的其他经营活动；(依法须经批准的项目，经相关部门批准后方可开展经营活动。)

成立日期 2012年03月02日

合伙期限 2012年03月02日 至 2042年03月01日

主要经营场所 北京市东城区朝阳门北大街8号富华大厦A座8层

登记机关



2021年01月08日



国家企业信用信息公示系统网址: <http://www.gsxt.gov.cn>

市场主体应当于每年1月1日至6月30日通过
国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
中国注册会计师协会






姓名: 张健
Full name: Zhang Jian


性别: 男
Sex: Male


出生日期: 1970年6月8日
Date of birth: 1970.06.08

工作单位: 华夏会计师事务所
Working unit: Huaxia Accounting Firm

身份证号码: 110105700608005
Identity card No.: 110105700608005







网址: 网址
证书编号: 100000882085

证书编号: 100000882085
No. of Certificate: 100000882085


批准注册协会: 中国注册会计师协会
Authorized Institute of CPA: The Chinese Institute of Certified Public Accountants

发证日期: 1999年9月28日
Date of issuance: 1999.09.28

1999年 9月 28日
1999.09.28

注册会计师工作单位变更事项登记
Registration of a Change of Working Unit by a CPA


同意调出
Agree the holder to be transferred from



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Stamp of the transferor Institute of CPAs

2019年 11月 11日

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2019年 11月 11日

注册会计师工作单位变更事项登记
Registration of a Change of Working Unit by a CPA

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中博昆华

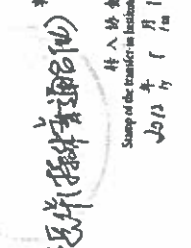


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2019年 11月 12日

1. When transferring, the CPA shall follow the client this certificate was issued by.

2. This certificate shall be exclusively used by the holder. No transfer or alteration shall be allowed.

3. The CPA shall return the certificate to the competent Institute of CPAs when the CPA stops conducting statutory business.

4. In case of loss, the CPA shall report to the competent Institute of CPAs immediately and go through the procedure of release after making an announcement of loss on the newspaper.

转出: 张华(特等) 2019.11.23

转入: 侯中(特等) 2019.12.13



年度检验登记
Annual Renewal Registration

本证书检验合格，继续有效一年。
This certificate is valid for another year after this renewal



姓名: 高艳丽
证号: 110101301257

年 月 日

年度检验登记
Annual Renewal Registration

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This certificate is valid for another year after this renewal

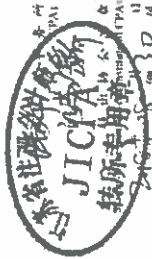
年 月 日



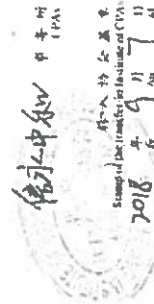
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Registration of the Change of Working Unit by a CPA

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姓名: 高艳丽
Full name: 高艳丽
性别: 女
Sex: 女
出生日期: 1983-02-06
Date of birth: 1983-02-06
工作单位: 江苏会计师事务所—特殊普通合伙
Working unit: 江苏会计师事务所—特殊普通合伙
身份证号码: 412702198802065064
Identity card No.: 412702198802065064

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APPENDIX 2
PRICING SUPPLEMENT DATED 1 SEPTEMBER 2021

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address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to the delivery of such Pricing Supplement by electronic transmission.

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This Pricing Supplement does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer in such jurisdiction.

This Pricing Supplement has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor (each as defined herein), the Managers, the Trustee or the Agents (each as defined in the Offering Circular as defined herein), nor any person who controls any of them, nor any director, officer, employee, nor agent of any of them, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Pricing Supplement distributed to you in electronic format and the hard copy version available to you on request from the Managers.

You are responsible for protecting against viruses and other destructive items. 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.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**EU Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

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

EU MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in EU MiFID II; or (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes 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).

Pricing Supplement dated September 1, 2021

State Grid Overseas Investment (BVI) Limited (国家电网海外投资(BVI)有限公司)

Issue of U.S.\$600,000,000 1.125 per cent. Senior Guaranteed Notes due 2026
under the U.S.\$15,000,000,000 Guaranteed Medium Term Note Programme
guaranteed by State Grid Corporation of China

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Trust Deed dated on or about April 17, 2017. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular (as defined below). Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement (including the information set out in the Schedule hereto) and the Offering Circular dated August 30, 2021 (the "**Offering Circular**").

This Pricing Supplement is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**")) ("**Professional Investors**") only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, The Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

The Pricing Supplement, together with the Offering Circular, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving information with regard to the Issuer, the Guarantor and the Group. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in the Pricing Supplement and confirm, having made all reasonable enquiries, that to the best of its knowledge and

belief there are no other facts the omission of which would make any statement herein misleading.

1. Issuer: State Grid Overseas Investment (BVI) Limited (国家电网海外投资(BVI)有限公司) (formerly known as State Grid Overseas Investment (2016) Limited (国家电网海外投资(2016)有限公司))
2. Guarantor: State Grid Corporation of China
 - (i) Series Number: 016
 - (ii) Tranche Number: 001
 - (iii) Date on which the Notes will be consolidated to form a single Series: Not Applicable
3. Specified Currency or Currencies: United States dollars ("U.S.\$")
4. Aggregate Nominal Amount:
 - (i) Series: U.S.\$600,000,000
 - (ii) Tranche: U.S.\$600,000,000
5.
 - (i) Issue Price: 99.483 per cent. of the Aggregate Nominal Amount
 - (ii) Net proceeds: Approximately U.S.\$596.3 million
6.
 - (i) Specified Denominations: U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof
 - (ii) Calculation Amount: U.S.\$1,000
 - (i) Issue Date: September 8, 2021
 - (ii) Interest Commencement Date: Issue date
7. Maturity Date: September 8, 2026
8. Interest Basis: 1.125 per cent. Fixed Rate (further particulars specified below)
9. Redemption/Payment Basis: Redemption at par
10. Change of Interest or Redemption/Payment Basis: Not Applicable

- | | | |
|-----|---|--|
| 11. | Put/Call Options: | Issuer Call Option Relevant Event Put Option (further particulars specified below) |
| 12. | Date of Board approval for issuance of Notes and Guarantee obtained | July 23, 2021 for the Issuer and January 12, 2021 for the Guarantor |
| 13. | Listing: | The Stock Exchange of Hong Kong Limited (expected effective listing date: September 9, 2021) |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- | | | |
|-----|--|---|
| 14. | Method of distribution: | Syndicated |
| 15. | Fixed Rate Note Provisions | Applicable |
| | (i) Rate of Interest: | 1.125 per cent. per annum payable semi-annually in arrear |
| | (ii) Interest Payment Date(s): | March 8 and September 8 in each year not adjusted |
| | (iii) Fixed Coupon Amount: | U.S.\$5.625 per Calculation Amount |
| | (iv) Broken Amount: | Not Applicable |
| | (v) Day Count Fraction: | 30/360 |
| | (vi) Determination Date(s): | Not Applicable |
| | (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: | Not Applicable |
| 16. | Floating Rate Note Provisions | Not Applicable |
| 17. | Zero Coupon Note Provisions | Not Applicable |
| 18. | Dual Currency Note Provisions | Not Applicable |

PROVISIONS RELATING TO REDEMPTION

- | | | |
|-----|----------------------------------|-----------------------------------|
| 19. | Issuer Call Option | Applicable |
| | (i) Optional Redemption Date(s): | At any time and from time to time |

(ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): The Optional Redemption Amount shall be equal to:

- (in the case of a date of redemption prior to August 8, 2026 (the "**Par Call Commencement Date**") the greater of (1) 100 per cent. of the principal amount of the applicable Notes to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the applicable Notes to be redeemed through the Par Call Commencement Date (not including interest accrued to the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of 12 30-day months) at the applicable Treasury Rate plus 10 basis points; or
- (in the case of a date of redemption on or after the Par Call Commencement Date) 100 per cent. of the principal amount of the applicable Notes to be redeemed,

plus, in each case, accrued and unpaid interest on the applicable Notes to be redeemed, if any, to the date of redemption.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes to be redeemed.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Guarantor.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the Guarantor obtains fewer than three such Reference Treasury Dealer Quotations, the average of all quotations obtained.

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. government securities dealer in the United States, selected by the Guarantor in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Guarantor, of the bid-and-asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Guarantor by such Reference Treasury Dealer as of 5:00 p.m., New York City time, on the third Business Day preceding such date of redemption.

"Treasury Rate" means, with respect to any date of redemption, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third Business Day immediately preceding such redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such date of redemption.

(iii) If redeemable in part:

| | |
|--------------------------------|----------------|
| (a) Minimum Redemption Amount: | Not Applicable |
|--------------------------------|----------------|

| | | |
|-----|--|---|
| | (b) Maximum Redemption Amount: | Not Applicable |
| | (iv) Notice period (if other than as set out in the Conditions): | Not less than 30 days nor more than 60 days |
| 20. | Investor Put Option | Not Applicable |
| 21. | Final Redemption Amount | U.S.\$1,000 per Calculation Amount |
| 22. | Early Redemption Amount payable on redemption for taxation, Relevant Event or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): | U.S.\$1,000 per Calculation Amount in respect of redemption for taxation, No Registration Event or on event of default U.S.\$1,010 per Calculation Amount in respect of redemption for Change of Control |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

| | | |
|-----|--|--|
| 23. | Form of Notes: | Registered Notes: Global Certificate exchangeable for Individual Note Certificates in the limited circumstances specified in the Global Certificate |
| 24. | Additional Financial Centre(s) or other special provisions relating to payment dates: | Not Applicable |
| 25. | Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): | No |
| 26. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | Not Applicable |
| 27. | Details relating to Instalment Notes: | Not Applicable |
| 28. | Redenomination applicable: | Redenomination not applicable |
| 29. | Other terms or special conditions: | Not Applicable |

DISTRIBUTION

30. (i) If syndicated, names and addresses of Managers and commitments:
- ICBC International Securities Limited
37/F ICBC Tower
3 Garden Road
Hong Kong
Commitment: U.S.\$75,500,000
- Bank of China Limited
7/F, Bank of China Tower
1 Garden Road
Central
Hong Kong
Commitment: U.S.\$75,500,000
- BOCI Asia Limited
20/F, Bank of China Tower
1 Garden Road
Central
Hong Kong
Commitment: U.S.\$75,500,000
- Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London, E14 5LB
United Kingdom
Commitment: U.S.\$75,500,000
- Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom
Commitment: U.S.\$75,500,000
- DBS Bank Ltd.
10/F, The Center
99 Queen's Road Central
Central
Hong Kong
Commitment: U.S.\$75,500,000
- Mizuho Securities Asia Limited
14-15/F., K11 Atelier
18 Salisbury Road
Tsim Sha Tsui, Kowloon
Hong Kong
Commitment: U.S.\$75,500,000

Banco Santander, S.A.
10/F, Two International Finance Centre,
8 Finance Street, Central, Hong Kong
Commitment: U.S.\$6,500,000

MUFG Securities Asia Limited
11/F, AIA Central,
1 Connaught Road Central, Hong Kong
Commitment: U.S.\$6,500,000

CCB International Capital Limited
12/F, CCB Tower, 3 Connaught Road
Central,
Central, Hong Kong
Commitment: U.S.\$6,500,000

China Construction Bank (Asia)
Corporation Limited
28/F, CCB Tower
3 Connaught Road
Central
Hong Kong
Commitment: U.S.\$6,500,000

J.P. Morgan Securities plc
25 Bank Street,
Canary Wharf
London
E14 5JP
United Kingdom
Commitment: U.S.\$6,500,000

Agricultural Bank of China Limited
Hong Kong Branch
25/F, Agricultural Bank of China Tower,
50 Connaught Road Central, Hong Kong
Commitment: U.S.\$6,500,000

Deutsche Bank AG, Hong Kong Branch
60/F, International Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong
Commitment: U.S.\$6,500,000

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong
Commitment: U.S.\$6,500,000

CLSA Limited
Level 18, One Pacific Place,
88 Queensway Hong Kong
Commitment: U.S.\$6,500,000

Crédit Agricole Corporate and
Investment Bank
30th Floor, Two Pacific Place,
88 Queensway, Hong Kong
Commitment: U.S.\$6,500,000

SMBC Nikko Securities (Hong Kong)
Limited
Room 607-614, 6/F, One International
Finance Centre
1 Harbour View Street
Central
Hong Kong
Commitment: U.S.\$6,500,000

(ii) Date of Subscription Agreement September 1, 2021

(iii) Stabilisation Manager (if any): Citigroup Global Markets Limited

If non-syndicated, name of Dealer: Not Applicable

31. Total commission and concession: 0.1018800 per cent. of the Aggregate Nominal Amount
32. Private bank rebate: Not Applicable
33. U.S. Selling Restrictions Reg. S Category 2
34. Prohibition of Sales to EEA Retail Investors: Applicable
35. Prohibition of Sales to UK Retail Investors: Applicable
36. Additional selling restrictions: Not Applicable

OPERATIONAL INFORMATION

37. ISIN Code: XS2358735830
38. Common Code: 235873583
39. CMU Instrument Number: Not Applicable

40. CUSIP Number: Not Applicable
41. Any clearing system(s) other than Euroclear, Clearstream, Luxembourg, the CMU Service, DTC and the relevant identification number(s): Not Applicable
42. Delivery: Delivery against payment
43. Additional Paying Agents (if any): Not Applicable
44. Issuer's Legal Entity Identifier (LEI) Code: 3003006V8BHG5158QO96

GENERAL

45. In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong: Luxembourg
46. In the case of Bearer Notes, specify the location of the office of the Issuing and Paying Agent if other than London: Not Applicable

Listing Application

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$15,000,000,000 Medium Term Note Programme of State Grid Overseas Investment (BVI) Limited.

Stabilisation

In connection with the issue of any Tranche of Notes, one or more of the Dealers named as Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager(s)) in this Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Such stabilisation if commenced may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, and must be brought to an end after a limited period. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

Material Adverse Change Statement

There has been no significant change in the financial or trading position of the Issuer or of the Group since December 31, 2020 and no material adverse change in the financial position or prospects of the Issuer or of the Group since December 31, 2020.

Responsibility

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Pricing Supplement.

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Signed on behalf of the Issuer:


STATE GRID OVERSEAS INVESTMENT (BVI) LIMITED

国家电网海外投资(BVI)有限公司

By: 孙建号 x
Duly authorised

Signed on behalf of the Guarantor:

STATE GRID CORPORATION OF CHINA

By: 

Duly authorised

SCHEDULE RECENT DEVELOPMENTS

The Offering Circular is hereby supplemented with the following information, which shall be deemed to be incorporated in, and to form part of, the Offering Circular. Save as otherwise defined herein, terms defined in the Offering Circular have the same meaning when used in this Schedule.

RECENT DEVELOPMENT

The paragraph under the “Recent Development” section on pages 3 and 129 of the Offering Circular shall be replaced by the following paragraph.

We have published our 2021 interim financial statements for the six months ended June 30, 2021.

The Group has published its unaudited and unreviewed interim consolidated financial statements as at and for the six months ended June 30, 2021 (“**2021 Interim Financial Information**”), which was prepared according to PRC GAAP. Such financial information has only been prepared in Chinese and is available on the website China Foreign Exchange Trades System at <http://www.chinamoney.com.cn>.

The Group’s 2021 Interim Financial Information is not included in and does not form a part of this Offering Circular. The 2021 Interim Financial Information has not been audited or reviewed by the Group’s independent accountants, or any other independent accountants and may be subject to adjustments if audited and reviewed. Consequently, none of the Managers, the Trustee or any Agent (or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them) makes any representation or warranty, express or implied, regarding the accuracy of such financial statements or their sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group’s financial condition, results of operations and results.

For the six months ended June 30, 2021, our revenue, operating profit, net income and net cash flow from operating activities have increased compared with the same period of the previous year, primarily as a result of the withdrawal of the national phased price reduction policy, the improvement in the epidemic situation within the PRC and the acceleration in macroeconomic recovery. The Group’s sales for the six months ended June 30, 2021 increased compared with the same period in the previous year, and its profitability recovered significantly.