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As our operations are located in the PRC, our businesses need to comply with all of the relevant PRC laws, regulations and policies, which cover a wide range of areas including project approval, heat services, price, environmental protection and safety. In addition to industry-specific regulations, there are also other more generic laws, regulations and policies that we are required to comply with, such as those in relation to energy conservation, production safety and labour protection. This section provides a summary of the major PRC laws and regulations relating to the operations of our Group in the PRC.

HISTORICAL CHANGE IN HEAT SERVICES SYSTEM

Historically, heat services were provided in the PRC under a welfare system which was implemented with the housing welfare system in the PRC at the time. In the late 1990s, municipal housing reform started to take place in the PRC. As a result, more residences in the PRC’s urban cities and towns became privately owned, and the heat services welfare system in the PRC became gradually replaced.

In July 2003, eight ministries and commissions (including the NDRC) jointly issued the Guiding Opinions on the Trial Reforms of Urban Heat Services System (《關於城鎮供熱體制改革試點工作的指導意見》), which highlighted the ultimate goal and general direction of a reform of heat services system in the PRC. Such reform terminated the welfare system of heat services and instead led to the commercialisation and monetisation of heat services, resulting in a market-oriented municipal heat services mechanism. In October 2005, the NDRC and the then Ministry of Construction issued the “Guiding Opinions on Building a Coal And Heating Price Pass-through Mechanism (《關於建立煤熱價格聯動機制的指導意見》) to set out the guiding principles on the gradual commercialisation and monetisation of heat services, marking the official launch of market reform for the heat services system in the PRC. On 6 December 2005, eight ministries and commissions (including the NDRC) jointly issued the Opinions on Further Promoting the Reform of Urban Heat Services System (《關於進一步推進城鎮供熱體制改革的意見》), which proposed that in the process of promoting the reform of the heat services system, all regions should make full use of the market mechanism to gradually achieve diversified investment, enterprise-oriented operation and socialisation of heat services, improving the efficiency of heat services investment, operation and product quality, and improving the heating services to satisfy the needs of heat services users. Enterprises of different economic sectors such as non-public capital are allowed to participate in the investment, construction, transformation and operation of heat source plants and heating pipeline networks. Under the Interim Measures, the State allows non-public capital to participate in the investment, construction and operation of heat service facilities so as to gradually promote the commercialisation and monetisation of heat services.

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The State generally encourages private capital to enter into the heat services industry. At the end of 2002, the then Ministry of Construction issued the Opinions on Accelerating the Marketisation Process of the Municipal Utilities Industry (《關於加快市政公用行業市場化進程的意見》) which encouraged social capitals to participate in the construction of operational municipal public facilities through sole proprietorship, joint venture and cooperation, among others, and provided that reasonable returns through the legal operation of such municipal public facilities should be guaranteed. In 2012, the MOHURD issued the Implementation Opinions on Further Encouraging and Guiding Private Capitals to Enter the Municipal Utilities Sector (《進一步鼓勵和引導民間資本進入市政公用事業領域的實施意見》), which emphasised the necessity of breaking the market monopoly, introducing a market competition mechanism, and opening up the market for investment in, and the construction and operation of municipal public utilities. The opinions also encouraged private capitals to directly invest in the construction and operation of municipal heat services and other municipal infrastructure projects, such as through sole proprietorship, joint ventures, cooperation and asset acquisitions. In November 2014, the State Council issued the Guiding Opinions on Innovating the Investment and Financing Mechanisms in Key Areas and Encouraging Social Investment (《關於創新重點領域投融資機制鼓勵社會投資的指導意見》), which encouraged social capitals to participate in the construction and operation of municipal infrastructure, and also encouraged social capitals to invest in municipal infrastructure projects such as municipal heat services through concession, investment subsidies and government procurement services. In December 2014, the Guiding Opinions on Carrying out Public-Private-Partnership (《關於開展政府和社會資本合作的指導意見》) issued by the NDRC further encouraged cooperation between governments and social capitals in the implementation of public services and infrastructure projects.

The State encourages the development and use of geothermal energy for the provision of heat services. In January 2021, the National Energy Administration issued the Measures of National Energy Administration for Adopting Renewable Energy According to Local Conditions for Heat Services (《國家能源局關於因地制宜做好可再生能源供暖工作的通知》), which stipulated that renewable energy shall be adopted for heat services as an important part of energy planning in the region. The measures aimed to align the development goals for heat services with the development goals for renewable energy and to promote renewable energy heating technology based on local resources and demand for heat energy, achieving a rational distribution of renewable energy projects for heat services. Proactive measures shall be taken to develop shallow geothermal energy with a focus on promoting medium and deep geothermal energy for heat services, with an aim to replace scattered coal in a cost-effective way. The use of oilfield produced water is encouraged in the supply of geothermal heat, as is the use of groundwater resources and the mineral resources contained therein.

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ENTERPRISE QUALIFICATION AND LICENCE

Qualifications of heat service providers

Relevant regulations at national level

According to the Measures for the Administration on the Concession of Municipal Public Utilities (《市政公用事業特許經營管理辦法》), which was implemented on 1 May 2004 and amended on 4 May 2015, municipal public utility concession refers to a system by which the government selects investors or operators of municipal utilities through market competition methods in accordance with the relevant laws and regulations. It was clarified that the investors or operators will operate the relevant municipal utility product or provide the relevant service within a certain period and geographical scope. This concession system, which stipulates the bidding conditions and procedures for the municipal public utility concession, concession contract terms and concession corporate responsibility, among others, is applicable to the urban heat services industry in accordance with the applicable laws. Upon the expiration of the concession term, the competent authority should organise bidding and select new concession operators in accordance with the procedures stipulated in the aforementioned measures.

According to the Measures for the Administration of Concession for Infrastructure and Public Utilities (《基礎設施和公用事業特許經營管理辦法》) promulgated on 25 April 2015 and implemented on 1 June 2015, all aspects of infrastructure and public utility concessions must adhere to the principles of openness, fairness and justice, and protect the interests of all parties. The relevant industry authorities, being the local people’s governments or government-authorized departments at or above the county level, may propose implementation plans for concession projects based on demands for economic and social development and proposals for concession projects by the relevant legal persons and other organisations. Local people’s governments at or above the county level should authorise the relevant departments or units to be the executive agency responsible for the implementation of the concession projects, and shall specify the scope of specific authorisation of such department or unit.

According to the approved implementation plan of the concession project, the executive agency should select the concession operator through market competition methods such as bidding and competitive negotiation. If the construction standards of the concession project and regulatory requirements are clear, and there is sufficient market competition in the relevant area, the method of bidding should be applied to select the concession operator. The executive agency should sign a concession contract with the selected concession operator in accordance with the relevant laws for a maximum operating period of 30 years.

The concession contract should provide for “the transfer method, procedures and requirements of the concession project and assets upon the expiration of the concession term”. If the concession term expires or is terminated in advance, the executive agency should re-select the concession operator in accordance with the provisions of these measures. In the re-selection of a concession operator due to the expiration of the concession term, the original concession operator should have priority in obtaining the concession under the same conditions.

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Infrastructure and public utilities concession may be conducted in the following methods: (1) within a certain period, the government grants the concession operator the right to invest in new construction or reconstruction or expansion, operation of infrastructure and public utilities, which will be handed over to the government upon expiration of the period; (2) within a certain period, the government grants the concession operator the right to invest in new construction or reconstruction or expansion, ownership and operation of infrastructure and public utilities, which will be handed over to the government upon expiration of the period; (3) upon the concession operator invested in new construction or reconstruction or expansion of infrastructure and public utilities and handed over to the government, the government grants the concession operator the right to operate during a certain period; (4) other methods provided by the state.

Where a concession project involves the new construction or reconstruction or expansion of relevant infrastructure and public utilities, it shall comply with the construction conditions and construction standards stipulated by the relevant laws and administrative regulations such as urban and rural planning, land management, environmental protection, quality management, and production safety. If the concession term expires or is terminated in advance, the parties to the contract should, in accordance with the provisions of the concession contract and the relevant laws, administrative regulations and other regulations, complete the procedures for performance testing, evaluating, transferring, taking-over and accepting the relevant facilities, data and archives.

Relevant regulations in Gansu Province

According to the requirements of the Measures for the Administration on the Concession of Municipal Public Utilities of Gansu Province (《甘肅省市政公用事業特許經營管理辦法》) promulgated and implemented on 14 September 2004, municipal public utility concession refers to a system by which the government selects investors or operators of municipal public utilities through market competition methods in accordance with the relevant laws and regulations. It was clarified that the investors or operators will operate the relevant municipal utility product or provide the relevant service within a certain period and geographical scope and obtain reasonable returns. The implementation of this system should follow the principles of openness, fairness, justice and public interest. Domestic and foreign enterprises that have engaged in or are capable of engaging in the operation of urban municipal public utilities can compete for concession rights to invest in, construct and operate municipal public utilities in the province. The competent authorities should select investors or operators and grant concession rights in accordance with the prescribed procedures such as bidding.

According to the Notice of the General Office of the People's Government of Gansu Province on Transferring the Opinions of the Provincial Construction Department and Other Nine Departments on Furthering the Reform of the Urban Heat Services System (《甘肅省人民政府辦公廳批轉省建設廳等9部門關於進一步推進城鎮供熱體制改革意見的通知》), which was promulgated and implemented on 15 July 2006, towns and cities across the province shall implement the urban heat service concession system. In the context of a unified and standardised market, enterprises of different economic sectors such as non-public capital may sign contracts with city governments, through public bidding, to participate in the investment, construction, transformation and operation of heat service facilities.

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According to the Interim Measures for the Administration of Urban Heat Services and Use in Lanzhou New Area (《蘭州新區城市供熱用熱管理暫行辦法》) promulgated and implemented on 1 August 2018, which was effective for one year, heat service units shall not engage in the provision of heat services without obtaining a heat service operation licence issued by the competent administrative department for heat services and use in Lanzhou New Area.

According to the Administrative Measures for Urban Heat Services and Use in Lanzhou New Area (《蘭州新區城市供熱用熱管理辦法》) formulated on 7 December 2021 and implemented on 1 January 2022, heat service enterprises can conduct heat service operations with either a heat service operation licence or under a concession right.

Relevant regulations in Henan Province

According to the requirements of the Implementation Measures for the Administration on the Concession of Municipal Public Utilities of Henan Province (《河南省市政公用行業特許經營管理實施辦法》) promulgated and implemented on 11 November 2004, municipal public utility concession refers to a system by which the government selects investors or operators of municipal public utilities through market competition methods in accordance with the relevant laws and regulations. It was clarified that the investors or operators will operate the relevant municipal utility product or provide the relevant service within a certain period and geographical scope. The provincial construction and administrative authorities are responsible for supervising and guiding the implementation of the municipal public utility concession activities in the province, and formulating assessment standards and methods for the quality of municipal public utility products and services. The municipal, county (city) municipal public utility industry competent authorities shall be responsible for the specific implementation of the municipal public utility concessions within their jurisdiction.

According to the Trial Regulatory Measures for Centralised Heating in Henan Province (《河南省集中供熱管理試行辦法》) promulgated on 13 February 2018 and implemented on 1 April 2018, the municipal and county-level people's governments and their respective competent authorities for heat services shall select heat operation enterprises through market competition methods such as bidding and competitive negotiation in accordance with the relevant provisions.

Relevant regulations in Shanxi Province

According to the requirements of the Regulations for the Administration on the Concession of Municipal Public Utilities of Shanxi Province (《山西省市政公用事業特許經營管理條例》) promulgated on 20 December 2007 and implemented on 1 March 2008, and abolished on 26 November 2021, the implementation of municipal public utility concession shall follow the principles of public interest and public safety, openness, fairness and justice. The concession operator shall provide general services that are continuous, safe, high-quality, efficient and reasonably priced. Through its legal operations, the concession operator is entitled to reasonable returns but at the same time bears the investment and operating risks.

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Municipal public utilities projects, including heat services, may be operated under concession in accordance with the law if the relevant conditions are met. The implementation time for the concession shall be decided by the people's government of the city and reported to the next level of the people's government. According to the authorisation of the municipal people's government, the competent authorities of municipal public utilities may select concession operators by way of bidding, transfer with consideration and entrustment, and sign concession contracts with the concession operators. For a new municipal public utility project, the concession operator should be selected through bidding according to the law. If the concession operator cannot be determined through bidding, the competent authorities of municipal public utilities may select the concession operator by direct entrustment.

According to the Notice of the General Office of the People's Government of Shanxi Province Forwarding the Opinions of the Provincial Construction Department on Accelerating the Reform of the Urban Heat Services System (《山西省人民政府辦公廳轉發省建設廳關於加快城鎮供熱體制改革的意見的通知》) issued and implemented on 24 September 2004, urban heat services fall within the scope of municipal public utilities. Therefore, in accordance with the State's opinion on accelerating the reform of urban public utilities, the concession mechanism should be applied to the construction and operation of urban heat services.

According to the Taiyuan Urban Heat Services Administration Regulations (《太原市城市供熱管理條例》) promulgated on 26 March 2009 and implemented on 1 May 2009, the concession mechanism should be applied to the urban heat services system. Heat service units shall not be shut down without the approval of the relevant competent administrative department responsible for heat services.

Relevant regulations in Inner Mongolia Autonomous Region

According to the requirements stipulated in the Measures for the Administration on Infrastructure and Public Utilities Concession of Inner Mongolia Autonomous Region (《內蒙古自治區基礎設施和公用事業特許經營管理辦法》) promulgated on 24 May 2016 and implemented on 1 July 2016, infrastructure and public utility concessions shall adhere to the principles of openness, fairness, justice and good faith, protect the legitimate interests of all parties, and strike a balance between business and public welfare. The government encourages cooperation between government and social capitals in the infrastructure and utilities sector by way of concession. Infrastructures and utilities projects that meet the following conditions shall be implemented by way of concessions: (i) the social capitals have specialised technologies which can significantly reduce the life cycle cost of the project or improve the quality and efficiency of public products and services; (ii) the risk sharing mechanism and performance supervision requirements are clear; and (iii) there are reasonable and stable income expectations in respect of the project. The competent authorities of the relevant industry or the authorised department of the government above the county level may propose a concession project implementation plan based on the demand for economic and social development, as well as suggestions for a concession project put forward by relevant citizens, legal persons or other organisations. The government above the county level shall authorise the relevant departments or units to be the government executive agencies responsible for the

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implementation of concession projects, and specify the scope of their authorisation. Through competitive methods such as bidding and competitive negotiation, the government executive agency should select the best enterprise or other organisation with management experience, professional ability, financing strength and good credit status to cooperate with in the implementation of infrastructure and public utilities concession projects.

According to the Inner Mongolia Autonomous Region Urban Heat Services Regulations (《內蒙古自治區城鎮供熱條例》) promulgated on 26 May 2011 and implemented on 1 July 2011, and amended on 23 September 2020 and 28 September 2022, heat service units engaged in heat service operations shall obtain a heat service operation licence in accordance with the law.

According to the Hulunbuir Urban Heat Services Administration Measures (Trial) (《呼倫貝爾市城鎮供熱管理辦法(試行)》) promulgated and implemented on 28 October 2013, units engaged in heat service operation activities must obtain a heat service operation licence in accordance with the law.

EMC business

According to the Notice of the General Office of the State Council on Forwarding the Opinions of Development and Reform Commission on Accelerating the Implementation of Energy Management Contracting to Promote the Development of Energy Saving Service Industry (《國務院辦公廳轉發發展改革委等部門關於加快推行合同能源管理促進節能服務產業發展意見的通知》) promulgated and implemented on 2 April 2010, all departments in all regions should recognise the importance of implementing EMC and the development of the energy saving service industry, and take practical and effective measures to create an environment with favourable policies as to accelerate the development of the energy saving service industry.

According to the Notice of the Ministry of Finance and the State Taxation Administration on Issues Concerning the Value-added Tax, Business Tax and Enterprise Income Tax Policies for Promoting the Development of the Energy Saving Service Industry (《財政部國家稅務總局關於促進節能服務產業發展增值稅營業稅和企業所得稅政策問題的通知》) promulgated on 30 December 2010 and implemented on 1 January 2011, qualified energy saving enterprises may enjoy preferential tax treatments in terms of business tax, value-added tax and enterprise income tax when implementing EMC projects.

QUALIFICATIONS FOR OTHER INDUSTRIES

Qualifications for enterprises in the construction industry

According to the Provisions on the Administration of Qualifications of Enterprises in the Construction Industry (《建築業企業資質管理規定》) issued on 22 January 2015 and implemented on 1 March 2015, and then revised on 13 September 2016 and 22 December 2018 by the MOHURD, enterprises in the construction industry shall apply for construction

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qualifications in accordance with, among others, its assets, key personnel, completed project performance and technical equipment. Construction activities within the scope of the qualification permit are only allowed after the relevant exam has been passed and the qualification certificate for enterprises in the construction industry has been obtained. Among these qualification certificates, the third-level qualification in the construction general contracting qualification sequence is subject to the approval of the competent department of the MOHURD in the place where the industrial and commercial register is located. The qualification certificate is valid for 5 years.

Engineering design qualification

According to the Administrative Regulations on Management of the Survey and Design Qualifications of Construction Engineering (《建設工程勘察設計資質管理規定》) promulgated on 30 December 2006 and implemented on 1 September 2007, and subsequently revised on 4 May 2015, 13 September 2016 and 22 December 2018, enterprises engaged in construction engineering survey and engineering design activities in the PRC shall obtain a qualification certificate for construction engineering survey and engineering design, and may engage in construction engineering survey and design activities within the scope permitted by the qualification.

Engineering design qualifications are classified into (i) engineering design integrated qualification; (ii) engineering design industry qualification; (iii) engineering design professional qualification; and (iv) engineering design special qualification. Enterprises that have obtained the engineering design integrated qualification can undertake construction engineering design businesses for all industries and at all levels. Enterprises that have obtained the engineering design industry qualification can undertake engineering design businesses at the corresponding level, and professional and special (except for those that require the qualification of design and construction integration) engineering design businesses at the same level within the scope of its own industry. Enterprises that have obtained engineering design professional qualification can undertake professional engineering design business at the corresponding level in its own profession and corresponding special engineering design business at the same level (except for those which require design and construction integration). Enterprises that have obtained engineering design special qualification can undertake special engineering design business at the corresponding level.

Work safety licence

According to the Regulation on Work Safety Licences (《安全生產許可證條例》) promulgated and implemented on 13 January 2004 and subsequently revised on 18 July 2013 and 29 July 2014 by the State Council, a work safety licensing system applies in the PRC to construction enterprises. Before commencing production, a construction enterprise should apply for a work safety licence from the department in charge of the issuance and administration of work safety licences. Construction enterprises shall not engage in production activities without obtaining the required work safety licence.

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Pollutant discharge permit

According to the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), which was promulgated and implemented on 11 May 1984, and revised on 27 June 2017, any enterprises, institutions and other production operators which directly or indirectly discharge industrial wastewater and medical wastewater, and any other wastewater or sewage that can only be discharged into bodies of water with a pollutant discharge permit in accordance with the relevant requirements, should obtain a pollutant discharge permit. The operating unit of the urban sewage centralised treatment facility should also obtain a pollutant discharge permit. It is forbidden for enterprises, institutions and other production operators to discharge wastewater and sewage into bodies of water without a pollutant discharge permit or in violation of the provisions of the pollutant discharge permit.

According to the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), which was promulgated and implemented on 5 September 1987, and revised on 26 October 2018, enterprises, institutions and coal-fired heat source production and operation units of central heating facilities, as well as other units that are subject to the pollutant discharge permit management in accordance with applicable laws and which emit industrial waste gas or toxic and harmful air pollutants as stipulated in Article 78 of the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), should obtain pollutant discharge permit. The specific methods and implementation steps of pollutant discharge permits shall be prescribed by the State Council.

According to the Measures for Pollutant Discharge Permitting Administration (For Trial Implementation) (《排污許可管理辦法(試行)》), which was promulgated and implemented on 10 January 2018, and partially revised on 22 August 2019, the Ministry of Environmental Protection of the PRC formulated and published the classified administration list of pollution permits for fixed pollution sources. This list includes the scope of pollution permit administration and the time limit for application. Enterprises, institutions and other production operators (hereinafter referred to as pollutant discharge units) that are included in the classified administration list for fixed pollution sources should apply for and obtain a pollutant discharge permit within the prescribed time limit, while pollutant discharge units that are not included in the classified administration list for fixed pollution sources do not need to apply for a pollutant discharge permit temporarily. The pollutant discharge unit shall hold the pollutant discharge permit in accordance with the law and discharge pollutants in accordance with the provisions of the pollutant discharge permit. No pollutants shall be discharged if a required pollutant discharge permit has not been obtained.

PRICING

The key PRC laws and regulations applicable to the pricing of heat services include the Pricing Law of the PRC (《中華人民共和國價格法》) and the Interim Measures. According to the PRC Pricing Law, the PRC Government may directly guide or determine the prices of public utilities in certain circumstances. According to "The Notice of NDRC and Ministry of Construction on issuing the Interim Measures for the Price Control of Urban Heat Services"

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(《國家發展改革委、建設部關於印發《城市供熱價格管理暫行辦法》的通知》), the Interim Measures were jointly issued by the NDRC and the then Ministry of Construction (中華人民共和國建設部) to each of Development and Reform Commission, Price Bureau and Construction Department (Construction Commission and Municipal Administration Commission) of all provinces, autonomous regions and municipalities directly under the Central Government which were requested to enforce such measures by taking into account the "actual circumstances of the locality". According to the Interim Measures, heat rates shall be set by a pricing authority, being the relevant provincial people's government or authorised municipal or county people's government, with reference to heat procurement costs, related tax and the profit expected to be made by the service providers. Heat rates of urban heat supply consist of heat procurement costs, taxes and profits.

1. Heat procurement costs include the production costs of heat and period expenses. "Production costs" of heat refer to fuel costs, electric costs, water fees, depreciation of fixed assets, reparation charges, wages and other direct charges that are incurred during the heat supply process and shall be counted into relevant heat service costs; and period expenses refer to the business expenses, overhead expenses and financial expenses incurred from organising and managing the production and operation of heat.
2. Tax refers to the taxes that shall be paid by heating enterprises (entities) for producing and supplying heating power.
3. Profits refer to the reasonable proceeds that shall be gained by heating enterprises (entities). Profits shall be checked and ratified on the basis of return on cost at present, which shall be gradually replaced by return on net assets.

When the pricing authority calculating profits on the basis of return on cost, this ratio shall not be higher than 3%; while when calculating profits on the basis of return on net assets, this ratio shall be 2 to 3 percentage points higher than the interest rate of long-term (five years or more) treasury bonds.

When the pricing authority determines and adjusts the heat rates, the principles of making reasonable compensations for cost, promoting the conservation of heat and upholding the principle of fair burden shall be followed.

Heating enterprises (entities) that satisfy the below requirements can submit price adjustment application to the pricing authorities in writing, and the application would be sent to competent city heating authorities at the same time: (1) heat rates are insufficient to cover for the cost of heating, resulting in operating losses according to national laws and regulations; (2) fuel price changed by more than 10%.

Consumers can propose suggestions on determining or adjusting heat rates to the pricing authority according to the law.

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The competent pricing department shall consult its respective competent department of heating administration to conduct an overall study on the price adjustment proposals and formulate a price adjustment plan. When the fuel price falls and the profits of heat production enterprises are significantly higher than the specified profit level, the competent pricing department can directly propose a price reduction plan and submit it to the local people’s government for approval. The pricing authority shall, after accepting the suggestion on price determination or adjustment proposed by any heating enterprises (entities), conduct cost examination and supervision according to the law. A heating enterprises (entities) shall truthfully provide its production, operation and cost situation to the administrative department of price on a regular basis, and at the same time, provide the relevant accounting books, documents and materials. The specific work of prescribing heat rates falls under the responsibility of the competent pricing authority, which is assisted by the administrative department of heat services in the administration of heat rates.

The provincial or municipal people’s government may temporarily subsidise the heating enterprises (entities) in the areas where heat rates are not sufficient to compensate the normal relevant heat service costs and cannot be adjusted in a timely manner.

On 30 October 2017, the Measures for the Supervision and Review of the Government’s Pricing Costs (《政府制定價格成本監審辦法》) were promulgated by the NDRC and became effective on 1 January 2018. Such measures were formulated in accordance with the PRC Pricing Law and other relevant laws and regulations, in order to strengthen the cost supervision and administration over the government’s pricing of goods and services, regulate the conduct of supervision and review of the government’s pricing costs, and improve the scientificity of the government’s pricing decisions.

On 10 April 2020, the NDRC published the Draft Measures which were open for public consultation between 10 April 2020 and 9 May 2020. As at the Latest Practicable Date, the implementation and enactment of the Draft Measures were pending, there had been no further announcements from the NDRC as to whether and when the Draft Measures will be amended, supplemented or revised, or adopted and promulgated.

In the event that the Draft Measures for the Price and Fee Control were promulgated and adopted in the current form, the Interim Measures shall be abolished simultaneously. The Draft Measures for the Price and Fee Control stipulates that the formulation and adjustment of heat rates should follow the principles of incentive and restraint, promotion of thrifty, fair burden and easy to operate. According to the Draft Measures for the Price and Fee Control, in principle, the heat rates shall be set or guided by the government, and shall be set by the competent pricing department of the provincial (autonomous region or municipal) people’s government or by the authorised city or county people’s government (“**heat rate pricing authority**”). The heat rate pricing authority shall set the corresponding heat rate according to circumstances of the locality.

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The Draft Measures for the Price and Fee Control propose that, in principle, the ex-factory price of heat and pipeline transportation price of heat should be determined based on the method of “allowable cost plus reasonable earnings”, which indicate that: (a) the allowable cost shall be determined by the heat rate pricing authority in accordance with relevant regulations such as Measures for the Supervision and Examination of the Government’s Pricing Costs (“《政府制定價格成本監審辦法》”); (b) the allowable earnings (reasonable earnings) shall be calculated by the heat rate pricing authority according to certain formulae and parameters, and the application of relevant formulae and parameters shall be determined by the heat rate pricing authority (in conjunction with relevant departments, if necessary) by referring to relevant financial market data and cost supervision and review procedures.

The Draft Measures for the Price and Fee Control propose that the heat rates should be reviewed regularly, with a review period of no more than three years in principle. In the process formulation and adjustment of heat rate, if the estimated heat rate is too high or there is a large adjustment, the heat rate pricing authority may take into account factors such as the level of local economic development and the affordability of users, properly control the heat rates or reduce the extent of adjustment of the heat rate, to avoid heat rate is too high or large fluctuations on heat rate. In addition, it provides that “the local people’s governments may subsidise the heat enterprises in the areas where heat rates are not sufficient to compensate for the normal relevant heat service costs, and cannot be adjusted in a timely manner”.

The Draft Measures for the Price and Fee Control propose that the heat service enterprises shall, in accordance with the requirements of the pricing authority, truthfully provide the information in relation to production, operation and cost on a regular basis, and provide relevant accounting books, documents and materials. It is mentioned in the Draft Measures for the Price and Fee Control that when the heat rate pricing authority formulates and adjusts the heat rate or the heat rate formation mechanism which involving residents, a public hearing shall be held to listen to the opinion of all parties and consider the impact of heat rate adjustment on the lives of low-income residents.

The Draft Measures for the Supervision and Review of the Pricing Cost are proposed regulations specifically drafted for the cost supervision and review of heat rates within the framework of the Measures for the Supervision and Review of the Government’s Pricing (《政府制定價格成本監審辦法》), aiming to improve the standardisation and reasonableness of pricing of heat, to strengthen cost supervision and review of heat supply, and to regulate the conduct of the cost supervision and review of pricing of heat.

The Draft Measures for the Supervision and Review of the Pricing Cost, if implemented, would be applicable to the provincial pricing authority and authorized municipal and county people’s governments (“**pricing authority**”) in their process of formulating or adjusting heat rates in accordance with the law, and its implementation of cost supervision and review on the heating operators.

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It provides specific and detailed provisions for the heat service industry, such as defining the specific meanings of “heating operators”, “heat supply”, and “heat pricing costs”, and proposing that costs can be determined separately for segments of “production”, “transportation”, and “sales” if needed.

It stipulates that the cost of purchased heat shall be verified based on the facts in principle except for pricing authority has already established a ex-factory price for heat, the settlement price shall not exceed the price set by the pricing authority. Each region can formulate implementation rules based on circumstances of the locality.

The Regulations on Energy Conservation in Civil Buildings (《民用建築節能條例》) issued by the State Council on 1 August 2008 provide that the State is actively promoting a reform of the heat services system, improving the heating price formation mechanism, encouraging the development of centralised heating and gradually implementing a charge-by-usage heating pricing mechanism.

The Opinions on Further Promoting the Reform of Heat Services Measurement (《關於進一步推進供熱計量改革工作的意見》) issued by four departments including the MOHURD on 2 February 2010 stipulate that the reform of municipal heating system shall be further deepened and the reform of heat services metered charging shall be promoted, with an aim to facilitate the energy conservation of buildings.

On 19 September 2017, the NDRC issued the Opinions on Clean Heating Pricing Policy in the Northern Region (《關於北方地區清潔供暖價格政策的意見》), which proposed that the heating price mechanism should be improved according to local conditions. In areas where centralised heating is suitable and supplied by heat sources such as cogeneration, large coal-fired boilers, gas-fired boilers, biomass boilers and geothermal heating, environmental protection must be carried out in accordance with ultra-low emission requirements and heat must only be supplied after meeting the required emission (refill) standards. The local price authority shall formulate reasonable prices for residential heating, taking into account the cost of operational transformation, and the spending power of residents. In the case of back-pressure CHP units for heating, the price of heat shall be determined scientifically and reasonably on the basis of a careful verification of costs. Environmental protection in respect of large-scale coal-fired boilers and coal-to-gas fired boilers which result in a large increase in the cost of thermal production can be achieved through an appropriate adjustment of heating prices, and the shortfall will be compensated by local finance. A market-oriented principle will be applied to determine the price of regional clean heating. For regional centralised clean heating, the government will in principle determine the heating price scientifically and reasonably based on the actual cost of heating and consider a reasonable profit. In areas where conditions allow, a market-oriented principle will be applied to determine the price of regional clean heating, and heating enterprises should allocate the heating price within the range of residents’ spending power in accordance with the principle of reasonable cost plus profit.

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On 23 December 2020, the Opinion on Sorting Out and Standardising the Charges for Urban Water, Electricity, Gas and Heat Supply Industry to Promote the High-quality Development of the Industry (Guo Ban Han [2020] No. 129) (《關於清理規範城鎮供水供電供氣供暖行業收費促進行業高質量發展意見》(國辦函[2020]129號)) (hereinafter referred to as “**Guo Ban Han No. 129**”) promulgated by the General Office of the State Council to local government which was effective from 1 March 2021, provides that the government shall set a reasonable price for the sales of heat and make dynamic adjustments thereto, so as to promote the steady progress of reforms on metered charging.

Charges for interface fees, centralised network construction fees, grid connection fees and other similar fees

Guo Ban Han No. 129 further provides cancellation of the charges for interface fees, centralised network construction fees, grid connection fees and other similar fees by urban centralised heat service enterprises in northern heating areas from their users. Within the scope of urban planned construction land, the investment areas of water, electricity, gas and heat supply enterprises shall be extended to the red line of the user buildings. Unless otherwise provided by laws, regulations and relevant policies, the users shall not bear any costs incurred beyond the red line of such buildings. For the network access construction from the red line of user buildings to the public network, the part undertaken by the water, electricity, gas and heat supply enterprises shall be included in the operating cost of enterprises, while the part undertaken by the government as stipulated shall be entrusted to the water, electricity, gas and heat supply enterprises through a timely allocation of funds or shall be conducted through direct investment by the government. The compensation income for special construction costs, charged in the name of network access fees, centralised network construction fees, grid connection fee and other similar fees by the water, electricity, gas and heat supply enterprises under the authorisation of local governments through concession contracts and other means, shall be gradually cancelled by making reasonable adjustments to the prices of water, electricity, gas and heat supply, in order to build the subsidy mechanism, while the timing of building such mechanism shall be determined locally. The main goal is to sort out and standardise the charges for water, electricity, gas and heat supply industry and achieve significant results with a scientific, standardised and transparent price formation mechanism to be basically established by 2025, while, at the same time, the government’s investment mechanism has been further improved, demonstrated by fully covered relevant industry pricing measures, cost supervision and review measures, price behaviour and service specifications, and significantly improved quality and efficiency of water, electricity, gas and heat supply and other products and services. In addition, the Guo Ban Han No. 129 provides that unreasonable charges in various forms shall be cancelled, and the reasonable costs arising from the provision of products and services shall be compensated mainly through adjustment in the prices. The government shall set a reasonable price for the sales of heat and make dynamic adjustments thereto, so as to promote the steady progress of reforms on metered charging.

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Relevant regulations in Inner Mongolia Autonomous Region

On 24 February 2021, the Notice of the Inner Mongolia Development and Reform Commission on the Sorting Out and Cancellation of Unreasonable Charges in the Water, Electricity, Gas and Heat Supply Industry (《內蒙古自治區發展和改革委員會關於清理取消供水供電供氣供暖行業不合理收費的通知》) promulgated by Inner Mongolia Development and Reform Commission, provides cancellation of unreasonable charges in the water, electricity, gas and heat supply industry, determination of the scope of grid connection fees and strict implementation of other charging policies. For the network access construction from the red line of a users' building area to the public network, the part undertaken by the water, electricity, gas and heat supply enterprises shall be included in the operating cost of enterprises, while the part undertaken by the government as stipulated shall be entrusted to the water, electricity, gas and heat supply enterprises through a timely allocation of funds or shall be conducted through direct investment by the government.

On 4 September 2021, the Notice of the General Office of the People's Government of Inner Mongolia Autonomous Region on the Implementation and Division of the Opinions on Cancellation and Standardising the Charges in Urban Water, Electricity, Gas and Heat Supply Industry to Promote the High-quality Development of the Industry (《內蒙古自治區人民政府辦公廳印發貫徹落實<關於清理規範城鎮供水供電供氣供暖行業收費促進行業高質量發展的意見>分工方案的通知》) issued by the General Office of the People's Government of Inner Mongolia Autonomous Region, provides that the unreasonable charges for water, electricity, gas and heat supply as specified in Guo Ban Han No. 129 shall be cancelled from 1 March 2021. The compensation income for special construction costs, charged in the name of network access fees, centralised network construction fees and grid connection fees, by the water, electricity, gas and heat supply enterprises under the authorisation of the administrative offices of the union and the municipal people's government through concession agreements and other means, shall be gradually cancelled by making reasonable adjustments to the prices of water, electricity, gas and heat supply, in order to build the subsidy mechanism by the end of 2025, while the time for such cancellation shall be determined by each union and city. The government may implement government prescribed price or guidance price for municipal centralised heat services according to the price catalogue of the autonomous region, and shall set a reasonable price for the sales of heat and make dynamic adjustments thereto, so as to promote the steady progress of reforms on metered charging. Construction expenses on municipal supporting infrastructure directly related to reserved lands may be included in the land development expenses according to the relevant requirements, and shall not be borne by the enterprises engaged in the supply of water, electricity, gas or heat.

Relevant regulations in Shanxi Province

On 30 July 2021, the Implementation Plan of Shanxi Province on cancellation and Standardising the Charges in Urban Water, Electricity, Gas and Heat Supply Industry to Promote the High-quality Development of the Industry (《山西省清理規範城鎮供水供電供氣供暖行業收費促進行業高質量發展實施方案》) jointly issued by Shanxi Province Development and Reform Commission and other departments, provides the cancellation of the

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charges for the interface fees, centralised network construction fees, grid connection fees and other similar fees charged by urban centralised heat service enterprises and their affiliated or entrusted installation engineering companies from their users, and the cancellation of network connection fees, which refers to network connection construction from the red line of a user’s building area to the public network. For the construction projects within the urban planned construction area with State-owned land use rights, the construction areas by the water, electricity, gas and heat supply enterprises shall be extended to the red line of a user’s building area. Unless otherwise provided by laws, regulations and relevant policies, the users shall not bear any costs incurred beyond the red line of such buildings.

In terms of the compensation income for special construction costs charged in the name of network access fees, centralised network construction fees and grid connection fees by the water, electricity, gas and heat supply enterprises under the authorisation of municipal and county governments through concession agreements and other means, it is necessary to reasonably designate relevant charging standards, clarify the payment between the government and the user, properly handle the relationship between price compensation and government subsidies to ensure the normal operation of the project. Such fees shall be cancelled by the end of 2025 by making reasonable adjustments to the prices of water, electricity, gas and heat supply, and establishing the subsidy mechanism. The timing of such cancellation shall be determined by each county and city. A payment mechanism through which pipeline connection fees could be borne together by government and industry should be established, and any additional amount of such fees incurred later shall be borne by the water, gas and heat supply enterprises, accounted as their operating costs and recovered through the charges of water, gas and heat.

The construction costs of municipal supporting infrastructure directly related to the reserve land shall be included in the land development expenditures in accordance with the regulations, and shall not be borne by the water, electricity, gas and heat supply enterprises. The price of urban centralised heat service shall be fixed by the government. A dynamic adjustment mechanism shall be established to reasonably set and dynamically adjust the sales price of heat in accordance with the principles of reasonable compensation for costs, promotion of heat saving and adherence to a fair share of burden.

Relevant regulations in Gansu Province

On 14 August 2021, the Implementation Plan on Further Cancellation and Standardising the Charges in Urban Water, Electricity, Gas and Heat Supply Industry to Promote the High-quality Development of the Industry (《關於進一步清理規範城鎮供水供電供氣供暖行業收費促進行業高質量發展的實施方案》) forwarded and noticed by the General Office of the People’s Government of Gansu Province, provides the strict implementation of various unreasonable charges for heat service as charges for network connection fee as set out in Guo Ban Han No. 129. Unless otherwise provided by laws, regulations and relevant policies, the users shall not bear any costs incurred beyond the red line of the users’ building area. The compensation income for special construction costs, charged in the name of network connection fees, centralised network construction fees and grid connection fees by the water,

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electricity, gas and heat supply enterprises under the authorisation of local governments through concession agreements and other means, shall be gradually cancelled by making reasonable adjustments to the prices of water, electricity, gas and heat supply, and establishing the subsidy mechanism, while the time for such cancellation shall be determined by each county and city and take place by the end of 2025 in principle. For the network connection construction from the red line of users' buildings to the public network, the part undertaken by the water, electricity, gas, and heat supply enterprises shall be included in the operating cost of those enterprises, and the price shall be adjusted reasonably and be diverted after cost examination. We will reasonably set and dynamically adjust the sales price of heat, and steadily promote the reform of metered charging. The construction costs of municipal infrastructure directly related to the reserve land can be included in the land development expenses as required and shall not be undertaken by the water, electricity, gas, and heat supply enterprises.

Relevant regulations in Henan Province

On 6 November 2021, the Implementation Plan of Henan Province on Cancellation and Standardising the Charges in Urban Water, Electricity, Gas and Heat Supply Industry to Promote the High-quality Development of the Industry (《河南省清理規範城鎮供水供電供氣供暖行業收費促進行業高質量發展實施方案》) forwarded and noticed by the General Office of the People's Government of Henan Province, provides the compensation income for special construction costs, charged in the name of network connection fees, centralised network construction fees and grid connection fees by the water, electricity, gas and heat supply enterprises under the authorisation of municipal and county-level governments through concession agreements and other means, shall be all cancelled by making reasonable adjustments to the prices of water, electricity, gas and heat supply, establishing the subsidy mechanism, and determining the specific time for such fee cancellation, implementation steps and supporting policies and measures by the end of 2025. Before cancellation, the relevant charging standards shall be reasonably formulated. Within the scope of urban planned construction land, for the network connection construction from the red line of users' buildings to the public network after 1 March 2021, the charges shall be reasonably borne by the water, electricity, gas, and heat supply enterprises and local government. The network connection construction cost for the water, electricity, gas, and heat supply incurred beyond the red line of the users' building area undertaken by local government and the construction costs of municipal infrastructure such as water, electricity, gas, and heat supply directly related to the reserve land can be included in the land development expenses as required and shall not be undertaken by the water, electricity, gas, and heat supply enterprises. For the commercial housing and affordable housing under construction or newly built after 1 March 2021, the construction and installation costs of water, electricity, gas and heating pipelines and ancillary equipment and facilities (including metering devices) within the red line of the users' building area shall be included in the housing development and construction costs, and shall not be charged separately from the purchaser. The government shall formulate and improve the pricing measures and cost supervision and review measures for urban water, electricity, gas, and heat supply, the cost undertaken by the government as stipulated and included in the operating cost of enterprises shall be gradually diverted through the price on the basis of strict cost supervision and examination.

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REGULATIONS RELATING TO GOVERNMENT SUBSIDIES FOR SUPPORTING HEAT SERVICE

Relevant regulations at national level

The Measures for the Administration on the Concession of Municipal Public Utilities (《市政公用事業特許經營管理辦法》), implemented on 1 May 2004 and amended on 4 May 2015 by the MOHURD, provides that the government shall compensate the economic losses incurred by an enterprise with concession rights for undertaking duty assigned by the government for achieving public welfare objective.

On 25 April 2015, the NDRC and other departments jointly promulgated the Measures for the Administration of Concession for Infrastructure and Public Utilities (《基礎設施和公用事業特許經營管理辦法》), which provides that a concession agreement may prescribe that the concession operators could gain earnings by charging users. When the charges are insufficient to cover the construction and operating costs of concession projects and the reasonable earnings, the governments may provide viability gap subsidies, including other relevant development and operation rights and interests granted by the governments for concession projects. Government may give undertakings in concession agreements in respect of necessary and reasonable financial subsidies. When the interests of concession operators are expected to be impaired by the amendments of laws and administrative regulations or development of policies, or when concession operators are required to provide products or services not included in agreements out of the needs of public interest, compensation shall be provided to concession operators.

On 27 December 2002, the Ministry of Construction of the PRC (abolished) promulgated The Notice on Issuing the Opinions on Accelerating the Marketisation Process of the Municipal Utilities Industry (《關於印發〈關於加快市政公用行業市場化進程的意見〉的通知》), which proposes that the prices of products or services of municipal public utilities are approved and regulated by government, and the respective standards of price (charge) of municipal public products or services are determined in compliance with the rules of market economy and in accordance with the average cost and reasonable profit to enterprises in the relevant industry, subject to the full consideration of a reasonable allocation of resources and the protection of public interest. Reasonable return of enterprises engaging in municipal public utilities through legal operation should be guaranteed. Where the price of a product or service provided by an enterprise is lower than the cost for the purpose of satisfying needs from the general public, the government shall subsidize the enterprise accordingly.

On 8 June 2012, the MOHURD promulgated The Notice on Issuing the Implementation Opinions on Further Encouraging and Guiding Private Capital to Enter the Field of Municipal Public Utilities (《關於印發進一步鼓勵和引導民間資本進入市政公用事業領域的實施意見的通知》), which proposes that efforts shall be made to improve pricing and financial subsidy mechanisms, sort out price formation mechanism for products or services of municipal public utilities in phases and set reasonable prices, enabling operators to compensate costs and earn profits in a reasonable manner. The people's government of cities shall establish corresponding incentive and subsidy mechanism to encourage private capital to serve our society.

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On 5 December 2017, the NDRC promulgated The Notice on Issuing the Plan for Winter Clean Heating in the Northern Region (2017-2021) (《關於印發<北方地區冬季清潔取暖規劃(2017-2021年)>的通知》), which proposes that heat rate mechanism shall be improved according to local conditions. The rate of clean heating services shall be set at a reasonable price that is affordable by residents and has considered the costs for transforming into clean heating and operating to lower price of clean heating, and the shortfall shall be compensated by local finance.

Relevant regulations in Taiyuan and Shanxi Transformation and Comprehensive Reform Demonstration Zone and Shuozhou City

According to the requirements of the Regulations for the Administration on the Concession of Municipal Public Utilities of Shanxi Province (《山西省市政公用事業特許經營管理條例》) promulgated on 20 December 2007, implemented on 1 March 2008 and abolished on 26 November 2021 by the Standing Committee of the National People's Congress of Shanxi Province, the government shall compensate the economic losses incurred by a concession operator for undertaking duty assigned by the government. A concession agreement shall specify, among other things, profit-making pattern and margin of concession operators as well as providing methods and specific amounts of government subsidies or compensation. Where the concession operators incur losses due to the prices or charging standards determined by governments or incur increasing expenditures for undertaking duty assigned by the government, the people's governments of cities shall grant subsidies or compensation to such concession operators by laws.

On 1 April 2009, the Standing Committee of the National People's Congress of Taiyuan city promulgated the Taiyuan Urban Heat Services Administration Regulations (Amended) (《太原市城市供熱管理條例(修訂)》), which provides that heating entities can submit price adjustment proposal to the pricing authorities or competent heating authorities in writing. The government may temporarily subsidise the heating entities after accounting for costs where heat rates cannot be adjusted in a timely manner and lead to losses of such heating entities.

On 20 April 2022, the Shuozhou City Bureau of Municipal Affairs Administration (朔州市城市管理局) published the Draft Rules and issued a revised version on 6 September 2022, which provides that public-private partnership (PPP) heating projects shall choose reasonable operating models and ensure standardized operation. The projects shall have rights and obligations of parties clearly defined, build a coordinated mechanism in terms of investments, subsidies and heat rate, and strengthen the performance management throughout the entire life cycle of project. As at the Latest Practicable Date, the Draft Rules were in the process of being approved. There is uncertainty that the approved version published by the relevant competent authority later may have inconsistencies with the Draft Rules.

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Relevant regulations in Lanzhou New Area

On 14 September 2022, the Construction Department of Gansu Province (甘肅建設廳) promulgated the Measures for the Administration on the Concession of Municipal Public Utilities of Gansu Province (《甘肅省市政公用事業特許經營管理辦法》), which provides that concession operators may earn their returns through various methods, including charging for the products or services of municipal utilities provided by them or receiving grants from governments. Where an enterprise with concession rights suffers economic losses for undertaking duty assigned by the government for achieving public welfare objective, the government shall subsidize the enterprise accordingly.

The Rules on Heat Supply and Usage of Lanzhou City (2021 Revision) (《蘭州市供熱用熱條例(2021修正)》), promulgated on 28 November 2014 and amended on 14 April 2021 by the Standing Committee of the National People’s Congress of Lanzhou City, provides that where heat rates are not sufficient to compensate the normal relevant heat service costs and cannot be adjusted in a timely manner, the municipal or county (district) people’s government may temporarily subsidise the heating entities for its losses arising therefrom of after accounting for costs

Relevant regulations in Hulunbuir City

On 24 May 2016, the Measures for the Administration on Infrastructure and Public Utilities Concession of Inner Mongolia Autonomous Region (《內蒙古自治區基礎設施和公用事業特許經營管理辦法》) jointly issued by Inner Mongolia Development and Reform Commission and other departments, provides governments may make undertakings in the concession agreements regarding the prevention of unnecessary construction of competing projects of the same kind, necessary and reasonable financial subsidies, and the provision of relevant supporting public services and infrastructure. The governments above the county level may establish infrastructure and public utility concessions guiding fund with financial institutions, and support the construction of relevant concession projects through investment subsidies, financial subsidies and loan with discounted interest.

Relevant regulations in Xinmi City

The Administrative Measures for Urban Heat Services and Use in Zhengzhou City (2020 Amendment) (《鄭州市城市供熱與用熱管理辦法(2020修正)》), promulgated on 1 September 2015 and amended on 17 January 2020 by the People’s Governance of Zhengzhou City, provides that the People’s Governance of city, county (city), Shangjie District may, upon verification, provide temporary government subsidies to the heating enterprises in the areas where heat rates are obviously not sufficient to compensate the normal heat service costs; the increase in heat service costs due to the adjustment of the heating period shall be subsidized by the same level of financial department.

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FOREIGN INVESTMENTS

The Company Law of the PRC (《中華人民共和國公司法》), which was promulgated and effective on 29 December 1993, and revised on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, and 26 October 2018, respectively, stipulates that the establishment, operation and management of corporate entities in the PRC are regulated by the Company Law of the PRC, including foreign-funded limited liability companies or foreign-funded joint stock companies.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), which was promulgated on 15 March 2019 and implemented on 1 January 2020, establishes a basic framework for the access and promotion, protection and management of foreign investments in order to protect investment and fair competition. The Law of the PRC on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the PRC on Foreign-invested Enterprises (《中華人民共和國外資企業法》) and the Law of the PRC on Sino-Foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》) were simultaneously repealed.

According to the Special Management Measures for Foreign Investment Access (Negative List) (2019 Edition) (《外商投資准入特別管理措施(負面清單)(2019年版)》), which was issued on 30 June 2019 and effective on 30 July 2019, the heat service industry does not fall into the negative list of foreign investment access, and this 2019 negative list removed the restriction from the 2018 negative list that the construction and operation of urban gas and heat in cities with a population of 500,000 or more shall be controlled by the Chinese side. The Special Management Measures for Foreign Investment Access (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》), which was promulgated on 27 December 2021 and effective on 1 January 2022, being the latest negative list, maintain the aforementioned provisions in respect of access to the heat service industry.

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION

Principal environmental laws and regulations applicable to the construction and operation of the heat service industry include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law on the Prevention and Control of Atmospheric Pollution of the PRC (《中華人民共和國大氣污染防治法》), the Law on Water Pollution Control of the PRC (《中華人民共和國水污染防治法》), the Law on Promotion of Cleaner Production of the PRC (《中華人民共和國清潔生產促進法》), the Regulations on Environmental Protection Management of Construction Projects (《建設項目環境保護管理條例》) and the Law on Environmental Impact Assessment of the PRC (《中華人民共和國環境影響評價法》).

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was promulgated and effective on 26 December 1989 and amended on 24 April 2014, the competent environmental protection department under the State Council is responsible for the unified supervision and management of the national environmental protection work and the formulation of national environmental quality and pollutant emission standards. Local environmental protection departments are responsible for environmental protection work in their respective administrative areas.

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According to the Law on Environmental Impact Assessment of the PRC (《中華人民共和國環境影響評價法》), which came into effect on 1 September 2003 and subsequently amended on 2 July 2016 and 29 December 2018, if the environmental impact assessment document of a construction project has not been submitted for review in accordance with the law or approved upon review by the approval authority, the approving department of the project shall not approve the construction, and the construction entity shall not commence construction of the project. The construction entity shall prepare an environmental impact report, an environmental impact statement or fill in an environmental impact registration form according to the severity of the environmental impact of the relevant construction project.

According to the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), which came into effect on 29 November 1998 and was revised on 16 July 2017, the supporting environmental protection facilities shall be designed, constructed and put into use in the main project at the same time. Upon completion of the construction projects in the prepared environmental impact report and environmental impact report form, the construction unit shall inspect and accept the supporting environmental protection facilities and prepare an acceptance report in accordance with the standards and procedures stipulated by the competent department of environmental protection administration under the State Council. For the construction projects in the prepared environmental impact report and environmental impact report form, the supporting environmental protection facilities shall pass acceptance before the project can be put into production or use. Those supporting environmental protection facilities that have not undergone acceptance or have failed acceptance shall not be put into production or use.

Furthermore, the Notice Relating to the Release of Two National Pollutant Emission Standards (i.e. the Emission Standards for Industrial Enterprise Noise at Boundary and the Emission Standards for Environment Noise in Social Life) (《關於發佈〈工業企業廠界環境噪聲排放標準〉、〈社會生活環境噪聲排放標準〉兩項國家污染物排放標準的公告》) implemented by the then Ministry of Environmental Protection on 1 October 2008 clearly stipulates the emission standards for industrial enterprises noise at boundary to protect and improve the living environment.

The Decision of the State Council on Enhancement of Energy Conservation Work (《國務院關於加強節能工作的決定》), which was promulgated and implemented on 6 August 2006, proposes to promote the reform of municipal heating system and change the heat subsidy from “implicit subsidy” to “explicit subsidy”, strengthen the metered charging of heat services, promote the charging system by metered charging according to heat quantity, improve the price formation mechanism of heat services, study and formulate the charge policy based on heat quantity in the provision of heat services to buildings, and cultivate a heat service market that is conducive to energy conservation. The Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), promulgated on 1 November 1997, implemented on 1 January 1998 and subsequently revised on 28 October 2007, 2 July 2016, and 26 October 2018, made further stipulation on energy conservation management, that is, the State shall take measures to implement, step by step, the system of household-based heating metering and usage-based heating fees to buildings with central heating. In the construction of new buildings or the energy conservation retrofits of existing buildings, heating metering devices, indoor temperature controls and heat service control devices shall be installed as required.

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Since then, the use of charge by heat measurement and energy conservation of buildings have become important contents of energy conservation for the heat service industry. In this regard, the Implementation Opinion on Promoting the Heat Services Measurement and Energy-conservation Renovation of Existing Residential Buildings in Northern Heating Areas (《關於推進北方採暖地區既有居住建築供熱計量及節能改造工作的實施意見》) promulgated in May 2008 and the Technical Guidelines for Heat Services Measurement and Energy Conservation Renovation of Existing Residences in Northern Heating Areas (《北方採暖地區既有居住建築供熱計量及節能改造技術導則》(試行)) issued by the MOHURD in July 2008 also proposes the heat service measurement and the energy conservation alteration of existing residential buildings in the northern heat service areas, and provides specific technical guidance for this purpose. In addition, the Regulation on Energy Conservation in Civil Buildings (《民用建築節能條例》) promulgated by the State Council in August 2008 and the Notice on Further Deepening the Work of Heat Services Measurement and Energy-conservation Alteration of Existing Residential Buildings in Northern Heat Service Areas (《關於進一步深入開展北方採暖地區既有居住建築供熱計量及節能改造工作的通知》) issued by the MOF and the MOHURD in January 2011, the 12th Five-Year Plan for Energy Conservation of Buildings (《“十二五”建築節能專項規劃》) by the MOHURD in May 2012, the Air Pollution Prevention and Control Action Plan (《大氣污染防治行動計劃》) by the State Council in September 2013, and the 2014-2015 Action Plan for Energy Conservation and Emission Reduction and Low Carbon Development (《2014-2015年節能減排低碳發展行動方案》) by the Office of the State Council have made provisions for improving the energy utilisation efficiency of civil buildings, promoting the application of new building materials, increasing the supply of clean energy, and accelerating the construction of energy conservation and emission reduction projects.

Meanwhile, energy-conservation alteration shall also be carried out for boilers used by heat service companies. The Ministry of Environmental Protection, the NDRC and the MOF jointly issued the Twelfth Five-Year Plan for Prevention and Control of Air Pollution in Key Areas (《重點區域大氣污染防治“十二五”規劃》) in October 2012, which emphasises on the increase of heat and power cogeneration, the elimination of scattered small coal-fired boilers, and the development of centralised heat service and propulsion of heat service measurement reforms to promote energy conservation and emission reduction. In September 2013, the State Council issued the Action Plan for Prevention and Control of Air Pollution (《大氣污染防治行動計劃》), which proposes comprehensive rectification of small coal-fired boilers and accelerates the construction of centralised heat service projects. The Action Plan for Coal-fired Power Energy Conservation and Emission Reduction of Upgrade and Reconstruction (2014-2020) (《煤電節能減排升級與改造行動計劃(2014-2020年)》) jointly issued by the NDRC, the Ministry of Environmental Protection and the National Energy Administration in September 2014, and the Implementation Plan of Comprehensive Enhancement Project for Energy-conservation and Environmental Protection of Coal-fired Boilers (《燃煤鍋爐節能環保綜合提升工程實施方案》) issued by the NDRC and the Ministry of Environmental Protection in October 2014, proposed the energy-conservation alteration of heat service units, the replacement and elimination of the dispersed small coal-fired boilers, and the promotion of municipal centralised heat services. The Action Plan for Efficient Use of Coal (2015-2020) (《煤炭清潔高效利用行動計劃(2015-2020年)》) issued by the National Energy

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Administration in April 2015 proposes the implementation of a coal-fired boiler upgrading project to promote the application of high-efficiency, energy-conservation and environment-friendly boilers. In December 2021, the State Council issued the Comprehensive Work Plan for Energy Conservation and Emission Reduction for the "14th Five-Year Plan" Period (《“十四五”節能減排綜合工作方案》), which clearly promotes the transformation of cogeneration of large coal-fired power plants, fully taps the heating potential, promotes the elimination of coal-fired boilers and scattered coal within the coverage of the heating network, increases the elimination of outdated coal-fired boilers and small coal-fired thermal power plants, and promotes the replacement of coal heating (steam) with industrial waste heat, power plant waste heat, and clean energy. On 22 March 2016, the Measures for the Administration of Cogeneration was jointly issued by the NDRC, the Ministry of Environmental Protection of the PRC and other authorities, which provides that the development of cogeneration shall abide by the principles of "unified planning, power determination by heat and focus on available capacity, structure optimisation, energy efficiency improvement, environmental protection priority". Targets have been set to achieve 60% heat energy supplied by CHP energy source among middle to large cities in northern China and a CHP energy supply coverage among all cities with population of above 200,000 in northern China, forming a healthy development pattern for cogeneration industry with scientific planning, reasonable layout, efficient utilisation and safe heating. It is clearly provided that coal-fired heat and power cogeneration units in services should install efficient desulfurisation, denitrification and ash removal facilities, and those which do not satisfy the discharging standards should speed up to upgrade environment facilities so that the facilities with minimum technical output which operate in full load and full time can meet the standard. The transformation into ultra-low emission shall be implemented pursuant to the requirements of energy conservation and emission reduction. The planning of heat and power cogeneration units and heating boiler shall be coordinated to achieve joint operation, and heating capacity of peak-shaving boilers shall be designed as 25%-40% of the maximum heat load of heating area.

SAFETY PRODUCTION

The Work Safety Law of the PRC (《中華人民共和國安全生產法》), which came into effect on 1 November 2002, subsequently revised in August 2009, August 2014 and June 2021, is the principal law for the work safety supervision and management and labour protection of heat service enterprises.

For boilers used by heat service enterprises, they are special equipment with relatively high risks for personal and property safety according to the Special Equipment Safety Law of the PRC (《中華人民共和國特種設備安全法》) which came into effect in 2014 and the Catalogue of Special Equipment (《特種設備目錄》) issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) in October 2014 before its reorganisation. Entities that use boilers shall abide by the above-mentioned laws and the "Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》) promulgated by the State Council in March 2003 and revised in January 2009, and the "Opinions of the Special Equipment Bureau under the General Administration of Quality Supervision, Inspection and Quarantine Relating to Issues About Pressure-bearing Equipment in the Newly Revised Catalogue of Special Equipment (《質檢總局特種設備局關於新修訂的<特種設備目錄>中承壓設備有關問題的意見》) issued in July 2015.

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EMPLOYMENT AND SOCIAL SECURITY

Major PRC labour laws and regulations applicable to our heat service industry include the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Implementation Regulations on the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Administrative Regulations on Housing Provident Fund (《住房公積金管理條例》).

According to the Labour Law of the PRC (《中華人民共和國勞動法》) promulgated on 5 July 1994 and became effective on 1 January 1995, then amended on 27 August 2009 and 29 December 2018, respectively, employers shall provide employees with the necessary protection equipment that complies with safety and health conditions stipulated under national regulations, as well as provide regular health checks for employees that are engaged in operations with occupational hazards. The parties to the labour contract (i.e. the employer and the employee) and specific terms of the labour contract shall be regulated by the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated on 29 June 2007, became effective on 1 January 2008 and was amended on 28 December 2012, and the Regulation on the Implementation of the Employment Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (Order No. 535 of the State Council), which was promulgated and became effective on 18 September 2008.

According to the provisions of the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated on 28 October 2010, became effective on 1 July 2011, and subsequently amended on 29 December 2018, the Regulation on Work-related Injury Insurance (《工傷保險條例》) promulgated on 27 April 2003, became effective on 1 January 2004, and subsequently amended on 20 December 2010, the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》) promulgated on 14 December 1994 and became effective on 1 January 1995, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated and became effective on 22 January 1999, and subsequently amended on 24 March 2019, and the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) promulgated and became effective on 3 April 1999, and subsequently amended on 24 March 2002 and 24 March 2019, respectively, enterprises in the PRC shall provide benefit plans for their employees, which include pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance, housing provident funds and other benefit plans.

Labour Dispatch

The Ministry of Human Resources and Social Security promulgated the Interim Provisions on Labour Dispatch (《勞務派遣暫行規定》) on 24 January 2014 (the “**Interim Provisions**”) which became effective on 1 March 2014. It states that labour dispatch should only be applicable to temporary, auxiliary or substitute positions. For purposes of these provisions, temporary positions mean positions subsisting for no more than six months, auxiliary positions mean positions of non-major business that serve the major businesses, and substitute positions mean positions that can be held by substitute employees for a certain period

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of time during which the employees who originally hold such positions are unable to work as a result of full-time study, being on leave or other reasons. The Interim Provisions further provide that the number of the dispatched workers of an employer shall not exceeds 10% of its total workers, and the total workforce of an employer shall refer to the sum of the number of the workers who have executed labour contracts with the employer and the number of workers who are dispatched to the employer.

LAND AND PROPERTY

Pursuant to the provisions of the Construction Law of the PRC (《中華人民共和國建築法》), which was promulgated on 1 November 1997 and became effective on 1 March 1998, and was last amended and became effective on 23 April 2019, the completed construction projects which are delivered for acceptance inspection shall meet the quality standards, and obtain the complete engineering, technical and economic information and the signed project warranty as well as other completion conditions as required by the State. Construction projects which are completed shall not be delivered for use until they are accepted as a qualified construction projects. Without required acceptance or if the acceptance is unqualified, construction projects shall not be delivered for use.

Pursuant to the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》) promulgated and implemented on 30 January 2000 and amended and became effective on 23 April 2019, after receiving the construction project completion report, the property developer shall organise the units of design, construction, project supervision and other relevant units to complete the acceptance. The construction projects shall pass the acceptance before delivered for use. Where a property developer delivers the construction project for use without conducting the construction project completion acceptance inspection, it shall be ordered to take remedial actions and also pay a fine of not less than 2% but not exceeding 4% of the construction contract sum and shall be obliged to pay compensation according to law if any losses have been caused.

Pursuant to the Measures for the Administration of Urban Yellow Line (《城市黃線管理辦法》) promulgated by the Ministry of Construction of the PRC (now known as MOHURD) on 20 December 2005, being effective on 1 March 2006, and amended and being effective on 26 January 2011, urban infrastructure include urban heat sources and regional heating stations, heating corridors, and other municipal heat service facilities. The following activities are prohibited within the range of the urban yellow line: modifying, moving, or demolishing urban infrastructure without authorisation.

Pursuant to the Standard for Urban Residential Area Planning and Design (《城市居住區規劃設計標準》) promulgated by the MOHURD on 10 July 2018 and being effective on 1 December 2018, formulated to ensure urban residential areas have a livable and moderate living environment, utilizing land and space in a scientific, reasonable and economical manner, to ensure the quality of urban residential planning and design, and to standardize the planning, construction, and management of urban residential areas. It is applicable to the preparation of urban planning and the planning and design of urban residential areas. In particular, it provides standards for the installation of supporting facilities in residential areas, and specifies that heating stations or heat exchange stations are municipal public facilities.

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According to the Taiyuan Urban Heat Services Administration Regulations (《太原市城市供熱管理條例》) promulgated on 26 March 2009 and effective on 1 May 2009, heat service customers shall not damage, modify, demolish or move the heating pipelines, labels, manholes, valves, meters and other heat service facilities without authorisation.

According to the Hulunbuir Urban Heat Services Administration Measures (Trial) (《呼倫貝爾市城鎮供熱管理辦法(試行)》) promulgated on 28 October 2013 and implemented after 30 days from the date of its promulgation, without the consent of entities of heat sources or heat services, no entities or individuals may modify, move, cover, demolish or otherwise damage the heating pipelines, manholes, valves, meters, safety warning signs and labels and other facilities.

According to the Administrative Measures for Urban Heat Services and Use in Lanzhou New Area (《蘭州新區城市供熱用熱管理辦法》) formulated on 7 December 2021 and implemented on 1 January 2022, no entities or individuals may engage in the following activities within the safety protection distance of 1.5 metres for the heat service facilities: burying the heating pipelines or manholes, or damaging, moving or demolishing the heating pipelines, valves, heating metering devices and other heat service facilities.

PERSONAL INFORMATION PROTECTION AND DATA SECURITY

According to the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) promulgated on 20 August 2021 and came into effect on 1 November 2021, the processing of personal information (including collection, storage, use, processing, transmission, provision, disclosure and deletion of personal information) shall follow the principles of legality, legitimacy, necessity and faith, shall not be processed by misleading, fraudulent and coercive. The processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests. The collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. The processing of personal information should follow the principles of openness and transparency, disclose the rules for handling personal information, and express the purpose, method and scope of processing. Processors of personal information shall bear responsibilities for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle.

According to the Data Security Law of the PRC (《中華人民共和國數據安全法》) promulgated on 10 June 2021 and came into effect on 1 September 2021, carrying out data processing activities (including data collection, storage, use, processing, transmission, provision and disclosure) shall be in accordance with the requirements of laws and regulations, establish and complete a data security management system for the entire workflow, organise and conduct data security education and training, and adopt corresponding technical measures and other necessary measures to ensure data security. The processors of important data shall define the responsible person and management authority of data security and fulfil the responsibility of data security protection.

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REGULATIONS RELATING TO OVERSEAS LISTING

On 17 February 2023, CSRC formally released the Trial Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Companies (the “Overseas Issuance and Listing Measures”, 《境內企業境外發行證券和上市管理試行辦法》), which are expected to take effect on 31 March 2023. The Overseas Issuance and Listing Measures prohibit the overseas issuance and listing of securities for (i) companies that are explicitly prohibited from listing by PRC laws and regulations; (ii) companies whose overseas issuance and listing may endanger national security, as determined by relevant departments of the State Council; (iii) companies that have committed, or companies whose controlling shareholders or actual controllers have committed, crimes of corruption, bribery, encroachment and embezzlement upon property, or disruption of the order of market economy in the past three years; (iv) companies that are under ongoing investigations for suspected crimes or material violations of PRC laws; and (v) companies whose controlling shareholders, or the shareholders whose actions are controlled by the controlling shareholders or actual controllers, are involved in major disputes over their equity ownership of the company. Furthermore, upon the effectiveness of the Overseas Issuance and Listing Measures, PRC companies that directly or indirectly offer or list their securities in overseas markets, which include (i) any limited liability companies registered in the PRC, and (ii) any offshore companies that conduct their business operations primarily in the PRC and contemplate to offer or list their securities in overseas markets based on their onshore equities, assets or similar interests, will be required to making files with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. Failure to complete the record-filing procedures may subject a PRC company to a warning or a fine of RMB1 million to RMB10 million.

According to the Notice on the Administration Arrangement for the Overseas Issuance and Listing of Securities Record-filings (《關於境內企業境外發行上市備案管理安排的通知》), PRC companies that have received the approval from CSRC on their overseas issuance and listing before the Overseas Issuance and Listing Measures become effective can continue their overseas issuance and listing of securities within the validity period of the approval, and are not subject to the record-filing procedures stipulated in the Overseas Issuance and Listing Measures. We obtained the approval from CSRC for the [REDACTED] and the [REDACTED] on 8 November 2022, and such approval is valid until 7 November 2023. Based on the above and our expected timetable that our [REDACTED] and the [REDACTED] are expected to be completed within the validity period of the approval of CSRC, our PRC Legal Advisers are of the opinion that we do not need to perform the record-filing procedures for the [REDACTED] and the [REDACTED], and the [REDACTED] and the [REDACTED] are not expected to be materially affected by the Overseas Issuance and [REDACTED] Measures.