

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

*This announcement and the listing document referred to herein are not intended to be and does not constitute an invitation or offer to acquire, purchase or subscribe for securities. The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state of the United States or any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.*

*This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

*Notice to Hong Kong investors: The Issuer confirms that the Bonds (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and are listed on the SEHK on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

## **ZHENGZHOU METRO GROUP CO., LTD.**

**(鄭州地鐵集團有限公司)**

**(the “Issuer”)**

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

**U.S.\$500,000,000 1.915 per cent. Bonds due 2024**

**(Stock Code: 40914)**



## **PUBLICATION OF THE OFFERING CIRCULAR**

This announcement is made by the Issuer pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of U.S.\$500,000,000 1.915 per cent. bonds due 2024 (the “Bonds”) on the SEHK dated 15 November 2021 published by the Issuer. The offering circular dated 9 November 2021 referred to therein is appended to this announcement.

Hong Kong, 16 November 2021

*As at the date of this announcement, the directors of the Issuer are Mr. Zhang Zhou, Mr. Yuan Juliang, Mr. Li Yajun and Mr. Sun Fei.*

**NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.**

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

**Confirmation of Your Representation:** In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. This Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to the Joint Lead Managers (as defined herein) that (1) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer (as defined herein), the Joint Lead Managers, the Trustee or the Agents nor any of their respective affiliates, directors, officers, employees, representatives, agents or advisers nor any person who controls any of them accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you on request.

**Restrictions:** The attached document is being furnished in connection with an offering in offshore transactions in compliance with Regulation S under the United States Securities Act of 1933, as amended (the “**Securities Act**”) solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

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

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

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

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

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



**ZHENGZHOU METRO GROUP CO., LTD.**  
**(鄭州地鐵集團有限公司)**

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

**U.S.\$500,000,000 1.915 per cent. Bonds due 2024**  
**Issue Price: 100.0 per cent.**

The 500,000,000 1.915 per cent. bonds due 2024 in the aggregate principal amount of U.S.\$500,000,000 (the "Bonds") will be issued by Zhengzhou Metro Group Co., Ltd. (鄭州地鐵集團有限公司) (the "Issuer"), a company incorporated in the People's Republic of China (the "PRC") with limited liability.

The Bonds will bear interest on their outstanding principal amount from and including 15 November 2021 (the "Issue Date") at the rate of 1.915 per cent. per annum. Interest on the Bonds will be payable semi-annually in arrear in equal instalments on 15 May and 15 November in each year, commencing 15 May 2022.

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

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporate (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the "NDRC Notice") promulgated by the National Development and Reform Commission (the "NDRC") on 14 September 2015 which came into effect on the same day, the Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 23 July 2021 evidencing such registration. Pursuant to the NDRC Notice, the Issuer will file or cause to be filed with the NDRC the requisite information and documents relating to the issue of the Bonds within 10 PRC Business Days (as defined in the Conditions) after the Issue Date.

The Issuer will (i) register or cause to be registered with the State Administrative Measures of Foreign Debt Registration (the "SAFE") the Bonds in accordance with, and within the time period prescribed by, the Notice on Nationwide Implementation of the Macro-prudential Management Policy of Overall Cross-border Financing (Yin Fa [2017] No. 9) (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (銀發[2017]9號) effective as of 11 January 2017 and as amended from time to time (the "Cross-Border Financing Circular") (the "SAFE Registration"), (ii) use its best endeavours to complete the SAFE Registration and obtain a registration record from SAFE on or before the Registration Deadline (as defined in the Conditions) and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds, including but not limited to, any implementing measures promulgated thereunder from time to time.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 15 November 2024 (the "Maturity Date"). The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 16 of the Conditions (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with interest accrued up to but excluding the date fixed for redemption) if the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 of the Conditions as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, as further described in Condition 6(b) of the Conditions. At any time following the occurrence of a Change of Control (as defined in the Conditions), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Change of Control Put Date (as defined in the Conditions) at 101 per cent. of their principal amount, together with accrued interest up to but excluding the Change of Control Put Date. Upon the occurrence of a No Registration Event (as defined in the Conditions), the Issuer shall redeem on the No Registration Event Redemption Date (as defined in the Conditions) all, but not some only, of the Bonds at 100 per cent. of their principal amount, together with accrued interest up to but excluding the No Registration Event Redemption Date. See "Terms and Conditions of the Bonds - Redemption and Purchase".

The Bonds are expected to be assigned a rating of "A3" by "Moody's Investors Service" ("Moody's") and a rating of "A" by "Fitch Ratings Inc." ("Fitch"). The Issuer has been assigned corporate credit ratings of "A3 (Stable)" by Moody's and "A (Stable)" by Fitch. The ratings do not constitute a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time by Moody's or Fitch. A suspension, reduction or withdrawal of the ratings assigned to the Bonds may adversely affect the market price of the Bonds.

The specified denomination of the Bonds will be U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

For a more detailed description of the Bonds, see "Terms and Conditions of the Bonds" beginning on page 43.

Application will be made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited "Professional Investors") only. This document is for distribution to Professional Investors only.

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

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

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

**Investing in the Bonds involves certain risks. See "Risk Factors" beginning on page 13 for a discussion of certain factors to be considered in connection with an investment in the Bonds.**

**The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale".**

The Bonds will be represented initially by interests in a global certificate (the "Global Certificate") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depository for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

**Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners**

**China International  
Capital Corporation**

**Bank of China**

**Industrial Bank Co., Ltd.  
Hong Kong Branch**

**Joint Lead Managers and Joint Bookrunners**

**BOCOM  
International**

**China Everbright  
Bank  
Hong Kong Branch**

**China Minsheng  
Banking Corp., Ltd.,  
Hong Kong Branch**

**CMB Wing Lung  
Bank Limited**

**CMBC Capital**

**CNCB Capital**

**Guotai Junan  
International**

**Shanghai Pudong  
Development Bank  
Hong Kong Branch**

**SPDB International**

**Standard  
Chartered Bank**

## IMPORTANT NOTICE

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, its subsidiaries (together with the Issuer, the “**Group**”) and the Bonds which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws and which, according to the particular nature of the Issuer and the Bonds, is necessary to enable investors and their investment advisors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and of the rights attached to the Bonds), (ii) the statements contained in this Offering Circular relating to the Issuer and the Group are true and accurate in all material respects and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are, honestly held, and have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, the Group and the Bonds, the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect, (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular, and (vi) the statistical, industry and market-related data and forward looking statements included in this Offering Circular (if any), are based on or derived from sources which the Issuer believes to be accurate and reliable in all material respects.

The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offering of the Bonds. If investors are in any doubt about any of the contents of this Offering Circular, they should obtain independent professional advice.

The Issuer has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of China International Capital Corporation Hong Kong Securities Limited, Bank of China Limited, Industrial Bank Co., Ltd. Hong Kong Branch, BOCOM International Securities Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China Minsheng Banking Corp., Ltd., Hong Kong Branch, CMB Wing Lung Bank Limited, CMBC Securities Company Limited, CNCB (Hong Kong) Capital Limited, Guotai Junan Securities (Hong Kong) Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, SPDB International Capital Limited and Standard Chartered Bank (together, the “**Joint Lead Managers**”), the Trustee or the Agents (each as defined in the Conditions) or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Joint Lead Managers, the Trustee and the Agents and each of their respective affiliates, directors, officers, employees, representatives, agents and advisers and any person who controls any of them to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the PRC, Hong Kong, Singapore and Japan and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see “*Subscription and Sale*”. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Bonds.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group or the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Joint

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

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

None of the Joint Lead Managers, the Trustee or the Agents nor any of their respective affiliates, directors, employees, agents, representatives, officers or advisers nor any person who controls any of them has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them. This Offering Circular is not intended to provide the basis for any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the merits and risks involved in investing in the Bonds. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents nor any of their respective affiliates, directors, employees, agents, representatives, officers or advisers nor any person who controls any of them accepts any responsibility for the contents of this Offering Circular or any statement made or purported to be made by any such person or on its behalf in connection with the Issuer, the Group or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee and the Agents and each of their respective affiliates, directors, employees, agents, representatives, officers

and advisers and each person who controls any of them accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them.

Any of the Joint Lead Managers and their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Group. Accordingly, references herein to the Bonds being offered should be read as including any offering of the Bonds to the Joint Lead Managers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

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

**IN CONNECTION WITH THIS OFFERING, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS A STABILISING MANAGER (THE “STABILISING MANAGER”) OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE ANY STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.**

Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

## PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains the summary consolidated financial information of the Group as of and for the years ended 31 December 2018, 2019 and 2020. The summary consolidated financial information of the Group as of and for the years ended 31 December 2018, 2019 and 2020 has been extracted from the audited consolidated financial statements of the Group as of and for the years ended 31 December 2019 and 2020 (the “**Audited Financial Statements**”). The summary consolidated financial information of the Group as of and for the six months ended 30 June 2020 and 2021 has been extracted from the Group’s unaudited but reviewed consolidated interim financial statements as of and for the six months ended 30 June 2021 (the “**Interim Financial Statements**” and together with the Audited Financial Statements, the “**Group’s Financial Statements**”). The audited consolidated financial statements of the Group as of and for the year ended 31 December 2019 have been audited by Baker Tilly China Certified Public Accountants (“**Baker Tilly**”), the Issuer’s previous independent auditor and were prepared in accordance with the Accounting Standards for Business Enterprises (the “**PRC GAAP**”). The audited consolidated financial statements of the Group as of and for the year ended 31 December 2020 and the Interim Financial Statements have been audited or reviewed, as the case may be, by WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) (“**Wuyige**”), the independent auditor of the Issuer and were prepared in accordance with the PRC GAAP. PRC GAAP differs in certain respects from the International Financial Reporting Standards (the “**IFRS**”). For a discussion of certain differences between PRC GAAP and IFRS, see “*Description of Certain Differences between PRC GAAP and IFRS*”.

The Interim Financial Statements have been reviewed but not audited by Wuyige. As a result, the Interim Financial Statements should not be relied upon by the potential investors to provide the same quality of information that has been subject to an audit. None of the Joint Lead Managers, the Trustee, the Agents nor any of their respective affiliates, directors, employees, agents, representatives, officers or advisers nor any person who controls any of them makes any representation or warranty, express or implied, regarding the sufficiency of the Interim Financial Statements for an assessment of, and potential purchasers must exercise caution when using such data to evaluate the Group’s financial condition and results of operations. The Interim Financial Statements should not be taken as an indication of their expected financial condition or results of operations for the full financial year ending 31 December 2021.

This Offering Circular includes figures relating to EBITDA. EBITDA is not a standard measure under PRC GAAP or IFRS. EBITDA is a widely used financial indicator of a company’s ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Group’s operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Group has included EBITDA because the Group believes that it is a useful supplement to cash flow data as a measure of the Group’s performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group’s EBITDA to EBITDA presented by other companies because not all companies use the same definition.

The Group’s Financial Statements have been prepared in Chinese and the Chinese version of the Group’s Financial Statements are available at the following websites: [www.chinamoney.com.cn](http://www.chinamoney.com.cn) and [www.chinabond.com.cn](http://www.chinabond.com.cn). The Issuer has prepared English translations of the Group’s Financial Statements as set out elsewhere in this Offering Circular (the “**Financial Statements Translation**”). None of the Joint Lead Managers, the Trustee or the Agents nor any of their respective affiliates, directors, employees, agents, representatives, officers or advisors nor any person who controls any of them has independently verified or checked the accuracy of the Financial Statements Translation and gives no assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete. Potential investors must exercise caution when they use such financial information to evaluate the Group’s financial condition results of operations and cash flows.

## CERTAIN DEFINITIONS AND CONVENTIONS

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the “**PRC**”, “**China**”, “**Mainland**” and “**mainland China**” are to the People’s Republic of China (which for the purpose of this Offering Circular, excludes the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan), all references to the “**United States**” and “**U.S.**” are to the United States of America, all references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China; all references to “**Hong Kong dollar(s)**” are to the lawful currency of Hong Kong, all references to “**Renminbi**” and “**RMB**” are to the lawful currency of the PRC and all references to “**U.S. dollar(s)**” and “**U.S.\$**” are to the lawful currency of the United States of America.

Certain monetary amounts in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Solely for convenience, this Offering Circular contains translations of certain Renminbi amounts into U.S. dollar amounts. Unless indicated otherwise, the translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB6.4566 to U.S.\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 June 2021. These translations should not be construed as representations that the Renminbi amounts could have been or could actually be converted into U.S. dollar amounts at the rates indicated or at all.

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

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

- “**CAGR**” are to compound annual growth rate;
- “**CBIRC**” are to China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), which was established as a result of the merger between CBRC and CIRC on 8 April 2018. Reference to CBIRC shall include reference to either or both of its predecessors;
- “**CBRC**” are to China Banking Regulatory Commission (中國銀行業監督管理委員會);
- “**CIRC**” are to China Insurance Regulatory Commission (中國保險監督管理委員會);
- “**EIT Law**” are to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), which came into effect on 1 January 2008;
- “**Foreign Debt Registration Measures**” are to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines, effective on 13 May 2013;
- “**GFA**” are to gross floor areas;
- “**MOF**” are to the Ministry of Finance of the PRC;
- “**MOFCOM**” are to the Ministry of Commerce of the PRC;
- “**PBOC**” are to People’s Bank of China;
- “**PRC Government**” are to the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities);



- “**sq.m.**” are to square metre(s);
- “**Thirteenth Five-Year Plan**” are to the Thirteenth Five-Year Plan Guidelines for National Economic and Social Development of the PRC (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》);
- “**Zhengzhou Government**” are to the People’s Government of Zhengzhou; and
- “**Zhengzhou SASAC**” are to the State-owned Assets Supervision and Administration Commission of Zhengzhou Municipal People’s Government.

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

## FORWARD-LOOKING STATEMENTS

The Issuer has made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms, such as “anticipate”, “target”, “believe”, “can”, “could”, “estimate”, “expect”, “aim”, “intend”, “may”, “plan”, “will”, “would” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue and profitability, planned projects and other matters as they relate to the Issuer and/or the Group discussed in this Offering Circular regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer or by any third party) involve known and unknown risks, including those disclosed under the caption “*Risk Factors*”, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

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

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

- the ability of the Group to successfully implement its business plans and strategies;
- future developments, trends and conditions in the industry and markets in which the Group operates;
- the Group’s business prospects and capital expenditure plans;
- the actions and developments of the Group’s competitors;
- the continued availability of capital and financing;
- macroeconomic measures taken by the PRC Government to manage economic growth;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operations;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group’s business; and
- other factors, including those discussed in “*Risk Factors*”.

The Issuer does not undertake any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise.

## TABLE OF CONTENTS

	<b>Page</b>
SUMMARY .....	1
THE OFFERING .....	5
SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP .....	9
RISK FACTORS .....	13
TERMS AND CONDITIONS OF THE BONDS .....	43
SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM .....	63
USE OF PROCEEDS .....	65
EXCHANGE RATES .....	66
CAPITALISATION AND INDEBTEDNESS .....	68
DESCRIPTION OF THE GROUP .....	69
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE GROUP .....	96
PRC REGULATIONS .....	100
TAXATION .....	110
SUBSCRIPTION AND SALE .....	114
DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS .....	118
GENERAL INFORMATION .....	120
INDEX TO FINANCIAL STATEMENTS .....	F-1

## SUMMARY

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

### Overview

The Group is the sole state-owned enterprise engaging in the investment, construction, operation and management of the rail transit system in Zhengzhou as authorised by the Zhengzhou Government. Since its establishment in 2008, the Group has played a key role in implementing the policies and blueprint of the Zhengzhou Government for the development of public transport in Zhengzhou. To diversify its business portfolio and realise synergies, the Group is also engaged in a range of rail transit related businesses, which mainly include resource development, designing and consultation services and other businesses such as real property development along the rail transit lines. Leveraging on the rapid growth of Zhengzhou’s rail transit infrastructure development and the strong financial and operational support from the Zhengzhou Government, the Group has maintained a strong growth momentum among its various business segments. In recognition of its innovative technological advancement and outstanding business performance, the Group has received a number of prestigious awards over the years, such as the Leading Key Project Construction Enterprise in Henan Province (河南省重點項目建設先進單位) for eight consecutive years from 2013 to 2020, 2019-2020 China Metro Industry Informatisation Best Practice Case (中國城市軌道交通行業2019-2020年信息化最佳實踐優秀案例) in 2020, China Metro Technology Innovation Competition Outstanding Award (中國城市軌道交通科技創新大賽優秀項目獎) in 2019 and the 2018-2019 National Quality Engineering Award (2018-2019年度國家優質工程獎).

The Group operates its business in Zhengzhou, the capital city of Henan Province and has benefited from the numerous economic strengths of Henan Province. Henan is one of the largest provinces in China in terms of population, which provides it with a sufficient and steady supply of labour resources and a large consumer market. Henan Province is developing at an accelerated pace in terms of industrialisation and urbanisation, as reflected in local governments’ investment and construction of public transportation systems throughout the province. In recent years, Henan Province has experienced rapid economic development by leveraging favourable policies promulgated by the PRC government, and it has steadily become an important pillar supporting China’s current economic transformation. In 2011, the State Council promulgated the “Central China Economic Zone (中原經濟區)”, explicitly setting out the economic development plan for Central China (中原) with a focus on Henan Province. In 2013, China put forward the “One Belt, One Road (一帶一路)” initiative, which listed Henan Province as an important hub for transportation, logistics, goods and resources distribution for implementation of this national strategy. In March 2013, in line with the “One Belt, One Road” initiative, the State Council approved the construction of the first pilot airport economic zone of national strategic importance, namely the Zhengzhou Airport Economic Experimental Zone (鄭州航空港經濟綜合實驗區). The zone is designed to become an important international airport logistical centre and an important national passenger transit centre in China, thus promoting the development of import and export industries in Henan Province and cross-border e-commerce. On 1 April 2017, the State Council officially established the China (Henan) Pilot Free Trade Zone (中國(河南)自由貿易試驗區), leveraging Henan Province’s advantages in modern transportation and logistics systems to create a high-end service platform for the further opening up of China’s economy. The Group believes that it will continue to benefit from the size of Henan Province’s economy and the province’s particular stage of development, from which there is significant room for growth and expansion. The accelerated urbanisation rate and high growth potential of Henan Province has also provided a promising macroeconomic environment and laid a solid foundation for the Group’s further business development.

The Group believes that its key strength is that it has been vested with the monopoly position by the Zhengzhou Government to focus on the investment, construction, operation and management of the rail transit system in Zhengzhou. Underpinned by its exclusive right to operate the rail transit business in Zhengzhou and the continuous government support it has received since its inception, the Group has built a track record of success across its principal business segments.

- **Rail transit operation.** Rail transit operation is the Group’s core business and the Group generates fare income from the sale of rail transit tickets. The Group is the sole state-owned enterprise operating the rail transit system in Zhengzhou. As of 30 June 2021, the Group operated all of the metro lines and the intercity rail transit line under Zhengzhou’s rail transit system, namely Line 1, Line 2, Line 3 (Phase 1), Line 4, Line 5, Line 14 (Phase 1) and South Fourth Ring Road – Zhengzhou South Station Intercity Line (Phase 1), with a total route length of 206.4 kilometres and 152 stations. Since its first metro line became operational in December 2013, the total annual passenger ridership increased significantly from 291.5 million in 2018 to 341.0 million in 2020, representing a CAGR of 8.2 per cent. The Group is also the sole state-owned enterprise responsible for the investment and construction of rail transit system in Zhengzhou. As of 30 June 2021, the Group had invested in six metro lines of Zhengzhou’s rail transit system which were in operation and six metro lines under construction. Moreover, the Group had invested in the construction of two intercity rail transit lines in Zhengzhou as of the same date. With respect to the six metro lines and two intercity rail transit lines under construction as of 30 June 2021, the estimated total investment amount was approximately RMB139.2 billion, consisting of RMB55.2 billion from government capital contribution and RMB84.0 billion from contribution by the Group. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, business income from the Group’s rail transit operation business amounted to approximately RMB596.3 million, RMB627.2 million, RMB615.7 million, RMB174.3 million and RMB448.0 million, respectively, accounting for approximately 24.4 per cent., 73.9 per cent., 65.0 per cent., 72.8 per cent. and 82.4 per cent., respectively, of the Group’s total business income for the respective periods. For a map showing the Group’s metro and intercity rail transit lines in operation, under construction and in the planning stage, respectively, as of 30 June 2021, see “— *Business — Rail Transit Operation*”.
- **Real property development.** In conjunction with its investment in the construction and operation of the rail transit business, the Group engages in real property development business to create synergies between the business segments. The Group has adopted a “metro-land-property” model, which entails the integrated development of residential properties and commercial properties above or adjacent to the metro stations through its wholly-owned subsidiary, Zhengzhou Rail Transit Real Estate Co., Ltd. (鄭州市軌道交通置業有限公司). As of 30 June 2021, the Group had completed one real property development project and had five real property development projects under construction. As of the same date, the Group had three real property development projects in the planning stage with a total planned GFA of 0.9 million sq.m. and an estimated total investment amount of RMB11,873.1 million. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, business income from the Group’s real property development business amounted to approximately RMB1,663.6 million, RMB40.1 million, RMB172.4 million, nil and nil, respectively, accounting for approximately 68.0 per cent., 4.7 per cent., 18.2 per cent., nil and nil of the Group’s total business income for the respective periods.
- **Resource development.** Leveraging its rail transit operation business and to further capitalise on its rail transit assets, the Group conducts its resource development business by way of leasing its rail transit assets to third parties, mainly including advertisers, media companies and telecommunication companies. For example, the Group displays advertisement and media on the walls of the tunnels and the space in the metro stations and charges leasing service fees from such third-party service providers. To maximise the investment return from its rail transit assets, the Group plans to further launch others services and cultural projects in the rail transit stations. For

the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, business income from the Group's resource development business amounted to approximately RMB61.8 million, RMB74.8 million, RMB62.1 million, RMB26.5 million and RMB35.5 million, respectively, accounting for approximately 2.5 per cent., 8.8 per cent., 6.6 per cent., 11.1 per cent. and 6.5 per cent. of the Group's total business income for the respective periods.

- **Designing and consultation services.** By virtue of its expertise in the rail transit industry, the Group provides designing and consultation services to third parties through its subsidiary, Zhengzhou Rail Transit Design and Research Institute Co., Ltd. (鄭州市軌道交通設計研究院有限公司), which specialises in construction design, consultation, project analysis and transportation technology research of rail transit operations and investments. In addition to its rich experience in the rail transit industry, the Group also holds a Grade I Qualification covering 37 subfields and a Grade II Road Engineering Construction Qualification. Due to expanding business needs, the Group also plans to further provide consultation services to third parties through its wholly-owned subsidiary established in September 2021, Zhengzhou Metro Group Consulting Co., Ltd. (鄭州地鐵集團諮詢有限公司), which specialises in construction consultation, equipment supervision and cost consultation, among other services. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, business income from the Group's designing and consultation services business amounted to approximately RMB9.0 million, RMB14.3 million, RMB12.6 million, RMB4.5 million and RMB11.6 million, respectively, accounting for approximately 0.4 per cent., 1.7 per cent., 1.3 per cent., 1.9 per cent. and 2.1 per cent. of the Group's total business income for the respective periods.
- **Other businesses.** The Group is also engaged in other services that are ancillary to its rail transit business, such as souvenir sales and other services including construction materials production, electricity supply and rental services. The Group mainly conducts its construction materials production primarily through its subsidiary, Zhengzhou Metro Group Yijia Industrial Co., Ltd. (鄭州地鐵集團頤嘉實業有限公司), which is primarily responsible for the treatment and recycling of construction material waste. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, business income from the Group's other businesses amounted to approximately RMB117.1 million, RMB92.8 million, RMB84.0 million, RMB34.3 million and RMB48.9 million, respectively, accounting for approximately 4.8 per cent., 10.9 per cent., 8.9 per cent., 14.3 per cent. and 9.0 per cent. of the Group's total business income for the respective periods.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group's total business income was approximately RMB2,447.7 million, RMB849.3 million, RMB946.8 million, RMB239.6 million and RMB544.0 million, respectively. As of 30 June 2021, the Group had total assets of approximately RMB184.1 billion and net assets of approximately RMB55.3 billion.

### **Competitive Strengths**

The Group believes its historical success and future prospects are primarily attributable to its following competitive strengths:

- Business development underpinned by the economic strengths and strategic location of Zhengzhou
- Well positioned to capitalise on the development of Zhengzhou's urban rail transit industry
- Monopoly position in the rail transit industry of Zhengzhou

- Industry-leading rail transit builder and operator with first-class research and development capabilities
- Strong and continuous support from the Zhengzhou Government
- Diverse sources of financing and stable business relationship with reputable banks
- Experienced senior management team with strong execution capabilities

### **Business Strategies**

The Group seeks to achieve its goals through the following strategies:

- Further cement its unique position in rail transit operation in Zhengzhou and further develop its core business
- Continue to enhance its technological expertise to achieve sustainable long-term growth
- Further develop the Group's real property development business and resource development businesses to create synergies
- Continue to improve the Group's corporate governance and internal control
- Continue to optimise resource allocation and develop diversified financing channels through prudent financial management

## THE OFFERING

*The following contains summary information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the Bonds” and “Summary of Provisions Relating to the Bonds in Global Form” shall have the same meanings in this summary. For a comprehensive description of the terms of the Bonds, see “Terms and Conditions of the Bonds”.*

<b>Issuer</b> .....	Zhengzhou Metro Group Co., Ltd. (鄭州地鐵集團有限公司).
<b>Issue</b> .....	U.S.\$500,000,000 in aggregate principal amount of 1.915 per cent. Bonds due 2024.
<b>Issue Price</b> .....	100.0 per cent.
<b>Form and Denomination</b> .....	The Bonds will be issued in registered form in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
<b>Interest</b> .....	The Bonds will bear interest from and including the Issue Date at the rate of 1.915 per cent. per annum, payable semi-annually in arrear in equal instalments on 15 May and 15 November in each year commencing 15 May 2022.
<b>Issue Date</b> .....	15 November 2021.
<b>Maturity Date</b> .....	15 November 2024.
<b>Status of the Bonds</b> .....	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) of the Conditions) unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Conditions, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
<b>Negative Pledge</b> .....	The Bonds will contain a negative pledge provision as further described in Condition 4(a) of the Conditions.
<b>Events of Default</b> .....	The Bonds will contain certain events of default provisions as further described in Condition 9 of the Conditions.



<b>Taxation</b> . . . . .	All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If the Issuer is required to make a deduction or withholding by or within the PRC in excess of the rate of up to and including the aggregate rate applicable on 9 November 2021, the Issuer shall pay such additional amounts (“ <b>Additional Tax Amounts</b> ”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as provided in Condition 8 of the Conditions.
<b>Final Redemption</b> . . . . .	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.
<b>Redemption for Taxation Reasons</b> . . . . .	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders in accordance with Condition 16 (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with interest accrued up to but excluding the date fixed for redemption), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 9 November 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due, as further described in Condition 6(b) of the Conditions.
<b>Redemption for Change of Control</b> . . . . .	At any time following the occurrence of a Change of Control (as defined in the Conditions), the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all, but not some only, of such holder’s Bonds on the Change of Control Put Date at 101 per cent. of their principal amount, together with accrued interest up to but excluding such Change of Control Put Date, as further described in Condition 6(c) of the Conditions.

<b>Mandatory Redemption upon No Registration Event</b> . . . . .	Upon the occurrence of a No Registration Event (as defined in the Conditions), the Issuer shall redeem on the No Registration Event Redemption Date (as defined in the Conditions) all, but not some only, of the Bonds at 100 per cent. of their principal amount, together with accrued interest up to but excluding the No Registration Event Redemption Date, as further described in Condition 6(d) of the Conditions.
<b>Clearing Systems</b> . . . . .	<p>The Bonds will initially be represented by interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.</p> <p>The Common Code and ISIN for the Bonds are 240579308 and XS2405793089, respectively.</p>
<b>Governing Law</b> . . . . .	English law.
<b>Jurisdiction</b> . . . . .	The courts of Hong Kong will have jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Agency Agreement and the Trust Deed.
<b>Trustee</b> . . . . .	The Bank of New York Mellon, London Branch.
<b>Principal Paying Agent</b> . . . . .	The Bank of New York Mellon, London Branch.
<b>Registrar and Transfer Agent</b> . . . . .	The Bank of New York Mellon SA/NV, Dublin Branch.
<b>Listing</b> . . . . .	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.
<b>Further Issues</b> . . . . .	The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the timing for completing the SAFE Registration and the NDRC Post-issue Filing and the timing of any subsequent notifications thereof to the Trustee and the Bondholders) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. Any further bonds forming a single series with the outstanding Bonds will be constituted by a deed supplemental to the Trust Deed.

**Rating** . . . . . The Bonds are expected to be assigned a rating of “A3” by Moody’s and a rating of “A” by Fitch. The Issuer has been assigned corporate credit ratings of “A3 (Stable)” by Moody’s and “A (Stable)” by Fitch. The ratings do not constitute a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time by Moody’s or Fitch.

**Use of Proceeds** . . . . . See “*Use of Proceeds*”.

**Selling Restrictions** . . . . . There are restrictions on the offer, sale and delivery of the Bonds in the United States, the United Kingdom, the PRC, Hong Kong, Singapore and Japan. See “*Subscription and Sale*”.

## **SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP**

*The following tables set forth the summary consolidated financial information of the Group as of and for the periods indicated. The summary consolidated financial information of the Group as of and for the years ended 31 December 2018, 2019 and 2020 has been extracted from the Audited Financial Statements. The summary consolidated financial information of the Group as of and for the year ended 31 December 2020 have been audited by Wuyige and included elsewhere in this Offering Circular. The summary consolidated financial information of the Group as of and for the year ended 31 December 2019 have been audited by Baker Tilly and included elsewhere in this Offering Circular.*

*The summary consolidated financial information of the Group as of and for the six months ended 30 June 2020 and 2021 has been extracted from the Interim Financial Statements, which have been reviewed but not audited by Wuyige and included elsewhere in this Offering Circular. Information contained in or derived from the Interim Financial Statements may change if an audit had been conducted. Such information may not provide the same quality as audited information, and caution must be exercised when using such information to evaluate the Group's financial condition and results of operations. Interim financial results do not indicate results expected for the full fiscal year.*

*The Group's Financial Statements have been prepared and presented in accordance with the PRC GAAP. PRC GAAP differs in certain material respects from the IFRS. For a discussion of certain differences between PRC GAAP and IFRS, please see "Description of Certain Differences between PRC GAAP and IFRS". Potential investors should read the following data together with the more detailed information contained in the Group's Financial Statements, including the notes thereto. The following data is qualified in its entirety by reference to all of that information. The Issuer has prepared the Financial Statements Translation as set out elsewhere in this Offering Circular. The Financial Statements Translation does not itself constitute audited financial statements. None of the Joint Lead Managers, the Trustee or the Agents nor any of their respective affiliates, directors, employees, agents, representatives, officers or advisers nor any person who controls any of them has independently verified or checked the accuracy of the Financial Statements Translation and gives no assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete. Potential investors must exercise caution when they use such financial information to evaluate the Group's financial condition, results of operations and cash flows.*

## Summary Consolidated Statement of Income Data

	For the year ended 31 December			For the six months ended 30 June	
	2018	2019	2020	2020	2021
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	(RMB in thousands)				
<b>Total operating revenue</b> . . . . .	2,447,730.2	849,264.5	946,787.9	239,571.1	544,000.7
Less: Operating costs . . . . .	2,297,541.5	1,311,245.3	1,686,232.8	534,774.2	898,293.8
Taxes & additions . . . . .	124,270.1	3,629.9	28,349.4	758.4	1,202.9
Selling expenses . . . . .	16,836.1	5,709.5	1,505.1	1,008.2	23.1
Administrative expenses . . . . .	70,006.6	94,938.4	71,173.7	37,797.4	35,088.6
Research and development expenses . . . . .	–	–	1,038.4	–	2.1
Financial expenses . . . . .	(3,621.0)	185,377.4	1,731,684.7	51,733.9	14,800.4
Including: Interest expenses . . . . .	–	400,295.5	1,828,686.7	106,005.0	24,482.7
Interest income . . . . .	3,825.7	278,613.2	97,488.8	54,279.4	10,205.6
Add: Other income . . . . .	1,925.1	2,886.6	2,532,345.3	93,857.9	14,831.4
Investment income (or losses)	–	–	(5,384.1)	267.0	–
Including: Investment income from associates and joint ventures . . . . .	–	–	(5,651.1)	–	–
Credit impairment (or losses) . . . . .	–	–	–	–	(97.4)
Assets depreciation (or losses) . . . . .	10,737.6	650.1	(2,029.6)	–	–
Gains on disposal of assets (or losses) . . . . .	–	23,605.9	–	–	–
<b>Operating profit (or losses)</b> . . . . .	(44,640.4)	(724,493.5)	(48,264.5)	(292,376.2)	(390,676.4)
Add: Non-operating income . . . . .	969,633.9	1,693,835.9	141,887.7	141,618.4	950.5
Less: Non-operating expenses . . . . .	6,849.2	804.0	773.1	1,176.4	152.7
<b>Total profit (or losses)</b> . . . . .	918,144.3	968,538.5	92,850.1	(151,934.2)	(389,878.5)
Less: Income tax expenses . . . . .	88,173.7	198.8	79.2	7.1	49.9
<b>Net profit</b> . . . . .	829,970.6	968,339.7	92,770.8	(151,941.2)	(389,928.4)
Net profit from continuing operations . . . . .	829,970.6	968,339.7	92,770.8	(151,941.2)	(389,928.4)
Attributable to					
Attributable to owners of the Company . . . . .	823,675.9	967,209.6	93,533.2	(151,145.6)	(388,992.5)
Attributable to non-controlling interests . . . . .	6,294.7	1,130.0	(762.3)	(795.6)	(936.0)
<b>Total comprehensive income</b> . . . . .	829,970.6	968,339.7	92,770.8	(151,941.2)	(389,928.4)
Attributable to owners of the Company . . . . .	823,675.9	967,209.6	93,533.2	(151,145.6)	(388,992.5)
Attributable to non-controlling interests . . . . .	6,294.7	1,130.0	(762.3)	(795.6)	(936.0)

## Summary Consolidated Balance Sheet Statement Data

	As of 31 December			As of 30 June
	2018	2019	2020	2021
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(RMB in thousands)			
<b>Current assets</b>				
Cash at bank and on hand	12,572,748.8	16,119,736.9	7,014,691.1	9,009,201.5
Notes receivable	1,008.0	1,260.0	–	900.0
Trade receivables	143,009.7	168,893.3	69,909.7	73,202.3
Advances to suppliers	93,018.3	46,528.5	55,522.1	30,015.8
Other receivables	2,773,891.2	4,471,774.4	7,090,659.9	8,543,117.3
Inventories	360,507.4	805,178.4	829,894.9	1,244,256.4
Other current assets	3,708,032.5	4,258,985.8	5,693,327.1	6,467,514.8
<b>Total current assets</b>	<b>19,652,215.8</b>	<b>25,872,357.2</b>	<b>20,754,004.9</b>	<b>25,368,208.1</b>
<b>Non-current assets</b>				
Available-for-sale financial assets	5,000.0	5,000.0	5,000.0	–
Long-term equity investments	5,869,910.0	6,275,900.0	7,377,213.9	7,377,213.9
Other equity instrument investments	–	–	–	5,000.0
Investment properties	127,459.2	144,114.0	143,761.1	142,675.4
Fixed assets	35,677,327.1	37,353,153.6	70,909,098.8	71,850,051.4
Construction in progress	51,189,056.4	70,283,816.0	60,200,755.1	69,636,157.8
Right-of-use assets	–	–	–	7,699.4
Intangible assets	4,815.0	78,018.8	83,669.9	83,348.9
Long-term prepaid expenses	–	–	4,878.1	4,316.8
Deferred tax assets	–	14.7	17.5	23.9
Other non-current assets	5,342,378.9	3,363,789.1	7,703,455.3	9,625,977.7
<b>Total non-current assets</b>	<b>98,215,946.5</b>	<b>117,503,806.3</b>	<b>146,427,849.9</b>	<b>158,732,465.2</b>
<b>Total assets</b>	<b>117,868,162.4</b>	<b>143,376,163.5</b>	<b>167,181,854.7</b>	<b>184,100,673.3</b>
<b>Current liabilities</b>				
Short-term borrowings	–	2,000,000.0	–	200,000.0
Trade payables	6,559,489.0	7,020,708.9	7,799,724.9	7,120,706.8
Advances from customers	85,624.0	77,595.2	112,893.1	108,057.5
Contract liabilities	–	–	–	1,018.6
Employee benefits payable	41,190.5	390,037.4	266,958.7	114,097.9
Tax and surcharges payable	95,672.5	714.2	3,084.3	1,020.6
Other payables	293,396.9	286,806.5	306,094.6	240,955.1
Non-current liabilities due within one year	2,523,983.0	4,445,844.5	4,559,296.0	4,576,345.3
Other current liabilities	–	–	2,500,000.0	40.5
<b>Total current liabilities</b>	<b>9,599,355.9</b>	<b>14,221,706.7</b>	<b>15,548,051.6</b>	<b>12,362,242.1</b>
<b>Non-current liabilities</b>				
Long-term borrowings	60,930,448.0	75,195,628.2	95,467,209.0	111,868,102.0
Bonds payable	3,378,633.1	3,451,670.0	–	–
Lease liabilities	–	–	–	6,701.7
Long-term payables	1,330,686.0	986,982.2	637,689.6	1,623,758.4
Deferred income	375,740.5	556,771.5	680,227.1	679,955.6
Other non-current liabilities	1,451,000.0	2,293,960.0	2,293,960.0	2,293,960.0
<b>Total non-current liabilities</b>	<b>67,466,507.5</b>	<b>82,485,012.0</b>	<b>99,079,085.7</b>	<b>116,472,477.8</b>
<b>Total liabilities</b>	<b>77,065,863.4</b>	<b>96,706,718.6</b>	<b>114,627,137.3</b>	<b>128,834,720.0</b>
<b>Owner's equity</b>				
Paid-in capital	2,779,000.0	2,779,000.0	2,779,000.0	2,779,000.0
Capital reserve	33,633,640.5	38,524,440.5	44,300,260.5	47,390,260.5
Special reserve	16,077.2	24,083.4	28,816.8	30,981.2
Surplus reserve	415,183.4	521,830.8	535,513.3	535,513.3
Undistributed profits	3,950,355.8	4,810,918.0	4,890,768.8	4,501,776.3
<b>Total owner's equity attributable to the parent</b>	<b>40,794,256.9</b>	<b>46,660,272.8</b>	<b>52,534,359.3</b>	<b>55,237,531.2</b>
Non-controlling interests	8,042.1	9,172.1	20,358.1	28,422.1
<b>Total owners' equity</b>	<b>40,802,299.0</b>	<b>46,669,444.9</b>	<b>52,554,717.4</b>	<b>55,265,953.3</b>
<b>Total liabilities and owners' equity</b>	<b>117,868,162.4</b>	<b>143,376,163.5</b>	<b>167,181,854.7</b>	<b>184,100,673.3</b>

## Other Financial Data

	As of and for the year ended 31 December		
	2018	2019	2020
	(Unaudited)	(Unaudited)	(Unaudited)
	(RMB in millions, except percentages)		
EBITDA <sup>(1)</sup>	930.1	1,394.8	1,944.0
EBITDA margin <sup>(2)</sup>	38.0%	164.2%	205.3%
Total indebtedness <sup>(3)</sup>	68,163.8	86,080.1	103,164.2
Net indebtedness <sup>(4)</sup>	55,591.0	69,960.4	96,149.5
Total indebtedness/EBITDA	73.3	61.7	53.1
Net indebtedness/EBITDA	59.8	50.2	49.5

### Notes:

- (1) EBITDA for any period is calculated as profit before tax adjusted for interest expenses, depreciation of fixed assets and amortisation of intangible assets. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, the Group believes that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Group has included EBITDA because the Group believes that it is a useful supplement to the cash flow data as a measure of the Group's performance and the Group's ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definitions. The following table reconciles the Group's EBITDA to the Group's profit before tax for the periods indicated:

	For the year ended 31 December		
	2018	2019	2020
	(Audited)	(Audited)	(Audited)
	(RMB in millions)		
<b>Total profit</b>	918.1	968.5	92.9
Adjustments:			
Add:			
Interest expenses	–	400.3	1,828.7
Depreciation of fixed assets	11.3	25.2	20.4
Amortisation of intangible assets	0.7	0.8	2.0
<b>EBITDA</b>	<b>930.1</b>	<b>1,394.8</b>	<b>1,944.0</b>

- (2) EBITDA margin is calculated as EBITDA divided by total business income.
- (3) Total indebtedness consists of all short-term borrowings, long-term borrowings, non-current liabilities due within one year, bonds payable and long-term payables. It does not include amounts due to the Group's subsidiaries.
- (4) Net indebtedness is calculated as total indebtedness minus monetary funds.

## RISK FACTORS

*An investment in the Bonds is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks relating to the Group, its business, the market in which the Group operates and the value of Bonds. Some risks may be unknown to the Issuer and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations or prospects of the Issuer and the Group or the value of the Bonds. The Issuer believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Issuer to pay interest, principal or other amounts on or in connection with any Bonds may be affected by some factors that may not be considered as significant risks by the Issuer on information currently available to them or which they are currently unable to anticipate. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.*

*The Issuer does not represent that the statements below regarding the risk factors of holding any Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.*

### **Risks Relating to the Group's Business**

***The Group's business, financial condition and results of operations are heavily dependent on the urban rail transit industry and municipal development of Zhengzhou, which in turn depends on the fiscal policies and public spending on urban infrastructure development by the Zhengzhou Government.***

The Group is primarily engaged in rail transit operation in Zhengzhou. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, approximately 24.4 per cent., 73.9 per cent., 65.0 per cent., 72.8 per cent. and 82.4 per cent. of the Group's business income was generated from its rail transit operation business. In addition, during the same periods, approximately 2.5 per cent., 8.8 per cent., 6.6 per cent., 11.1 per cent. and 6.5 per cent. of the Group's business income was generated from the Group's resource development business, which primarily involves leasing of the Group's rail transit assets, such as walls of the tunnels and space in the metro stations, to third-party service providers. The Group's business is heavily dependent on the urban rail transit industry and the municipal development of Zhengzhou. As the sole state-owned enterprise in Zhengzhou authorised by the Zhengzhou Government focusing on the investment, construction, operation and management of rail transit system, the Group has benefited from the rapid growth of Zhengzhou's rail transit industry and infrastructure development. The future growth of the urban rail transit industry in Zhengzhou depends on the continued planning and construction of major urban rail transit projects, which partially relies on funding received from municipal government budgets. Thus, the Group's business relies heavily on fiscal policies promulgated by the PRC government, and continuous urban rail transit investment by the Zhengzhou Government.

The nature, scale, location and timing of the Zhengzhou Government's investments in the urban rail transit industry and other infrastructure construction for municipal development are affected by a number of factors, most of which are beyond the Group's control. These factors include the PRC Government's policies and priorities concerning the development of different regions in China and the fiscal and monetary policies of Henan Province and the Zhengzhou Government, including the availability of funding for projects. These factors may be affected directly by changes in the economic conditions in the



PRC generally and in Henan Province particularly. While the PRC economy has demonstrated rapid growth in the past 30 years, the development of the Chinese economy since the global financial crisis in 2008 has been uneven. The growth rate of China's GDP has decreased in recent years and remained relatively slow. According to the National Statistics Bureau of the PRC, the PRC's GDP growth rate in 2019 was 6.1 per cent., which decreased slightly from 6.6 per cent. in 2018, and the PRC's GDP growth rate in 2020 was 2.3 per cent., which was primarily due to the outbreak of the COVID-19 pandemic. It is uncertain how the economic condition and future development in Henan Province will be affected by the slowdown in the growth of the PRC's economy. Any sustained slowdown or material deterioration in China's overall economic conditions, including any slowdown caused by the ongoing COVID-19 pandemic, may increase the vulnerability of the economic conditions of Henan Province and the fiscal conditions of the Zhengzhou Government, which could in turn materially and adversely affect the Zhengzhou Government's public investment plans in urban development and other public infrastructure. If there is any adverse change in the government budgets, public expenses and public policies in relation to the rail transit industry in Zhengzhou, the Group's business, financial position, results of operations and prospects may be materially and adversely affected.

***The Group's business, financial condition, results of operations and prospects are heavily dependent on the level of economic development in Zhengzhou.***

The Group's business and assets are highly concentrated in Zhengzhou and its business, financial condition, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development in Zhengzhou. The Zhengzhou Government's policies regarding urban development and infrastructure construction, particularly those relating to the rail transit industry, have a major impact on the Group's business and growth prospects.

Zhengzhou has experienced rapid economic growth in recent years and it has been one of the fastest growing cities in the PRC during the last decade. According to the Henan Province Bureau of Statistics and the Zhengzhou Statistics Bureau, the nominal GDP of Zhengzhou increased from approximately RMB913.0 billion in 2017 to approximately RMB1,200.3 billion in 2020, representing a CAGR of approximately 9.6 per cent. Its GDP ranked the first among all the cities in Henan Province in 2020. Fast economic growth in Zhengzhou has not only boosted urbanisation by attracting investments and talents outside of the city, but has also increased government income and investments in local infrastructure. However, there can be no assurance that the level of economic development in Zhengzhou will continue to grow at past rates, if at all. It is unclear how the economic development in Zhengzhou will be affected by a slowdown in the growth of the PRC economy. A slowdown in the economic development in Zhengzhou may affect the urbanisation rate and infrastructure development plan of the Zhengzhou Government, decrease the demand for the Group's businesses and adversely affect the Group's business, financial condition, results of operations and prospects.

***The growth of the Group's rail transit operation business depends, in part, on the government approval of the Group's new rail transit projects, the implementation of those projects and other factors that beyond the Group's control.***

The growth of the Group's rail transit operation business depends, in part, on whether the Group is able to obtain approval of its new rail transit projects from various relevant PRC governmental authorities and whether it can implement such new rail transit projects in a timely and cost-effective manner in order to expand capacity and thereby accommodate more passengers and further facilitate the growth of the Group's other businesses, such as resource development and real property development along rail transit lines. The Group's plans for new rail transit projects are subject to a number of uncertainties, including whether, and on what terms, including the location, length, funding plan and construction time, new rail transit projects of the Group will be approved by the relevant PRC governmental authorities; and whether there will be sufficient population in the catchment area for a new rail transit project and whether the public in that catchment area is encouraged to use, or is attracted to use the rail transit system as compared to other public transportation options.

Although the Group is currently the sole state-owned enterprise responsible for the investment, construction, operation and management of the rail transit system in Zhengzhou as authorised by the Zhengzhou Government, there can be no assurance that new rail transit projects will be awarded to the Group on commercially viable terms or at all. In addition, although the Group has significant experience in the investment and operation of rail transit projects, there can be no assurance that new rail transit projects undertaken by construction contractors selected by the Group will be completed on time and/or within budget. Further, due to the fact that most transportation infrastructure projects, including the Group's rail transit projects, are partially funded by government agencies, these projects are sometimes subject to changes or postponement arising from factors such as changes in government budget or spending plan as well as changes in policy considerations.

In addition, passenger ridership will also be affected by macro-economic factors, such as population and employment growth and distribution and changes in demographics and economic conditions. Passenger ridership for a particular form of public transportation will also be affected by the severity of road congestion and any expansion of the bus network. Furthermore, because of certain inherent capacity limitations and structural inflexibilities of public rail transit systems, the Group may not be able to respond quickly to increases in demand. For example, the Group may not be able to change its routes to cater for new passenger demand in areas in which it does not operate. New routes are limited by the planning of relevant PRC governmental authorities and such routes may not be built quickly enough or cater to demand in newly developed areas. All these uncertainties or risks, if materialised, could have a material adverse effect on the Group's results of operations and financial position.

***PRC regulations on the administration of the financing vehicles of local governments may have a material impact on the Group's business and sources of financing.***

Various PRC government entities maintain and enforce regulations related to local government financing vehicles ("LGFV"). As of the date of this Offering Circular, the Issuer is not on the list of LGFV maintained by the CBRC. However, other government entities, including the Ministry of Finance (the "MOF"), may from time to time interpret relevant laws and regulations differently based on their own interpretation of the specific activities engaged in by enterprises such as the Group. There can be no assurance that certain regulations intended to apply to LGFV do not or will not apply to the Group or that such regulations will not be retrospectively applied to the Group.

To strengthen the administration of the financing vehicles of local governments in China and to control the risks relating to local government debt, the State Council of the PRC issued the Notice on Strengthening the Administration of Local Government Financing Vehicles (國務院關於加強地方政府融資平臺公司管理有關問題的通知) ("Circular 19") in June 2010. According to Circular 19, local governments at different levels are required to classify the debts incurred by their financing vehicles into three categories based on the standards and principles set by the State Council and to control and decrease the amount of their outstanding debts. The first category of debts includes those incurred relating to the development of projects for public welfare that will be repaid with government fiscal funds. The second category of debts are those incurred relating to the development of projects for public welfare with stable operating income that will be repaid with cash flow generated by the projects themselves. The third category of debts are those incurred relating to the development of projects not for public welfare. According to Circular 19, local governments in the PRC may no longer finance public welfare projects, the repayment of debts classified under the aforementioned first category, through financing vehicles, but instead must provide funds through their fiscal budgets or obtain financing from the private sector unless otherwise provided by the State Council. Circular 19 prohibits financing vehicles that perform the sole function of financing local government public welfare projects, and local governments are required to confirm the extent of their indebtedness. The financing vehicles that carry out both financing and construction and/or operational function for the local governments' public welfare projects should discharge their financing function as soon as the relevant local governments confirm the extent of such government's indebtedness.

In November 2010, the General Office of the NDRC issued the Notice on Further Regulating Issuance of Bonds by Local Government Financing Vehicles (國家發展改革委辦公廳關於進一步規範地方政府投融資平臺公司發行債券行為有關問題的通知) (“**Circular 2881**”). According to Circular 2881, a LGFV whose asset composition complies with the requirements of Circular 19 shall rely on its internal operating cash flow to finance more than 70 per cent. of the funds required to repay its corporate bonds issued in the PRC. If revenue from the construction of public interest projects represents more than 30 per cent. of such LGFV’s total revenue, the LGFV should provide the corporate bonds issuance regulatory authority with information relating to the balance of the local government’s debts and other detailed information that demonstrate its ability to repay its indebtedness. In addition, Circular 2881 reinforces the requirements under Circular 19 which prohibit local governments from mortgaging state-owned assets or otherwise creating a security interest over public funds to secure the debts of its financing vehicles, directly or indirectly.

On 28 March 2018, MOF issued the Notice of the Ministry of Finance on Issues concerning Regulating the Investment and Financing Behaviours of Financial Enterprises for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知) (“**Circular 23**”). According to Circular 23, (i) state-owned financial enterprises are prohibited from increasing loans of local government financing platform companies in violation of regulations including the new Budget Law of the PRC which took effect on 1 January 2015 and amended on 29 December 2018 (the “**New Budget Law**”), Circular 43 (as defined below) and other requirements, except for purchase of local government debts; (ii) while providing financing for state-owned enterprises, financing platforms of local government or public private partnership projects of local construction, state-owned financial enterprises shall, under the “penetration principle”, ensure that the source of financing entities’ capital funds is in compliance with applicable laws and regulations, and that the financing projects satisfy the requirements for the proportion of capital funds; (iii) state-owned financial enterprises are obliged to evaluate the financial capabilities of entities raising funds and sources of repayments when they provide agency services to local state-owned enterprises, such as financing platforms of local governments for domestic and overseas bonds issuance. Where the source of repayments made by the entities raising funds involve fiscal funds, state-owned financial enterprises shall conduct due diligence, and carefully verify whether the arrangement to offer fiscal funds is in compliance with applicable laws and regulations; and (iv) such documents including the offering circulars shall not disclose information that can implicitly or explicitly indicate the government’s endorsement, such as local financial revenues and expenditures and government debt information, or conduct misleading publicity that implies an association with the government’s credit.

The above-mentioned regulations may adversely affect the Group’s access to financing by imposing requirements not only on the Group but also on lenders. These regulations and any more stringent policies that the PRC Government may issue in the future could have a material impact on the Group’s business model, business, financial condition, results of operations and prospects.

***PRC regulations on the administration of local government debts and their financing platforms will have a material impact on the Group’s financing and business models.***

The Group’s results of operations and financial condition may be materially affected by changes in the regulation of the PRC Government concerning local government debts and the financing platforms of local governments. In September 2014, the State Council of the PRC released the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (關於加強地方政府性債務管理的意見) (“**Circular 43**”) with an aim to control a significant increase in local government debts and associated risks in the PRC’s banking system. Circular 43 generally prohibits local governments to incur “off-balance” indebtedness to finance the development of government projects and other public interest projects with the proceeds of the borrowings incurred by financing platforms the relevant local governments own or control.

In 2015, MOF rolled out a nationwide debt substitute programme (the “**Debt Substitute Programme**”) under which local governments were permitted to exchange bank loans of their financing platforms

incurred for funding the developing of government projects and other public interest projects with long-term and low-interest government bonds they issued within the quota allocated by MOF. As of 30 June 2021, none of the Group's outstanding indebtedness would be substituted to government bonds of Zhengzhou Government under the Debt Substitute Programme. Zhengzhou Government assumes no obligations to repay any of the Group's outstanding borrowings as guarantor or other capacity, and is no longer permitted to use fiscal funds to repay or refinance the Group's outstanding indebtedness, regardless of whether or not the indebtedness was incurred to finance the development of government or public interest projects, including the Bonds.

The Group should rely upon the cash flow generated from its operations and external borrowings to satisfy its cash needs for servicing its outstanding indebtedness. The implementation of Circular 43 by the local governments may change the Group's financing and business model, especially those relating to its investment in rail transit projects. MOF, together with NDRC, the PBOC, China Securities Regulatory Commission, China Banking Regulatory Commission and the Ministry of Justice, released the Notice concerning Further Regulation of Local Government Borrowing and Financing Conduct (關於進一步規範地方政府舉債融資行為的通知) to emphasise the principles and policies set out in Circular 43 in April 2017. The PRC Government may continue to release new policies or amend existing regulations to control the increase in local government debts in China. There can be no assurance that its financing model and business model will not be materially affected by future changes in the regulatory regime concerning the financing platforms of local governments.

On 11 May 2018, the NDRC and MOF jointly issued the Circular of the National Development and Reform Commission and the Ministry of Finance on Improving the Market Restraint Mechanism and Taking Strict Precautions against Foreign Debt Risks and Local Debt Risks (國家發展改革委、財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) (“**Circular 706**”). According to Circular 706, any enterprise that intends to incur medium and long-term foreign debts is prohibited from including public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll roads, non-operating water conservancy facilities, not-charged pipe network facilities and other public assets and the use right of reserve land in enterprise assets. As of the date of this Offering Circular, the Issuer's assets include public rental housing and some city and community facilities. While the Issuer believes that such assets do not constitute public assets within the scope of Circular 706, there is, however, no clear definition of public assets in Circular 706 so its interpretation may involve uncertainty. Circular 706 also reaffirms that the offering circulars of bonds issuances shall not disclose information that can implicitly or explicitly indicate the government's endorsement, such as local financial revenues and expenditures and government debt information or conduct misleading publicity that implies an association with the government's credit. In addition, the liability of the local government as the shareholder of such foreign-debt-incurring enterprises shall be limited to its agreed obligation to contribute to the registered capital of such enterprises, and the relevant foreign debts should be solely repaid by such enterprises as independent legal persons.

Pursuant to the Circular on Relevant Requirements of the Registration of the Application for the Issuance of Foreign Debts by Local State-owned Enterprises (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知) promulgated by the NDRC and came into effect on 6 June 2019 (“**Circular 666**”), foreign debts issued by local state-owned enterprises that undertake local government's financing functions will only be used to repay medium and long-term foreign debts due within one year. The PRC government may continue to release new policies or amend existing regulations to control the increase in local government debts in China, and there is no assurance that the Group's financing model and business model will not be materially affected as a result.

In particular, neither Zhengzhou Government nor any other PRC governmental entity has any obligation to repay any amount under the Bonds and will not provide a guarantee of any kind for the Bonds. The state-owned shareholders of the Issuer only has limited liability in the form of its equity contribution in

the Issuer and the Bonds are solely to be repaid by the Issuer and the obligations of the Issuer under the Bonds or the Trust Deed shall solely be fulfilled by the Issuer as an independent legal person. If the Issuer does not fulfil its obligations under the Bonds and the Trust Deed, the Bondholders will only have recourse against the Issuer, and not the Zhengzhou Government or any other PRC governmental entity.

***The Zhengzhou Government can exert influence on the Group that may not be in the Group's best interest.***

The Group is a state-owned enterprise controlled by the Zhengzhou Finance Bureau of the Zhengzhou Government. As such, the Zhengzhou Government is in a position to significantly influence the Group's major business decisions and strategies, including the scope of its activities, investment decisions and dividend policy. The Zhengzhou Government may take actions that are not in the Group's best commercial interests. The Group has historically experienced business losses as the Group has limited control over metro fares to cover operating costs due to the public interest nature of the metro industry and further discount programmes. For example, the Zhengzhou Government could use its ability to influence the Group's business and strategy in a manner beneficial to Henan Province as a whole, which may not necessarily be in the Group's best interests from a commercial perspective. The Zhengzhou Government could also change its policies, plans, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the PRC's economic, political and social environment, its projections of population and employment growth and any such change may have a material effect on the Group's business and prospects. In addition, any amendments, modifications or repeals of existing policies of the Zhengzhou Government, if adverse to the Group, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group's business and future prospects to an extent benefit from Zhengzhou Government's business policies and the controlling relationship between the Zhengzhou Government and the Group does not necessarily correlate to, or provide any assurance as to the Group's financial condition.***

The Group is the sole state-owned enterprise in Zhengzhou authorised by the Zhengzhou Government focusing on the investment, construction, operation and management of the rail transit system. As a state-owned enterprise controlled by the Zhengzhou Finance Bureau of Zhengzhou Government, the Group's business, results of operations and future prospects may be significantly affected by Zhengzhou Government's business policies, including various forms of financial support. Furthermore, the controlling relationship between the Zhengzhou Government and the Group does not necessarily correlate to, or provide any assurance as to the Group's financial condition. For instance, if any favourable incentive or government support which is currently available to the Group is reduced or discontinued in the future, the Group's business, financial condition, results of operations and prospects would be materially and adversely affected. See “— *A reduction or loss of government capital contribution and government grants may affect the Group's business and ability to fulfil its existing and future debt obligations adversely*” below.

***The Group is exposed to risks in connection with contracting with public bodies.***

As the sole state-owned enterprise primarily engaging in the investment, construction, operation and management of the rail transit system in Zhengzhou as authorised by the Zhengzhou Government, the Group collaborates with various governmental authorities and their controlled entities in Zhengzhou. The Zhengzhou Government also provides financial support in the form of, among others, government capital contribution and government grants for the Group's investment in the construction of metro lines in Zhengzhou as well as its general operation. As of 30 June 2021, the Group had received capital contribution of approximately RMB47.4 billion. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, the Group had received government grants of approximately RMB969.8 million, RMB1,693.8 million, RMB2,672.8 million and RMB636.9 million, respectively, from the Zhengzhou Government, which were related and in support of its general operation. The Group

is exposed to certain inherent risks relating to dealing with public bodies, such as the Zhengzhou Government. For example, the Group's current working relationships with the local government entities may not continue. Local governments and their controlled entities may (i) have economic or business interests or consideration that are inconsistent with the Group's; (ii) take actions contrary to the Group's requests, policies or objectives; (iii) be unable or unwilling to fulfil their obligations; (iv) have financial difficulties; or (v) dispute certain contractual terms or other matters. If there are any material disagreements between the Group and these local governments or any of their controlled entities, the Group may not be able to successfully resolve them in a timely manner, and payments from the public bodies may be delayed as a result. Any of these adverse consequences associated with contracting with local governments and governmental entities could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

***The Group's operations are subject to force majeure events, natural disasters, and other disasters.***

Force majeure events, natural disasters, catastrophe or other events could result in severe personal injury to the Group's staff and passengers, property damage, environmental and other damage, which may curtail the Group's operations, cause disruptions in the operations of the Group's businesses or delays in estimated completion dates for the Group's various construction projects and could in turn, materially and adversely affect the Group's cash flows and, accordingly, adversely affect its ability to repay any debt. Outbreak of earthquake, sandstorm, snowstorm, fire or drought has a material adverse impact on the economic and social condition in the affected regions.

The Group's operations and businesses are mainly based in Henan Province, which is exposed to potential natural disasters including, but not limited to, flooding, typhoons, rainstorms, storm surges, hailstorms, low-temperature conditions and drought. If any of the Group's developments is damaged by severe weather or any other disasters, accidents, catastrophes or other events, the Group's operations maybe significantly interrupted. The occurrence or continuation of any of such unforeseen events or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its businesses effectively, thereby reducing its operating income and profits. In addition, the Group's contracts with its suppliers and other counterparties may have force majeure provisions that permit such parties to suspend, terminate or otherwise not perform their obligations under the relevant contracts upon the occurrence of certain events such as strikes and other industrial or labour disturbances, terrorism, restraints of government, civil protests, disobedience movements disturbances, or any natural disasters, all of which are beyond the control of the party asserting such force majeure event. If one or more of the Group's suppliers or other counterparties do not fulfil their contractual obligations for any extended period of time due to a force majeure event or otherwise, the Group's results of operations and financial condition could be materially and adversely affected.

In July 2021, days of torrential rain flooded Henan Province, causing disruptions to transportation, landslides, bursting dikes, forcing the evacuation of local residents and resulting in significant economic losses. The torrential rainfall also led to extensive flooding of the Group's metro network, resulting in suspension of operations, casualties and property loss. On 20 July 2021, the torrential rain caused serious flooding to Longkou parking lot and surrounding areas of Line 5 operated by the Group. The flood inundated Line 5 and 14 passengers lost their lives in the flood. With the Group's emergency repair and operation recovery efforts, all metro lines and the intercity rail transit line have resumed operations since 15 September 2021. If similar catastrophes take place again in the future, Henan Province, its economy, social conditions and infrastructure will be damaged. Any adverse impact on the economic and social conditions in Henan Province, particularly in Zhengzhou, will have a material adverse effect on the Group's business, financial condition and results of operations.

***Business income from the Group's operation of rail transit business may be affected by factors beyond the Group's control, including third-party construction contractors' performance.***

The Group generates a substantial portion of business income from its rail transit operation business. The Group's investment and operation of urban rail transits may be materially and adversely affected by many

factors commonly associated with the construction and operation of infrastructure projects that are beyond the Group's control, including shortages of equipment, materials or labour, labour disputes, weather interference, and unforeseen mechanical, technical, engineering, design, environmental or geological problems, any of which could give rise to construction delays or cost overruns.

Furthermore, the construction of most of the Group's metro lines and intercity rail transit lines has been, and will continue to be, undertaken by third party contractors. There can be no assurance that such contractors will be able to complete construction in a timely or cost-effective manner or that the Group will be able to adequately control or monitor the contractors to ensure the quality of such construction. Construction delays or disputes with relevant contractors can result in the loss or delayed receipt of revenues, payment of damages and penalties by the Group under the relevant construction contracts, an increase in financing costs, or the failure to meet profit and earnings projections. In addition, the contractors' failure to complete the construction of the rail transit projects according to specifications could result in reduced efficiency, higher operating costs and reduced or delayed earnings which, in turn, may have a material adverse effect on the Group's results of operations and financial position.

***The Group's investment in rail transit projects is capital intensive and any failure of the Group to obtain sufficient capital resources on acceptable terms or in a timely manner may adversely affect its business and prospects.***

The Group's investments in rail transit construction projects require substantial capital resources. The Group has in the past met its working capital and investment requirements through (i) the cash flow generated from its operating activities, (ii) capital contribution and government grants from the Zhengzhou Government, (iii) proceeds of bank and other borrowings, and (iv) issuance of bonds in the PRC capital markets. The Group believes that substantial capital resources will continue to be required to support its business operations and expansion. For example, as of 30 June 2021, the Group had six metro lines and two intercity rail transit lines under construction.

The ability of the Group to generate sufficient operating cash flow is affected by a number of factors, such as the Group's ability to carry on its business activities in an efficient manner, the budget and spending of the Zhengzhou Government on infrastructure development and fixed asset investments, due performance of the Group's contractors, changes in the general market conditions and regulatory environment and the competition in certain sectors in which the Group operates. Any adverse change in any of these factors may create a capital shortfall. There can be no assurance that the Group's operating activities will generate sufficient cash to satisfy its working capital or investment needs at all times. For example, for the year ended 31 December 2020 and the six months ended 30 June 2021, the Group had net operating cash outflows of RMB962.3 million and RMB879.6 million, respectively. See “— *The Group has historically experienced net operating cash outflows and business losses*” below.

In addition, insufficient cash flow generated from the Group's operating activities will increase the Group's reliance on external financing. As of 30 June 2021, the Group's total indebtedness (comprising short-term borrowings, non-current liabilities due within one year, long-term borrowings, bonds payable, lease liabilities and long-term payables) was RMB118,274.9 million. The Group's ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including:

- general economic and capital market conditions, especially those in the PRC;
- changes in monetary policies with respect to bank interest rates and lending policy;
- interest rates and credit availability from banks or other lenders;
- the Group's financial performance and investors' confidence in the Group;
- the Group's ability to obtain the PRC Government approvals required to access domestic or international financing; and

- provisions of tax and securities laws that may be applicable to the Group's efforts to raise capital.

There can be no assurance that additional financing, either on a short-term or a long-term basis, will be available, or that such financing will be obtained on terms favourable to the Group. If the Group is unable to obtain financing on a timely basis and at a reasonable cost, it may not be able to undertake new projects or implement them as planned. This would restrict the Group's ability to grow and, over time, may reduce the quality and reliability of the rail transit transportation service the Group provides, which may adversely affect the Group's business, financial condition, results of operations and prospects. In addition, substantial indebtedness may in turn increase the pressure on the Group's liquidity and cause additional operational risks. See "*— Substantial indebtedness may restrict the Group's business activities and increase the Group's exposure to various operational risks*" below.

Moreover, as of the date of this Offering Circular, a portion of the capital demand of the Group is also satisfied through capital contribution and grants from the Zhengzhou Government. There can be no assurance that the Group will continue to receive the same financial support from the local government as it did in the past. See "*— A reduction or loss of government capital contribution and government grants may affect the Group's business and ability to fulfil its existing and future debt obligations adversely*" below.

***A reduction or loss of government capital contribution and government grants may affect the Group's business and ability to fulfil its existing and future debt obligations adversely.***

The Zhengzhou Government provides government capital contribution and government grants in support of the Group's operation and development of the rail transit system in Zhengzhou. The Group receives government capital contribution for its investment in the construction of metro lines in Zhengzhou and recognises such capital contribution under its capital reserves. As of 30 June 2021, the Group had received capital contribution in the total amount of approximately RMB47.4 billion from the Zhengzhou Government. In addition, the Group receives government grants and subsidies in support of its general operation and recognises such government grants received, based on their respective purposes, under non-operating income, deferred income or other income in line with PRC GAAP. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, the Group had received government grants of approximately RMB969.8 million, RMB1,693.8 million, RMB2,672.8 million and RMB636.9 million, respectively, from the Zhengzhou Government, which were related and in support of the Group's general operation.

Government capital contribution and grants to the Group mainly include capital contribution from the government which has been applied towards the Group's investment in metro lines and government grants towards its general operation, respectively. The form and amount of such government capital contribution and grants may vary according to current government policies with respect to the urban rail transit industry in China, particularly in Zhengzhou. The amounts of and conditions attached to such capital contribution or grants are determined at the sole discretion of relevant government authorities. There can be no assurance that the amount of any such capital contribution and grants will not be reduced in the future, and even if it continues to be eligible, there can be no assurance that any conditions attached to such capital contribution or grants will be as favourable to the Group as they have historically been. If such capital contribution or grants are withheld or insufficient and the Group is not able to arrange for alternative funding on similar terms, its financial condition and results of operations may be adversely affected.

***The Group's ability to raise fares to cover the Group's operating costs could be limited.***

The Group relies on the Zhengzhou Government to determine rail transit fares, by making a proposal to adjust rail transit fares, subject to the Zhengzhou Government's approval. To encourage the use of public transport and ease the traffic pressure, the Zhengzhou metro system adopts a multi-tier pricing system



based on ride distance. Metro fares cost RMB2.0 per person per ride for the first six kilometres, RMB3.0 per person per ride for ride distance between seven kilometres and 13 kilometres, RMB4.0 per person per ride for ride distance between 14 kilometres and 21 kilometres, and an additional RMB1.0 for every nine kilometres above 21 kilometres. Despite its substantial passenger flow on the Group's rail transit systems, business income from ticket sales largely depends on the ticket price. The Group's ability to raise fares and compensate for its operating cost is subject to the Zhengzhou Government's approval to adjustment in ticket price, which takes into consideration factors such as changes in market conditions, trends in usage of public transportation and other factors including competitive dynamics in the mass transit industry and commuter preferences.

***A decline in passenger ridership may adversely affect the business income and gross profit of the Group's rail transit operation business.***

The profitability of inner-city and intercity rail transits is generally dependent on, among other things, the number of passengers, average ticket price, competition from alternative transportations, and the continued fitness and capacity of the rail transits for bearing passenger volumes. In the event that passenger ridership for rail transit in Zhengzhou is reduced due to capacity shortages or increasing rail transit ticket prices, the Group's business, results of operations and financial condition may be materially and/or adversely affected.

Passenger ridership of rail transit system is, directly and indirectly, affected by a number of factors, including the availability, quality, proximity and ticket rate differentials of alternative means of transportation, such as buses and taxis. See “— *Competition in Zhengzhou from other forms of public and private transportation may adversely affect the Group*” below. Alternative modes of transportation may also affect the Group's rail transit operations in different ways. For example, innovative competing transportations may become operational in the near future to divert traffic and other existing competing modes of transportation may significantly improve their services and efficiency, either of which may consequently reduce the demand for the rail transit system, which in turn may adversely affect the rail transit operation business of the Group.

Moreover, the stability in transport capacity of roads and tunnels has been impacting the overall rail transit transportation industry. Widening and expansion works of nearby expressways and local roads, as well as openings of new roads, will also hinder traffic growth of the rail transit lines.

***Competition in Zhengzhou from other forms of public and private transportation may adversely affect the Group.***

As a developer and operator of the mass transit rail network in Zhengzhou, the Group competes with other forms of public and private transportation available in the city, principally buses, taxis and private vehicles. The speed, reliability and convenience offered by rail transit system may be affected by:

- the general improvement in bus services, including wider use of air-conditioning on buses;
- the expanding bus network;
- the opening of new highways and expressways thus resulting in an overall improvement in road traffic conditions; and
- the increased ownership and usage of private vehicles.

Private vehicles and other forms of public transportation may cover more routes throughout Zhengzhou and provide commuters with more comfortable and convenient transportation services. There is no assurance that the Group will be able to compete with existing and new forms of transportation in respect

of each of these factors, or at all. As a result, the Group expects increased competition from such public and private transportation providers, which may adversely affect the Group's business, results of operations and financial condition.

***Business income from the Group's real property development business operations fluctuate from period to period.***

The Group's real property development operations have varied significantly in the past and may continue to fluctuate from period to period in the future. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group's business income from the real property development segment was RMB1,663.6 million, RMB40.1 million, RMB172.4 million, nil and nil, respectively. The Group's business income is significantly affected by the number of properties that it can complete and sell during any particular period, which may be limited due to the substantial capital required for land acquisition and construction, as well as the lengthy development periods required before positive cash flows may be generated. In addition, several properties that the Group has developed or that are under development are large scale and are developed over the course of several years. The selling prices of the residential units in larger scale property developments tend to change over time, which may impact the Group's sales proceeds and the business income generated from the real property development business segment for any given period. Since sales income is only recognised when or as control over a property is transferred to the customer, sales income during any given period reflects the quantity of properties delivered during that period and is affected by any peaks or troughs in the property delivery schedule and may not be indicative of the actual demand for the Group's properties or sales achieved during the period. As a result, the real property development operations for any period are not necessarily indicative of results that may be expected for any future period.

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

The Group relies on bank loans and proceeds from onshore bond issuances to satisfy a portion of its capital requirements and the Group has had a significant amount of outstanding indebtedness. As of 30 June 2021, the Group's total indebtedness (comprising short-term borrowings, non-current liabilities due within one year, long-term borrowings, bonds payable, lease liabilities and long-term payables) was RMB118,274.9 million.

Substantial indebtedness could impact on the Group's business in a number of ways, including:

- requiring the Group to divert its operating cash flow to service its indebtedness;
- increasing the Group's finance costs, thus affecting the overall profits of the Group;
- decreasing the Group's financial flexibility in carrying on its business or responding to unexpected market changes;
- limiting, together with the financial and other restrictive covenants of the Group's indebtedness, among other things, the Group's ability to borrow additional funds; and
- increasing the Group's vulnerability to adverse general economic and industry conditions.

Certain financing contracts entered into by members of the Group contain operational restrictions and financial covenants that prohibit the borrower, without the lender's prior consent, from incurring additional indebtedness unless it is able to satisfy certain financial ratios, restrict the borrower from creating security or granting guarantees or prohibit the borrower from changing its business and corporate structure. Such restrictions may negatively affect the relevant companies' ability to respond to

changes in market conditions, pursue business opportunities, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under outstanding financial obligations, including the Bonds after issuance.

If the Issuer or any of its relevant subsidiaries is unable to comply with the restrictions (including restrictions on future investments) and covenants in its current or future debt obligations and other financing agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the creditors may be entitled to accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements. Some financing agreements of the Group contain cross-acceleration or cross-default provisions, under which relevant creditors have the right to require the Group to immediately repay its loans or to declare a default as a result of the acceleration or default of other financing agreements by any other member of the Group. If any of these events occur, the Group may not be able to obtain a waiver from the relevant lender in a timely manner, the assets and cash flow of the Issuer or its subsidiaries may not be sufficient to repay in full all of their respective debts as they become due, and the Issuer or its subsidiaries may not be able to find alternative financing. Even if the Issuer and its subsidiaries could obtain alternative financing, there can be no assurance that such financing would be on terms favourable or acceptable to the Issuer or, as the case may be, its subsidiaries.

In addition, the Group may, from time to time, mortgages certain of its assets to secure its bank borrowings. Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operation efficiency. If the Issuer and its subsidiaries are unable to service and repay their debts under such loan facilities on a timely basis, the assets mortgaged or charged to secure the Group's bank loans may be foreclosed, which may adversely affect the Group's business, financial condition, results of operations and prospects.

***The Group has historically experienced net operating cash outflows and business losses.***

For the year ended 31 December 2020 and the six months ended 30 June 2021, the Group had net operating cash outflows of RMB962.3 million and RMB879.6 million, respectively. Such net operating cash outflows were largely attributable to the significant increase in remuneration of the Group's employees and cash paid for the purchase of goods and services in the Group's business operations and the significant decrease in tax refund. If the Group's operating activities fail to generate sufficient cash to satisfy its cash requirements, the Group has to increase its reliance on external financing to satisfy its working capital and capital expenditure, thus increasing its financial vulnerability and adversely affecting its financial condition and results of operations.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group's business losses amounted to RMB44.6 million, RMB724.5 million, RMB48.3 million, RMB292.4 million and RMB390.7 million, respectively. The Group believes that such increase was primarily due to (i) the reclassification of losses derived from the rail transit lines in trial operation from the Group's consolidated balance sheet to its profit statement, (ii) the recognition of relevant costs under the Group's consolidated profit statement due to the commencement of operation of Line 1 (Phase 2) and South Fourth Ring Road – Zhengzhou South Station Intercity Line (Phase 1) in January 2018, (iii) the relatively faster rate of growth in costs than in income in the corresponding period and (iv) the metro fares being unlikely to cover operating costs due to the public interest nature of the metro industry and further discount programmes. There is no assurance that the Group will not continue to experience such negative trends of, or fluctuations in, business profit in the future. The Group's future results of operations will continue to be affected by and depend upon a number of factors, including social, political, economic, legal and other factors, most of which are beyond the Group's control.

***The Group may not be able to obtain a sufficient number of land sites or retain land sites suitable for property development.***

With respect to its real property development business which involves property development along the metro and light rail lines, the Group recognises business income from the sale of properties that it

develops. This revenue stream is dependent on the Group's ability to complete and sell its property developments. To maintain or grow the real property development business in the future, the Group will need to replenish its land reserve with suitable land sites for development. The Group's ability to identify and acquire a sufficient number of suitable sites, especially those along the rail transit lines in Zhengzhou, is subject to a number of factors that are beyond its control.

The PRC Government controls substantially all of the country's land supplies and regulates the means by which real estate developers, including the Group, obtain land sites for property development. As a result, the PRC Government's land supply policies affect the Group's ability to acquire land use rights for sites it identifies and affects the costs of any acquisition. The viability or growth of the resource development business may not be sustainable if the Group is unable to obtain additional land sites for development at prices that allow it to achieve reasonable returns. Under applicable PRC laws, if a developer fails to develop land in accordance with the terms of a land grant contract (including those relating to the payment of fees, the designated use of the land and the time for commencement and completion of the development), the relevant government authorities may issue a warning to or impose a penalty on the developer or confiscate the land. There is no assurance that circumstances leading to confiscation of land or delays in the completion of a property development will not arise in the future. If the Group's land is confiscated, it will be unable to continue its property development on the confiscated land or recover the costs incurred in the initial acquisition of the confiscated land or recover development costs and other costs incurred up to the date of confiscation. In addition, in the event that the government exercises its authority to confiscate any land use rights that have been legally granted to the Group, the Group may not be compensated for the full market value of the land.

***The Group may be subject to claims of infringement of third party intellectual property rights.***

In the process of implementing new technologies and processes, the Group may not be aware of third party intellectual property rights and, accordingly, may be unable to assess the scope and validity of such rights in relation to its products and operations. In addition, research and development of new construction processes is inherently uncertain in a rapidly evolving technology environment as there may be numerous patent applications pending, many of which are confidential when filed and relate to similar technologies. Accordingly, the Group may become subject to lawsuits for infringement on third party intellectual property rights. Intellectual property litigation could adversely affect the development or sale of the challenged product or technology and require the Group to pay substantial damages or royalties to licence proprietary rights from third parties. Such licences may not be available to the Group on acceptable terms, if at all. Given the rapid technological change that characterises the Group's industries, there can be no assurance that its current measures are adequate and that it will not be subject to claims of infringement by third parties. Any intellectual property litigation could cause the Group reputational damage and to incur significant expenses or divert its personnel's attention and efforts, any of which could have a material adverse effect on its business, financial condition or results of operations.

***The Group's business may be adversely affected if it is unable to secure and retain qualified personnel for its operations.***

The Group's operations depend upon its ability to attract and retain experienced and qualified personnel, including executive officers and key technical personnel, who have the necessary and required experience, knowledge and expertise. Competition for qualified personnel is intense in the PRC. The Group may lose these persons to those competitors who are able to offer more competitive packages. The Group may have to significantly increase its related staff costs to remain competitive.

It is expected that, in order to comply with applicable construction regulations and to complete the construction projects on time and within budget, the Group will have to continue to train its employees and require additional qualified professionals. Demand for employees who have industry-related experience and expertise will increase as customers of the Group increase their capital expenditure and

their use of the Group's services. The Group's future operating results will be dependent on its management's ability to maintain effective control over a large and diversified enterprise. To the extent the Group is unable to recruit personnel with the necessary skills locally, the attention of its management could be diverted. If the Group cannot recruit, train and retain the qualified personnel necessary to execute its contracts or to perform necessary corporate activities, its business operations may be adversely affected. In addition, failure to attract and retain personnel with technical or marketing expertise may result in the Group's non-compliance with applicable construction regulations and the inability to prevent misappropriation of its technology or maintain its client contacts.

***The Group faces litigation risks in the course of its business.***

In the ordinary course of the Group's business, claims involving project owners, customers, labour subcontractors, joint venture partners and other parties may be brought against the Group or by the Group in connection with its contracts from time to time. Claims may be brought against the Group for alleged defective or incomplete work, related personal injuries and death, damage to or destruction of property, breaches of warranty and late completion of the project. The claims can involve actual damages and liquidated damages. If the Group was found to be liable for any of the claims against it, the Group would have to incur a charge against earnings to the extent a reserve had not been established for the matter in its accounts, or to the extent the claims were not sufficiently covered by its insurance. Claims brought by the Group against project owners may include claims for additional costs incurred in excess of current contract provisions arising out of project delays and changes in the initial scope of work. Claims between the Group and its labour sub-contractors and vendors may include claims similar to those described above.

Both claims brought against the Group and by the Group, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings such that the amounts ultimately realised from project claims by the Group could differ from the balances included in the Group's financial statements. Such claims could therefore have a material adverse impact on the Group's financial condition, results of operations and cash flow.

***The inherent hazardous nature of the Group's business exposes the Group to potential liabilities, which could harm its reputation and cause it to incur substantial costs.***

Due to the nature of the Group's business, it engages or may engage in certain inherently hazardous activities, including operations in harsh geological conditions, tunnel construction, underground excavations, use of heavy machinery and working with flammable and explosive materials. Despite compliance with the requisite safety requirements and standards, the Group is subject to risks surrounding these activities, such as geological catastrophes, toxic gas, the risk of equipment failure, industrial accidents, fire, explosion and failure of employees to follow proper safety procedures. These hazards can cause personal injury and loss of life, damage to or destruction of property and equipment, and environmental damage and pollution, any of which could result in damage to the Group's business reputation and corporate image, suspension of the Group's operations and the imposition of civil or criminal penalties. The Group may also be subject to claims, resulting from the subsequent use of facilities it has constructed, from customers or other third parties.

If the Group fails to adequately protect itself or third parties against these potential liabilities, the Group could be forced to incur certain costs which could have a material and adverse effect on its financial condition and results of operations. Furthermore, any harm caused by its operations could damage its reputation and relationship with regulators and other customers, which may materially hinder the Group's chance to win tenders for new projects.

***The insurance coverage of the Group may not adequately protect it against all operational risks.***

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

- mechanical production interruptions, electricity outages and equipment failure;
- operating limitations imposed by environmental or other regulatory requirements;
- work-related personal injuries;
- on-site occupational accidents;
- credit risks relating to the performance of customers or other contractual third-parties;
- disruption in the global capital markets and the economy in general;
- loss on investments;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters.

The Group maintains insurance policies that provide different types of risk coverage, which the Group believes to be consistent with applicable law and industry and business practice in the PRC. However, claims under the insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover costs associated with accidents incurred in the Group's operations due to the above-mentioned operational risks. Certain types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third-party (public) liability) are not insured in the PRC because they are either uninsurable or not economically insurable. To the extent that the Group suffers loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, its business, financial condition, results of operations and cash flow may be materially and adversely affected.

***The Group's financial condition and results of operations may be affected by material fluctuations of interest rates.***

The Group's core business is capital intensive in nature, especially in relation to its investment in the rail transit construction. Most of the Group's bank loans bear interests that accrue at rates linked to the benchmark lending rates published by the PBOC. A material fluctuation in the benchmark lending rates may have a material impact on the Group's interest expenses and payables under its bank loans and in turn negatively affect its financing costs and results of operations. The PBOC from time to time adjusts interest rates as implementation of its economic and monetary policies. Since the outbreak of the global financial crisis in 2008, the PBOC started to lower the benchmark lending rates with an aim to encourage lending, increase liquidity in the market and promote the recovery of China's economy. Since 2008, the PBOC decreased the benchmark one-year lending rate five times, from 7.47 per cent. to 5.31 per cent. in December 2008, which remained unchanged until September 2010. Since then, the one-year lending rate was gradually increased to 6.56 per cent. on 7 July 2011 and onwards. In recent years, a slowdown in the growth of the economy of the PRC again caused the PRC Government to adopt more liberal monetary policies with the aim to stimulate the PRC's economic development. Since 2012, the PBOC for a number of times reduced the benchmark one-year lending rate to 4.35 per cent. at 24 October 2015 and onwards. Although the Group's financial condition and results of operations may benefit from a low-interest environment, there is no assurance that this environment will continue. Any increase in the benchmark lending rate by the PBOC in the future will increase the Group's financing costs and adversely affect its profitability, financial condition and results of operations.

***The Group may not successfully implement its growth strategy.***

The Group has been strategically focusing on rail transit operation in Zhengzhou. In the meantime, it has also maintained a relatively diversified business portfolios to enhance its profitability and resilience to concentration risks. The Group has expanded into rail transit assets leasing, real property development and other ancillary businesses. As one of its growth strategies, the Group aims to continue to explore other business opportunities while maintaining sustainable growth of its existing core business in rail transit operation. Whether the Group could successfully implement its business diversification strategy depends to some extent on the Group's ability to identify profitable business opportunities, obtain required approvals from relevant regulatory authorities, obtain sufficient capital on acceptable terms in a timely manner and maintain close working relationships with various governmental authorities and agencies. There can be no assurance that the Group will be able to successfully implement this strategy, manage or integrate newly-acquired operations with its existing operations. Failure to implement the Group's growth strategy could have a material adverse impact on its business, financial condition and results of operations.

***The Group may not be able to detect and prevent fraud or other misconduct committed by its employees.***

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

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

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of noncompliance or suspicious transactions in a timely manner, if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent

and detect such activities may not be effective. There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result.

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

The Group is required to comply with various and extensive environmental as well as health and safety laws and regulations promulgated by the PRC Government and the governments of other overseas jurisdictions in which it operates. If the Group fails to comply with these laws and regulations, it could be exposed to penalties, fines, suspension or revocation of its licences or permits to conduct business, administrative proceedings and litigation. Given the magnitude and complexity of these laws and regulations, compliance with them or the establishment of effective monitoring systems may be onerous or require a significant amount of financial and other resources. As these laws and regulations continue to evolve, there can be no assurance that the PRC Government or the governments of other overseas jurisdictions in which the Group has operations will not impose additional or more onerous laws or regulations, compliance with which may cause the Group to incur significantly increased costs, which the Group may not be able to pass on to its customers.

***The Group requires permits or licences to undertake its business operations and any loss, termination or non-renewal of these permits or licences could have a significant and adverse impact on its business.***

The Group requires various permits and licences issued by the relevant government agencies to conduct its business and it must comply with the restrictions and conditions imposed by various levels of government to maintain its permits and licences. If the Group fails to comply with any of the regulations required for the maintenance of its permits and licences, its permits and licences could be temporarily suspended or even revoked, or the renewal of its licences, upon expiry of their original terms, may be delayed, which would directly impact on the Group's business operations.

***The Group's business may be affected by an outbreak, or threatened outbreak, of any severe contagious disease which may in turn significantly reduce demand for the Group's services and have an adverse effect on its financial condition and results of operations.***

The Group's business may be affected by natural disasters, epidemics and other acts of God which are beyond the Group's control. Outbreak of epidemics such as Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A (H1N1)) or H7N9 has a material adverse impact on the economic and social condition in the affected regions.

In early 2020, the COVID-19 pandemic has spread globally throughout Asia, Europe, North America and other regions. The COVID-19 pandemic is highly infectious and has resulted in numerous deaths around the world. The World Health Organization announced in March 2020 that the COVID-19 pandemic has developed into a pandemic. In an effort to contain the spread of the COVID-19 pandemic, the PRC government has taken a number of measures, including, among other, imposing travel, quarantine and other work-related restrictions. A prolonged outbreak of the COVID-19 pandemic has had and may continue to have a material adverse impact on China's economy, the global economy and financial markets in general, which in turn could materially and adversely affect the Group's business, financial condition and results of operations. Furthermore, as there is significant uncertainty relating to future developments of the COVID-19 pandemic, particularly in light of the resurgence of reported infections, including in Europe and India, and to a lesser extent, the PRC, as well as the emergence and rapid spread of new variants of the COVID-19 pandemic virus, the Group is not able at this time to ascertain the full impact on its financial or operational results.



***Prospective investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.***

The Issuer from time to time issues corporate bonds in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, the Issuer needs to publish its semi-annual and annual financial information to satisfy its continuing disclosure obligations relating to its corporate bonds. After the Bonds are issued, the Issuer is obligated by the terms of the Bonds, among others, to provide holders of the Bonds with its audited financial statements and certain unaudited but reviewed periodic financial statements. The semi-annual financial information published by the Group in the PRC is normally derived from the Group's management accounts which have not been audited or reviewed by independent auditors. As such, this financial information published in the PRC should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any audited information. The Issuer is not responsible to holders of the Bonds for the unaudited and unreviewed financial information from time to time published in the PRC and therefore prospective investors should not place any reliance on any such financial information.

***The Issuer's accounts were audited in accordance with PRC GAAP which may be different from IFRS. The Issuer's auditors have limited international capital markets experience.***

The Group's Financial Statements were prepared in accordance with the PRC GAAP. Although PRC GAAP are substantively in line with IFRS, PRC GAAP are, to a certain extent, different from IFRS. See "Summary of Certain Differences between PRC GAAP and IFRS". There is no guarantee that the PRC GAAP will fully converge with IFRS or there will be no additional differences between the two accounting standards in the future. Prospective investors should consult their own professional advisers for an understanding of any differences that may exist between PRC GAAP and IFRS, and how those differences might affect the financial information included in this Offering Circular.

Baker Tilly, the Issuer's previous independent auditor, and Wuyige, the Issuer's current independent auditor, are registered members of the Chinese Institute of Certified Public Accountants and although they have significant audit experience in the PRC, they have has limited international capital markets experience. Prospective investors should consider these factors prior to making any investment decision.

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

The historical financial information of the Group included in this Offering Circular is not indicative of its future financial results. This financial information is not intended to represent or predict the results of operations of any future periods. The Group's future results of operations may change materially if its future growth does not follow the historical trends for various reasons, including factors beyond its control, such as changes in economic environment, PRC environmental rules and regulations and the domestic and international competitive landscape of the industries in which the Group operates its business.

*Wuyige, as independent auditor of the Issuer for the year ended 31 December 2020 and the six months ended 30 June 2021, and Baker Tilly, as independent auditor of the Issuer for the year ended 31 December 2019, may be involved in investigations initiated by relevant PRC authorities from time to time.*

Wuyige, as independent auditor of the Issuer for the year ended 31 December 2020 and the six months ended 30 June 2021, and Baker Tilly, as the previous independent auditor of the Issuer for the year ended 31 December 2019, are registered accounting firms in the PRC supervised by relevant PRC regulatory agencies. Both Wuyige and Baker Tilly have previously been subject to several administrative sanctions by relevant regulatory authorities in the PRC on various occasions, including multiple investigations undertaken by China Securities Regulatory Commission (中國證券監督管理委員會) (“CSRC”) in recent years. As a result of Wuyige’s and Baker Tilly’s certain negligence in performing their audit services for PRC companies, administrative sanctions were imposed by the relevant regulatory authorities on Wuyige and Baker Tilly.

According to Wuyige and Baker Tilly, none of the abovementioned administrative sanctions will undermine Wuyige and Baker Tilly’s ability to serve as the Issuer’s auditor. The abovementioned administrative sanctions imposed by CSRC do not disqualify Wuyige nor Baker Tilly from participating in the offering of the Bonds or have any impact on the ability of Wuyige or Baker Tilly to provide services to the Group.

There can be no assurance that other penalties of a similar nature will be imposed on Wuyige and/or Baker Tilly, and there can be no assurance that such potential penalties will not retrospectively affect the services provided by Wuyige and Baker Tilly to the Issuer in relation to the offering of the Bonds, as well as other fundraising activities in the PRC. Such further sanctions, revocations and suspensions may also restrict it from providing audit services or other services in connection with the Issuer’s future financing transactions. If any of these events were to happen, the Group’s reputation and the trading price of the Bonds may be affected. Potential investors should consider these factors prior to making any investment decision.

### **Risks Relating to Doing Business in the PRC**

*China has experienced a slowdown in its economic development and the future performance of China’s economy is uncertain.*

The economy of the PRC experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC’s GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Bureau of Statistics of China, the annual growth rate of China’s GDP in 2020 slowed down to 2.3 per cent. on a year-on-year basis compared to 6.6 per cent. and 6.1 per cent. in 2018 and 2019, respectively, on a year-on-year basis, representing the slowest growth in the past 30 years but the only major economy to have expanded in the pandemic-ravaged year. If the slowdown in China’s economic growth persists or if the Chinese economy experiences a recession, the Group’s business prospects may be materially and adversely affected. On 29 June 2020, S&P affirmed its sovereign credit ratings on China at “A+” for the long term with a stable outlook on Monday, stating that China is likely to maintain above-average economic growth performance relative to other middle-income economies in the next few years, despite the pressure of uncertainties over the COVID-19 pandemic, US-China tensions and ongoing efforts to restructure the economy and reduce financial risks. On 14 September 2020, Moody’s had affirmed its A1 long-term local and foreign currency rating on China with a stable outlook, citing the strength of the country’s institutions and governance in mitigating credit risks.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC Government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. For example, the political, social and macroeconomic impact of United Kingdom's withdrawal from the European Union is uncertain, which could potentially lead to volatility in the global markets. In addition, ongoing international trade disputes, including tariff actions announced by the United States, the PRC and certain other countries, and the uncertainties created by such disputes may adversely affect the Chinese economy as well as global markets and economic conditions. Failure of trade negotiations between the United States and China may lead to additional costs and unexpected consequences on the Group's business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact China's economy, which in turn could adversely impact the Group's business, financial condition and results of operations. Therefore, there exists continued uncertainty for the overall prospects for the global and the PRC economies this year and beyond.

***Changes in the economic, political and social conditions in the PRC and government policies adopted by the PRC Government could affect the Group's business and prospects.***

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

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

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

***Uncertainty with respect to the PRC legal system could affect the Group.***

As all of the Group's business are conducted, and all of the Group's assets are located, in the PRC, the Group's operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed

a fully integrated legal system and recently enacted laws and regulations that may not sufficiently cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management's attention and it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgements by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may limit the legal protections and remedies that are available to the Group in its operations and to the holders of the Bonds.

***Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Group and the Group's management.***

As the Group and all of its subsidiaries are incorporated in the PRC, and all of the Group's assets are located in the PRC. In addition, all of the Group's directors, supervisors and executive officers reside within the PRC and the assets of the Group's directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of the Group's directors, supervisors and senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for Investors to enforce any judgments obtained from foreign courts against the Group, the Issuer, any of their respective directors, supervisors or senior management in the PRC.

***Government control of currency conversion and future movements in exchange rates may adversely affect the Group's business, results of operations and financial condition.***

The Bonds are denominated in U.S. dollars. Substantially all of the Group's revenue is denominated in Renminbi, which is not freely convertible and subject to foreign exchange control. A portion of the Group's Renminbi revenue may need to be converted into other currencies to meet the Group's requirements for foreign currencies, including the Bonds. Foreign exchange transactions under the capital account, including principal payments with respect to foreign currency-denominated obligations, are subject to the approval requirements of SAFE.

In addition, the Group's functional currency is Renminbi. The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. Fluctuations in the exchange rate of the Renminbi against the U.S. dollar and certain other foreign currencies may adversely affect the Group's business, results of operations and financial condition.

The value of Renminbi against U.S. dollar and other foreign currencies may fluctuate significantly and is affected by, among other things, the domestic and international economies, political conditions and supply and demand of currency. On 21 July 2005, the PRC government changed its policy of pegging the value of Renminbi to U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a

narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in an appreciation in the value of Renminbi against U.S. dollar. The floating band was further widened to 0.5 per cent. on 18 May 2007 (effective on 21 May 2007), to 1.0 per cent. on 16 April 2012 and then to 2.0 per cent. on 15 March 2014 (17 March 2014). On 11 August 2015, the PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate for the last trading date. Since then, the Renminbi has devalued against the U.S. dollar. It is possible that the PRC government could adopt a more flexible currency policy in the future, which could result in further and more significant revaluations of Renminbi against U.S. dollar or any other foreign currency. If such reforms were implemented and resulted in further devaluation of the Renminbi against the U.S. dollar, the Group's financial condition and results of operations could be adversely affected because of the Group's U.S. dollar denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of the Group's earnings and ability to satisfy its obligations under the Bonds.

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

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

***The implementation of PRC employment regulations may increase labour costs in the PRC generally.***

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

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013-2020 (國民旅遊休閒綱要2013-2020) which became effective on 2 February 2013, all workers must receive paid annual leave by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020, the Group's labour costs (inclusive of those incurred by contractors) may increase. Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount

which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or decrease its workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which could result in an adverse impact on the Group's business, financial condition and results of operations.

Further, in the event that there is a labour shortage or a significant increase to labour costs, the Group's business operation costs is likely to increase. In such circumstances, the profit margin may decrease and the financial results may be adversely affected. In addition, inflation in the PRC has increased in recent years. Inflation in the PRC increases the costs of raw materials required by the Group for conducting its business and the costs of labour as well. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's operations and therefore negatively impact the Group's profitability.

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

Facts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources and although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Issuer, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, agents, advisors or representatives, and, therefore, the Issuer, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, agents, advisors or representatives makes no representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, prospective investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

### **Risks Relating to the Bonds**

***The Bonds are unsecured obligations.***

The Bonds will be unsecured obligations of the Issuer. The payment obligations under the Bonds may be adversely affected if:

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

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

***The Issuer may issue additional Bonds in the future.***

The Issuer may, from time to time, and without prior consultation of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except

for the issue date, first payment of interest on them and the timing for completing the SAFE Registration and the NDRC Post-issue Filing and the timing of any subsequent notifications thereof to the Trustee and the Bondholders) or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds. The issue of any such debt securities may also reduce the amount recoverable by investors in the Bonds upon the Issuer's bankruptcy, winding-up or liquidation.

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

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

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

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

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

***Any failure to complete the relevant filings under the NDRC Circular and the relevant registration with SAFE within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds.***

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with a maturity not less than one year with the NDRC prior to the issue of the securities. Furthermore, relevant issuers are required to notify the NDRC the particulars of the relevant issues within 10 working days after the completion of the

issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. In the worst-case scenario, such non-compliance with the post-issue notification requirement under the NDRC Circular may result in it being unlawful for the Issuer to perform or comply with any of its obligations under the Bonds and the Bonds might be subject to enforcement as provided in Condition 9 of the Conditions. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. The Issuer has undertaken to file or cause to be filed with the NDRC of the particulars of the issue of the Bonds within 10 PRC Business Days after the Issue Date.

In accordance with the Cross-Border Financing Circular, which came into effect on 11 January 2017, the Issuer shall register the Bonds with SAFE no later than three working days before the date of drawdown of the proceeds of the offering. The Issuer intends to complete the registration of the Bonds with SAFE and obtain the registration record from SAFE within the time periods prescribed by the Cross-Border Financing Circular, which will be a prerequisite to open the bank account to receive the proceeds of the offering of the Bonds on the date of drawdown. The Issuer has already consulted with local SAFE in connection with the registration procedures and documentary requirements. The Issuer does not foresee any substantive obstacle in completing the registration within the abovementioned period. However, whether or not the registration of the Bonds will be completed within such prescribed time periods is subject to SAFE's sole discretion. If the Issuer fails to complete the registration and receive the registration record from SAFE within such prescribed time periods, it will be unable to open the bank account to receive the proceeds of the offering of the Bonds, and in turn the settlement of the offering of the Bonds may be postponed or may not proceed.

***The PRC government has no payment or other obligations under the Bonds or the Trust Deed.***

The PRC government (including the Zhengzhou Government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds or the Trust Deed relating to the Bonds in lieu of the Issuer. This position has been reinforced by Circular 23 and Circular 706. See “— Risks relating to the Group's Business — PRC regulations on the administration of the financing vehicles of local governments may have a material impact on the Group's business and sources of financing” and “— Risks relating to the Group's Business — PRC regulations on the administration of local government debts and their financing platforms will have a material impact on the Group's financing and business models” above.

The PRC government as the ultimate shareholder of the Issuer only has limited liability in the form of its equity contribution in the Issuer. As such, the PRC government does not have any payment or other obligations under the Bonds or the Trust Deed relating to the Bonds. The Bonds are solely to be repaid by the Issuer as an obligor and the obligations of the Issuer under the Bonds or the Trust Deed shall solely be fulfilled by the Issuer as an independent legal person. Therefore, investors should base their investment decision only on the financial condition of the Issuer and the Group and base any perceived credit risk associated with an investment in the Bonds only on the Group's own financial information reflected in its financial statements.

***The Bonds may be redeemed by the Issuer prior to maturity.***

The Issuer may redeem the Bonds at its option, in whole but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 16 (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount, together with interest accrued up to but excluding the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions), as further described in Condition 6(b) of the Conditions.

If the Issuer redeems the Bonds prior to their maturity, investors may not receive the economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the



proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

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

On the Maturity Date, the Bonds will be redeemed at their principal amount, or following the occurrence of a Change of Control (as defined in the Conditions), the Issuer may, at the option of any Bondholder, be required to redeem all, but not some only, of such Bondholder's Bonds at 101 per cent. of their principal amount, together with accrued interest accrued up to but excluding the Change of Control Put Date (as defined in the Conditions). Further, upon the occurrence of a No Registration Event (as defined in the Conditions), the Issuer shall redeem on the No Registration Event Redemption Date (as defined in the Conditions) all, but not some only, of the Bonds at 100 per cent. of their principal amount, together with accrued interest up to but excluding the No Registration Event Redemption Date. If any of these events were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds on the Maturity Day or in any of these events may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's or the Group's other indebtedness.

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

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

***Developments in other markets may adversely affect the market price of the Bonds.***

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

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

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

***An active trading market for the Bonds may not develop.***

The Bonds are a new issue of securities for which there is currently no trading market. Although an application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in,

the Bonds on the Hong Kong Stock Exchange, no assurance can be given that such application will be approved, or even if the Bonds become so listed, an active trading market for the Bonds will develop or be sustained. No assurance can be given as to the ability of the holders of the Bonds to sell their Bonds or the price at which holders of the Bonds will be able to sell their Bonds or that a liquid market will develop. The liquidity of the Bonds will be adversely affected if the Bonds are held or allocated to limited investors. Bondholders should note that they may need to hold their Bonds until maturity as there may not be an active secondary market for the Bonds. None of the Joint Lead Managers is obligated to make a market in the Bonds, and if the Joint Lead Managers do so, they may discontinue such market making activity at any time at their sole discretion. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders of the Bonds will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

***Investors in the Bonds may be subject to foreign exchange risks.***

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Issuer has no control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

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

The specified denomination of the Bonds will be U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Therefore, it is possible that the Bonds may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$1,000. In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of less than U.S.\$200,000 will not receive a definitive certificate in respect of such holding of Bonds (should definitive certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more denominations. If definitive certificates are issued, Bondholders should be aware that Bonds with aggregate principal amounts that are not an integral multiple of U.S.\$1,000 may be illiquid and difficult to trade.

***Ratings of the Bonds may not reflect all risks and may be changed at any time, which may adversely affect the value of the Bonds.***

The Bonds are expected to be assigned a rating of “A3” by Moody’s and a rating of “A” by Fitch. One or more independent credit rating agencies may assign credit ratings to an issue of the Bonds. The ratings represent the opinion of the respective rating agency and their assessment of the ability of the Issuer to perform its obligations under the Bonds, the Trust Deed and the Agency Agreement and credit risks in determining the likelihood that payments will be made when due under the Bonds. Such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Bonds. The ratings are not recommendations to buy, sell or hold the Bonds and may be subject to revision, qualification, suspension, reduction or withdrawn at any time. There can be no assurance that the ratings assigned to any Bonds will remain in effect for any given period or that the ratings will not be lowered, suspended or withdrawn by the rating agencies in the future if, in their judgment, the circumstances so warrant. The Issuer is not obligated to inform holders of the Bonds of any such suspension, revision, downgrade or withdrawal. A revision, qualification, suspension or withdrawal at any time of any rating assigned to the Bonds may adversely affect the market price of the Bonds and the Issuer’s ability to access the debt capital markets.

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

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

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

The Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**Arrangement**”), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. On 18 January 2019, the Supreme People’s Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and Hong Kong (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “**New Arrangement**”) which will take effect once the governments of the PRC and Hong Kong have enacted legislation and implementing rules for the New Arrangement. Pursuant to the New Arrangement, if the parties have already signed the choice of court agreement in writing under the Arrangement before the New Arrangement enter into force, the Arrangement shall still apply.

However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder’s ability to initiate a claim outside of Hong Kong will be limited.

***A change in English law which governs the Bonds may adversely affect holders of the Bonds.***

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

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

In certain circumstances, including, without limitation, giving of notice to the Issuer pursuant to Condition 9 of the Conditions and taking enforcement steps and/or actions and/or instituting proceedings pursuant to Condition 13 of the Conditions, the Trustee may, at its sole discretion, request the

Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes steps and/or actions and/or institutes proceedings on behalf of the Bondholders. The Trustee shall not be obliged to take any such steps and/or actions and/or institute any such proceedings if not indemnified and/or secured and/or prefunded to its satisfaction.

Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or such proceedings can be instituted. The Trustee may not be able to take steps and/or actions and/or institute proceedings, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed or the Conditions and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such steps and/or actions and/or institute such proceedings directly.

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

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

The Conditions also provide that the Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of the Bonds, any of the Conditions or any of the provisions of the Trust Deed or the Agency Agreement that in its opinion is of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of, or any failure to comply with the Bonds, any of the Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interest of the Bondholders. Any such modification, waiver or authorisation shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, waiver or authorisation shall be notified by the Issuer to the Bondholders as soon as practicable.

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

The Bonds will initially be represented by a Global Certificate. Such Global Certificate will be registered in the name of a nominee for, and deposited with, a common depository for Euroclear and Clearstream (the “**Clearing Systems**”). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the common depository for the relevant Clearing System for distribution to their account Bondholders.

A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate. Bondholders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such Bondholders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

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

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply, respectively, unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between Mainland China and Hong Kong for the avoidance of double taxation (the “**Arrangement**”), Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, may be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation jointly issued the Circular of Full Implementation of Business Tax to VAT Reform (Cai Shui [2016] No. 36) (關於全面推開營業稅改徵增值稅試點的通知) (財稅[2016]36號) (the “**Circular 36**”), which provides that all business tax payers are included into the pilot programme to pay VAT from 1 May 2016. VAT is applicable where the entities or individuals provide services within the PRC. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. As Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

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

## TERMS AND CONDITIONS OF THE BONDS

*The following, subject to modification and other than the words in italics, is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds and will be referred to in the Global Certificate:*

The issue of the U.S.\$500,000,000 in aggregate principal amount of 1.915 per cent. bonds due 2024 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further bonds issued pursuant to Condition 15 and consolidated and forming a single series therewith) was authorised by a resolution of the board of Directors of Zhengzhou Metro Group Co., Ltd. (鄭州地鐵集團有限公司) (the “**Issuer**”) passed on 23 March 2021. The Bonds are constituted by a trust deed (as amended and/or supplemented from time to time, the “**Trust Deed**”) dated 15 November 2021 (the “**Issue Date**”) between the Issuer and The Bank of New York Mellon, London Branch (the “**Trustee**” which expression shall include its successor(s) and all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the holders of the Bonds. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Certificates (as defined below). The Bonds are the subject of an agency agreement (as amended and/or supplemented from time to time, the “**Agency Agreement**”) dated the Issue Date relating to the Bonds between the Issuer, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent (the “**Principal Paying Agent**”, which expression shall include its successor(s)), The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the “**Registrar**”, which expression shall include its successor(s) and as transfer agent (the “**Transfer Agent**”, which expression shall include its successor(s) or any additional transfer agent appointed from time to time in connection with the Bonds) and any other Agents appointed thereunder. References herein to “**Paying Agents**” includes the Principal Paying Agent, and “**Agents**” means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time under the Agency Agreement with respect to the Bonds.

Copies of the Trust Deed and Agency Agreement are available for inspection at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday (other than public holidays) by the Bondholders (as defined below) at the principal office for the time being of the Trustee, being at the Issue Date at One Canada Square, London E14 5AL, United Kingdom, and at the specified office of the Principal Paying Agent, in each case following prior written request and proof of holding and identity to the satisfaction of the Trustee or, as the case may be, the Principal Paying Agent. The Bondholders are entitled to the benefit of, are bound by and deemed to have notice of all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

All capitalised terms that are not defined in these terms and conditions (the “**Conditions**”) will have the meanings given to them in the Trust Deed.

### **1 Form, Specified Denomination and Title**

The Bonds are issued in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

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

Title to the Bonds shall pass by transfer and registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as otherwise required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of

ownership, trust or an interest in it, any writing on the Certificate (other than the endorsed form of transfer) representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, “**Bondholder**” and (in relation to a Bond) “**holder**” means the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first named thereof).

*Upon issue, the Bonds will be represented by a global certificate (the “**Global Certificate**”) substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). The Conditions are modified by certain provisions contained in the Global Certificate while any of the Bonds are represented by the Global Certificate. See “Summary of Provisions Relating to the Bonds in Global Form”.*

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

## 2 Transfers of Bonds and Issue of Certificates

- (a) **Register:** The Issuer will cause the register to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement, on which shall be entered the names, addresses and registered accounts of the Holders and the particulars of the Bonds held by them and of all transfers of the Bonds. Each Holder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.
- (b) **Transfer:** A holding of Bonds may, subject to Condition 2(e) and the Agency Agreement, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (c) **Regulations:** All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds, the initial form of which is scheduled to the Agency Agreement. No transfer of title to a Bond will be valid unless and until entered on the Register. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, and by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder following written request and proof of holding satisfactory to the Registrar.

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

- (d) **Delivery of New Certificates:** Each new Certificate to be issued upon transfer of Bonds pursuant to Condition 2(a) shall be made available for delivery within seven business days

of receipt by the Registrar or, as the case may be, the relevant Transfer Agent, of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), “**business day**” means a day, other than a Saturday, a Sunday or a public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

- (e) **Transfer or Exercise Free of Charge:** Certificates, on transfer or exercise of an option, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment of any tax, duty or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security as the Registrar or the relevant Transfer Agent may require), (ii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied that the regulations concerning transfer of Bonds have been complied with.
- (f) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days prior to (and including) any date on which Bonds are called for redemption by the Issuer pursuant to Condition 6(b) or Condition 6(d), (ii) after the Change of Control Put Exercise Notice in respect of any such Bond has been deposited in accordance with Condition 6(c), or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)).

### 3 Status

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

### 4 Covenants

#### (a) Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and the Issuer will ensure that none of its Subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Bondholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.



**(b) Undertakings relating to SAFE Registration**

The Issuer undertakes that it will (i) register or cause to be registered with SAFE the Bonds in accordance with, and within the time period prescribed by, the Notice on Nationwide Implementation of the Macro-prudential Management Policy of Overall Cross-border Financing (Yin Fa [2017] No. 9) (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (銀發[2017]9號) effective as of 11 January 2017 and as amended from time to time (the “**Cross-Border Financing Circular**”) (the “**SAFE Registration**”), (ii) use its best endeavours to complete the SAFE Registration and obtain a registration record from SAFE on or before the Registration Deadline and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds, including but not limited to, any implementing measures promulgated thereunder from time to time.

**(c) Notification to NDRC**

The Issuer undertakes that it will within 10 PRC Business Days after the Issue Date file or cause to be filed with the NDRC the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資[2015]2044號)) issued by the NDRC and effective as of 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”).

**(d) Notification of Completion of the SAFE Registration and the NDRC Post-issue Filing**

The Issuer shall, on or before the Registration Deadline and within 10 PRC Business Days after the later of the submission of the NDRC Post-issue Filing and receipt of the registration form or filing evidence from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate in English (substantially in the form scheduled to the Trust Deed) signed by an Authorised Signatory (as defined in the Trust Deed) confirming the completion of the NDRC Post-issue Filing and the SAFE Registration and that no Change of Control, Event of Default or Potential Event of Default has occurred; and (ii) copies of the relevant documents evidencing the NDRC Post-issue Filing (if any) and the SAFE Registration, each certified in English by an Authorised Signatory as a true and complete copy of the original (the items specified in (i) and (ii) together, the “**Registration Documents**”). In addition, the Issuer shall, within five PRC Business Days after the documents comprising the Registration Documents are delivered to the Trustee, give notice to the Bondholders (in accordance with Condition 16) confirming the completion of the NDRC Post-issue Filing and the SAFE Registration.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation to monitor or ensure the SAFE Registration is completed as required by Condition 4(b) or the NDRC Post-issue Filing is made as required by Condition 4(c) or to assist with either the NDRC Post-issue Filing or the SAFE Registration or to verify the accuracy, content, completeness, validity and/or genuineness of any Registration Documents or to give notice to the Bondholders confirming the completion of the NDRC Post-issue Filing and the SAFE Registration, and shall not be liable to Bondholders or any other person for not doing so.

(e) **Financial Information**

So long as any Bond remains outstanding (as defined in the Trust Deed) the Issuer will furnish the Trustee with:

- (i) within 120 days of the end of each Relevant Period, a copy of the relevant Audited Financial Reports prepared in accordance with PRC GAAP (audited by a nationally recognised firm of independent accountants (which may be the auditor of the Issuer as at the Issue Date)) and if such statements shall be in the Chinese language, together with an English translation of the same translated by (x) a nationally recognised firm of independent accountants (which may be the auditor of the Issuer as at the Issue Date) or (y) a professional translation service provider and checked by a nationally recognised firm of independent accountants (which may be the auditor of the Issuer as at the Issue Date), together in each case with a certificate in English signed by an Authorised Signatory certifying that such translation is complete and accurate;
- (ii) within 90 days of the end of each Relevant Period, a copy of the Unaudited Financial Reports prepared on a basis consistent with the Audited Financial Reports and if such statements shall be in the Chinese language, together with an English translation of the same translated by (y) a nationally recognised firm of independent accountants (which may be the auditor of the Issuer as at the Issue Date) or (x) a professional translation service provider and checked by a nationally recognised firm of independent accountants (which may be the auditor of the Issuer as at the Issue Date), together in each case with a certificate in English signed by an Authorised Signatory certifying that such translation is complete and accurate; and
- (iii) simultaneously with the provision of the Audited Financial Reports as specified in Condition 4(e)(i) above and also within 14 days of any request therefor from the Trustee, a Compliance Certificate (on which the Trustee may rely conclusively and without liability as to such compliance) of the Issuer.

The Trustee shall not be required to review the Audited Financial Reports or the Unaudited Financial Reports furnished or delivered to it as contemplated in this Condition 4(e) and, if the same shall not be in the English language, shall not be required to translate or request or obtain an English language translation (if not so provided) of the same or to investigate or verify the accuracy of any translation of any Audited Financial Reports or the Unaudited Financial Reports furnished or delivered to it as contemplated in this Condition 4(e), and the Trustee shall be entitled to assume that each such English translation is a complete and accurate translation of the original, and may rely conclusively without liability to the Issuer, any Bondholder or any other person for not doing so.

(f) **Definitions**

In these Conditions:

“**Audited Financial Reports**” means, for a Relevant Period, the annual audited consolidated financial statements of the Issuer together with any statements, reports (including any directors’ and auditors’ reports) and notes attached to or intended to be read with any of them, prepared in accordance with PRC GAAP;

“**Authorised Signatory**” means an Authorised Signatory as defined in the Trust Deed;

“**Compliance Certificate**” means a certificate in English of the Issuer (substantially in the form scheduled to the Trust Deed) signed by any one of its Authorised Signatories that, having made all reasonable enquiries, to the best knowledge, information and belief of the Issuer as at a date (the “**Certification Date**”) not more than five days before the date of the certificate that:

- (i) no Event of Default or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and
- (ii) the Issuer has complied with all its covenants and obligations under the Trust Deed and the Bonds or, if any non-compliance had occurred, giving details of it;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**NDRC**” means the National Development and Reform Commission of the PRC or its local counterparts;

“**person**” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

“**Potential Event of Default**” means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 9 become an Event of Default;

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

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

“**PRC GAAP**” means the Accounting Standards for Business Enterprises in China issued by the Ministry of Finance of the PRC from time to time;

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

“**Relevant Indebtedness**” means any indebtedness incurred outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market (which, for the avoidance of doubt, does not include bi-lateral loans, syndicated loans or club loans);

“**Relevant Period**” means (i) in relation to the Audited Financial Reports, each period of 12 months ending on the last day of the Issuer’s financial year (being 31 December of that financial year); (ii) in relation to the Unaudited Financial Reports, each period of six months ending on the last day of the Issuer’s first half financial year (being 30 June of that financial year);

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

“**Subsidiary**” of any person means (i) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (ii) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person; and

“**Unaudited Financial Reports**” means, for a Relevant Period, semi-annual unaudited consolidated balance sheet, income statement and statement of cash flows of the Issuer together with any statements, reports (including any directors’ and auditors’ review reports, if any) and notes attached to or intended to be read with any of them, if any.

## 5 Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 1.915 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$9.575 per Calculation Amount (as defined below) on 15 May and 15 November in each year (each an “**Interest Payment Date**”), commencing on 15 May 2022.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

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

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

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

Where the Calculation Amount changes during an Interest Period, the amount of interest payable shall be calculated by applying the day-count fraction to each Calculation Amount for the period during which such Calculation Amount was applicable in such Interest Period and aggregating the results for the entire such Interest Period.

## 6 Redemption and Purchase

### (a) *Final Redemption:*

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 15 November 2024 (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

### (b) *Redemption for Taxation Reasons:*

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders in accordance with Condition 16 (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount, (together with interest accrued up to but excluding the date fixed for redemption), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 9 November 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to giving any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (A) a certificate in English signed by any one of the Authorised Signatories stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer taking reasonable measures available to it and (B) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment. The Trustee shall be entitled (but shall not be obliged) to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event the same shall be conclusive and binding on the Bondholders.

### (c) *Redemption for Change of Control*

At any time following the occurrence of a Change of Control, a Bondholder will have the right, at such Bondholder’s option, to require the Issuer to redeem all but not some only of that Bondholder’s Bonds on the Change of Control Put Date (as defined below) at 101 per cent. of their principal amount, together with accrued interest up to but excluding such Change of Control Put Date. In order to exercise such right, the Bondholder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form obtainable from the specified office of the Principal Paying Agent or any other Paying Agent (a “**Change of Control Put Exercise Notice**”), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice of the Change of Control is given to the Bondholders by the Issuer in accordance with Condition 16.

The “**Change of Control Put Date**” shall be the 14th day after the expiry of such period of 30 days as referred to above. A Change of Control Put Exercise Notice, once delivered, shall

be irrevocable and the Issuer shall redeem the Bonds, the subject of the Change of Control Put Exercise Notices delivered as aforesaid, on the Change of Control Put Date.

The Issuer shall give notice to Bondholders in accordance with Condition 16 and to the Trustee and the Principal Paying Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by Bondholders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

Unless it has received notice from the Issuer pursuant to this Condition 6(c), the Trustee shall be entitled to assume that no Change of Control has occurred. Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Change of Control or any event which could lead to a Change of Control has occurred or may occur and none of them shall have any obligation or duty to verify the accuracy, content, completeness, validity and/or genuineness of any documents, and none of them shall be liable to Bondholders, the Issuer or any other person for not doing so.

In this Condition 6(c):

a “**Change of Control**” occurs when:

- (a) the People’s Government of Zhengzhou and PRC Government Persons cease to directly or indirectly hold or own 80 per cent. or more of the issued share capital of the Issuer; or
- (b) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer’s assets to any other Person or Person(s), except where such Person(s) (in the case of asset sale or transfer) or the surviving entity (in the case of consolidation or merger) is/are directly or indirectly 80 per cent. or more held or owned by the People’s Government of Zhengzhou and/or PRC Government Persons.

“**Control**” means (i) the beneficial ownership or control of more than 50 per cent. of the voting rights of the issued share capital of a person or (ii) the right to appoint and/or remove all or more than 50 per cent. of the members of a person’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; the term “**Controlled**” has meanings correlative to the foregoing;

a “**Person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer’s board of directors or any other governing board and does not include the Issuer’s wholly-owned direct or indirect subsidiaries; and

“**PRC Government Persons**” means, collectively, the central government of the PRC and any person directly or indirectly Controlled by the central government of the PRC.

- (d) ***Mandatory Redemption upon No Registration Event:*** Upon the occurrence of a No Registration Event, the Issuer shall redeem on the No Registration Event Redemption Date all, but not some only, of the Bonds at 100 per cent. of their principal amount, together with accrued interest up to but excluding the No Registration Event Redemption Date. The “**No Registration Event Redemption Date**” shall be the 15th day after the Registration Deadline.

If at any time prior to the No Registration Event Redemption Date, the holder of any Bond has exercised its right to require the Issuer to redeem its Bonds under Condition 6(c), the Bonds shall be redeemed in accordance with the manner set out in Condition 6(c).

In this Condition 6(d):

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

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

Unless it has received notice from the Issuer pursuant to this Condition 6(d), the Trustee shall be entitled to assume that no No Registration Event has occurred. Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a No Registration Event or any event which could lead to a No Registration Event has occurred or may occur and none of them shall have any obligation or duty to verify the accuracy, content, completeness, validity and/or genuineness of any documents in relation to or connection with the Registration Conditions, or to translate or procure the translation into English of any documents in relation to or in connection with the Registration Conditions, and none of them shall be liable to Bondholders, the Issuer or any other person for not doing so.

- (e) **Notices of Redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Change of Control Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption or Change of Control Put Exercise Notice and none of them shall be liable to Bondholders, the Issuer or any other person for not doing so.
- (f) **Purchase:** the Issuer and its Subsidiaries (as defined in the Trust Deed) may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 12(a).
- (g) **Cancellation:** All Certificates representing Bonds which are redeemed or purchased by or on behalf of the Issuer shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.
- (h) **Calculations:** Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption or Change of Control Put Exercise Notice or have a duty to verify the accuracy, content, completeness, validity and/or genuineness of any documents in relation to or in connection thereto, and shall not be liable to the Bondholders or any other person for not doing so.

## 7 Payments

### (a) *Method of Payment:*

- (i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent or the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.
- (ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Bond shall be made in U.S. dollars by transfer to the registered account of the relevant Bondholder. For the purpose of this Condition 7(a), a Bondholder’s “**registered account**” means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the Record Date.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

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

- (b) **Payments subject to Fiscal Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Payment Initiation:** Payment instructions (for value on the due date, or if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment or, if that is not a Payment Business Day, on the first following day which is a Payment Business Day, or in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Paying Agent or the Registrar, on a Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.



- (d) **Appointment of Agents:** The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, the Transfer Agent or any other Agent and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, and (iii) such other agents as may be required by any other stock exchange on which the Bonds may be listed, in each case, as approved by the Trustee.

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

- (e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).
- (f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “**Payment Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks and foreign exchange markets are generally open for business in London, New York City and the place in which the specified office of the Principal Paying Agent is located.

## 8 Taxation

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

Where such withholding or deduction is made by the Issuer by or within the PRC at the rate of up to and including the aggregate rate applicable on 9 November 2021 (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

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

- (a) **Other connection:** to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the PRC other than the mere holding of the Bond; or

- (b) ***Surrender more than 30 days after the Relevant Date:*** in respect of which the Certificate representing it is surrendered (where surrender is required) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days.

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

References in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charge, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Holder or any third party to pay such tax, duty, charge, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

## 9 Events of Default

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

- (a) ***Non-Payment:*** there has been a failure to pay (i) the principal of or any premium (if any) on any of the Bonds when due or (ii) interest on any of the Bonds when due and such failure to pay interest continues for a period of seven days; or
- (b) ***Breach of Other Obligations:*** the Issuer does not perform or comply with any one or more of its other obligations under the Bonds or the Trust Deed which default is in the opinion of the Trustee incapable of remedy or, if such a default is in the opinion of the Trustee capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Issuer by the Trustee; or
- (c) ***Cross-Default:*** (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its

Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.\$30,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or

- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 45 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries over all or a material part of the assets of the Issuer or the relevant Principal Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged within 45 days; or
- (f) **Insolvency:** the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any material part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of (or of a particular type of) the debts of the Issuer or any of its Principal Subsidiaries; or
- (g) **Winding-up:** an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Principal Subsidiaries (save for a voluntary solvent winding-up of any Principal Subsidiary), or the Issuer or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer and/or another of its Subsidiaries; or (iii) in the case of a disposal of a Principal Subsidiary, on an arm's-length basis where the assets of the Principal Subsidiary resulting from such disposal or the consideration received from such disposal are transferred to or otherwise vested in the Issuer and/or another of its Subsidiaries; or
- (h) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of its Principal Subsidiaries; or
- (i) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations

are legally binding and enforceable and (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

- (j) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or
- (k) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(d) to 9(h) (both inclusive).

In this Condition 9, “**Principal Subsidiary**” means any Subsidiary of the Issuer:

- (a) whose total revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total revenue, as shown by its latest audited income statement are at least three per cent. of the consolidated total revenue as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (b) whose net profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profit, as shown by its latest audited income statement are at least three per cent. of the consolidated net profit as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (c) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least three per cent. of the consolidated total assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries including, for the avoidance of doubt, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or
- (d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (xx) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (yy) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

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

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited

accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

- (ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, total revenue, net profit or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer;
- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total revenue, net profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and
- (iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above of this definition) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

A certificate in English signed by any Authorised Signatory on behalf of the Issuer, accompanied with relevant audited accounts (consolidated, if appropriate) or, as the case may be, the pro forma accounts (consolidated, if appropriate), that in its opinion (making such adjustments (if any) as it shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary shall be conclusive and binding on the Issuer, the Trustee and the Bondholders, and the Trustee shall be entitled to rely upon such certificate without further investigation or query and without liability to the Bondholders or any other person.

## **10 Prescription**

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## **11 Replacement of Certificates**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity, pre-funding and otherwise as the Issuer, the Registrar or the relevant Transfer Agent (as the case may be) may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## **12 Meetings of Bondholders, Modification, Waiver and Substitution**

- (a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Trustee or the Issuer and shall be convened by the Trustee if requested in writing by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all

costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the aggregate principal amount of the Bonds held or represented, unless the business of such meeting includes the consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. A resolution passed in writing will be binding on all Bondholders whether or not they participated in such written resolution.

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or the Alternative Clearing System, a resolution passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held.*

- (b) **Modification, Waiver, Authorisation and Determination:** The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed and/or the Agency Agreement that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of, or any failure to comply with, any of these Conditions or any of the provisions of the Trust Deed and/or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee agrees otherwise, such modification, authorisation or waiver shall be notified to the Bondholders by the Issuer as soon as practicable thereafter in accordance with Condition 16.
- (c) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

### 13 Enforcement

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer as

it may think fit to enforce the terms of the Trust Deed and/or the Bonds, but it need not take any such steps and/or actions and/or institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds for the time being outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

#### **14 Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification, security and pre-funding of the Trustee to its satisfaction and for its relief from responsibility and its payment of costs and expenses in priority to the claims of Holders, including without limitation provisions relieving it from taking steps, actions and/or instituting proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and/or any entity related (directly or indirectly) to the Issuer without accounting for any profit. The Trustee may rely conclusively and without liability to Bondholders, the Issuer and any other person on any report, confirmation or certificate or information from or any opinion or advice of any accountants, auditors, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, information, opinion or advice and, in such event, such report, confirmation, certificate, information, opinion or advice shall be binding on the Issuer and the Bondholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible or liable for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction where the Trustee is seeking such direction from the Bondholders or in the event that the instructions sought are not provided by the Bondholders. The Trustee and the Agents shall not be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or any Agent in accordance with the instructions, directions or requests of the Bondholders. The Trustee shall be entitled to rely on any direction, request, resolution or instruction of Bondholders (whether given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed or as otherwise provided for in the Trust Deed and/or the Conditions). The Trustee shall have no obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement and/or these Conditions.

None of the Trustee or any of the Agents shall be responsible or liable for the performance by the Issuer and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless a responsible officer of the Trustee or, as the case may be, the relevant Agent has express notice in writing to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

None of the Trustee or any of the Agents shall have any obligation to monitor or take any steps to ascertain whether an Event of Default, a Potential Event of Default, a Change of Control or a No Registration Event has occurred and none of them shall be liable to the Bondholders or any other person for not doing so.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and no Bondholder shall rely on the Trustee in respect thereof.

## **15 Further Issues**

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for completing the SAFE Registration and the NDRC Post-issue Filing and the timing of any subsequent notifications thereof to the Trustee and the Bondholders) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. Any further bonds forming a single series with the Bonds shall be constituted by a deed supplemental to the Trust Deed.

## **16 Notices**

Notices to the holders of Bonds shall be mailed to them by uninsured mail at their respective addresses in the Register and shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held by or on behalf of Euroclear and/or Clearstream and/or an Alternative Clearing System (as defined in the form of the Global Certificate), any notice to the Bondholders shall be validly given by the delivery of the relevant notice to Euroclear and/or Clearstream and/or such Alternative Clearing System, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.*

## **17 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act and is without prejudice to the rights of the Holders as set out in Condition 13.

## **18 Governing Law and Jurisdiction**

(a) **Governing Law:** The Trust Deed, the Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The courts of Hong Kong are to have jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Agency Agreement and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Agency Agreement and the Trust Deed (“**Proceedings**”) may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.



- (c) ***Agent for Service of Process:*** The Issuer has irrevocably appointed in the Trust Deed an agent in Hong Kong to receive service of process in any Proceedings in Hong Kong.
  
- (d) ***Waiver of Immunity:*** The Issuer has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

## SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

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

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

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

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

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

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

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

### **Payment**

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

### **Calculation of Interest**

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

## **Notices**

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

## **Meetings**

For the purposes of any meeting of Bondholders, the holder of the Bonds evidenced by the Global Certificate shall (unless the Global Certificate evidences only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each U.S.\$1,000 in principal amount of Bonds for which the Global Certificate is issued.

## **Bondholder's Redemption**

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

## **Issuer's Redemption**

The option of the Issuer provided for in Condition 6(b) of the Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Conditions.

## **Transfers**

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

## **Cancellation**

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

## **Trustee's Powers**

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

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

## **USE OF PROCEEDS**

The gross proceeds from the offering of the Bonds will be U.S.\$500.0 million. The net proceeds from the offering of the Bonds, consisting of the gross proceeds less commissions and other estimated expenses payable by the Issuer in connection with the Bonds, are planned to be used for refinancing its existing offshore indebtedness.

## EXCHANGE RATES

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

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

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

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

Period	Exchange Rate			
	Period End	Average <sup>(1)</sup>	High	Low
		(RMB per U.S.\$1.00)		
2016 .....	6.9430	6.6549	6.9580	6.4480
2017 .....	6.5063	6.7569	6.9575	6.4773
2018 .....	6.8755	6.6292	6.9737	6.2649
2019 .....	6.9618	6.9014	7.1786	6.6822
2020 .....	6.5250	6.9042	7.1681	6.5208
2021 .....				
April .....	6.4749	6.5186	6.5649	6.4710
May .....	6.3674	6.4321	6.4749	6.3674
June .....	6.4566	6.4250	6.4811	6.3796
July .....	6.4609	6.4763	6.5104	6.4562
August .....	6.4604	6.4768	6.5012	6.4604
September .....	6.4434	6.4563	6.4702	6.4320
October .....	6.4050	6.4172	6.4485	6.3820

Note:

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

## CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total indebtedness (both short-term and long-term portions), total owner's equity and total capitalisation of the Issuer as of 30 June 2021 (i) on an actual basis, and (ii) on an adjusted basis to give effect to the issue of the Bonds before deducting the commissions and other estimated expenses payable in connection with the offering of the Bonds.

The summary consolidated financial information below should be read in conjunction with the Interim Financial Statements as of and for the six months ended 30 June 2021 and the notes to those financial statements included elsewhere in this Offering Circular.

	As of 30 June 2021			
	Actual		As adjusted	
	(RMB in '000)	(U.S.\$ in '000)	(RMB in '000)	(U.S.\$ in '000)
<b>Short-term indebtedness</b>				
Short-term borrowings . . . . .	200,000.0	30,976.1	200,000.0	30,976.1
Non-current liabilities due within one year . . . . .	4,576,345.3	708,785.6	4,576,345.3	708,785.6
<b>Total short-term indebtedness . . . . .</b>	<b>4,776,345.3</b>	<b>739,761.7</b>	<b>4,776,345.3</b>	<b>739,761.7</b>
<b>Long-term indebtedness</b>				
Long-term borrowings . . . . .	111,868,102.0	17,326,162.7	111,868,102.0	17,326,162.7
Bonds payable . . . . .	–	–	–	–
Lease liabilities . . . . .	6,701.7	1,038.0	6,701.7	1,038.0
Long-term payables <sup>(1)</sup> . . . . .	1,623,758.4	251,488.2	1,623,758.4	251,488.2
Bonds to be issued <sup>(2)</sup> . . . . .	–	–	3,228,300.0	500,000.0
<b>Total long-term indebtedness . . . . .</b>	<b>113,498,562.1</b>	<b>17,578,688.9</b>	<b>116,726,862.1</b>	<b>18,078,688.9</b>
<b>Total indebtedness<sup>(3)</sup> . . . . .</b>	<b>118,274,907.4</b>	<b>18,318,450.6</b>	<b>121,503,207.4</b>	<b>18,818,450.6</b>
Total owners' equity . . . . .	55,265,953.3	8,559,606.2	55,265,953.3	8,559,606.2
<b>Total capitalisation<sup>(4)</sup> . . . . .</b>	<b>173,540,860.7</b>	<b>26,878,056.8</b>	<b>176,769,160.7</b>	<b>27,378,056.8</b>

*Notes:*

- (1) Long-term payables represent the lease payment obligations under the Group's financial leasing arrangements and earmarking bonds as of 30 June 2021.
- (2) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting the commissions and other estimated expenses payable by the Issuer in connection with the offering of the Bonds.
- (3) Total indebtedness equals the sum of total short-term indebtedness and total long-term indebtedness.
- (4) Total capitalisation equals the sum of total indebtedness and total owners' equity.

Except as otherwise disclosed above, there has been no material change in the Group's indebtedness or capitalisation since 30 June 2021.

## DESCRIPTION OF THE GROUP

### Overview

The Group is the sole state-owned enterprise engaging in the investment, construction, operation and management of the rail transit system in Zhengzhou as authorised by the Zhengzhou Government. Since its establishment in 2008, the Group has played a key role in implementing the policies and blueprint of the Zhengzhou Government for the development of public transport in Zhengzhou. To diversify its business portfolio and realise synergies, the Group is also engaged in a range of rail transit related businesses, which mainly include resource development, designing and consultation services and other businesses such as real property development along the rail transit lines. Leveraging on the rapid growth of Zhengzhou's rail transit infrastructure development and the strong financial and operational support from the Zhengzhou Government, the Group has maintained a strong growth momentum among its various business segments. In recognition of its innovative technological advancement and outstanding business performance, the Group has received a number of prestigious awards over the years, such as the Leading Key Project Construction Enterprise in Henan Province (河南省重點項目建設先進單位) for eight consecutive years from 2013 to 2020, 2019-2020 China Metro Industry Informatisation Best Practice Case (中國城市軌道交通行業2019-2020年信息化最佳實踐優秀案例) in 2020, China Metro Technology Innovation Competition Outstanding Award (中國城市軌道交通科技創新大賽優秀項目獎) in 2019 and the 2018-2019 National Quality Engineering Award (2018-2019年度國家優質工程獎).

The Group operates its business in Zhengzhou, the capital city of Henan Province and has benefited from the numerous economic strengths of Henan Province. Henan is one of the largest provinces in China in terms of population, which provides it with a sufficient and steady supply of labour resources and a large consumer market. Henan Province is developing at an accelerated pace in terms of industrialisation and urbanisation, as reflected in local governments' investment and construction of public transportation systems throughout the province. In recent years, Henan Province has experienced rapid economic development by leveraging favourable policies promulgated by the PRC government, and it has steadily become an important pillar supporting China's current economic transformation. In 2011, the State Council promulgated the "Central China Economic Zone (中原經濟區)", explicitly setting out the economic development plan for Central China (中原) with a focus on Henan Province. In 2013, China put forward the "One Belt, One Road (一帶一路)" initiative, which listed Henan Province as an important hub for transportation, logistics, goods and resources distribution for implementation of this national strategy. In March 2013, in line with the "One Belt, One Road" initiative, the State Council approved the construction of the first pilot airport economic zone of national strategic importance, namely the Zhengzhou Airport Economic Experimental Zone (鄭州航空港經濟綜合實驗區). The zone is designed to become an important international airport logistical centre and an important national passenger transit centre in China, thus promoting the development of import and export industries in Henan Province and cross-border e-commerce. On 1 April 2017, the State Council officially established the China (Henan) Pilot Free Trade Zone (中國(河南)自由貿易試驗區), leveraging Henan Province's advantages in modern transportation and logistics systems to create a high-end service platform for the further opening up of China's economy. The Group believes that it will continue to benefit from the size of Henan Province's economy and the province's particular stage of development, from which there is significant room for growth and expansion. The accelerated urbanisation rate and high growth potential of Henan Province has also provided a promising macroeconomic environment and laid a solid foundation for the Group's further business development.



The Group believes that its key strength is that it has been vested with the monopoly position by the Zhengzhou Government to focus on the investment, construction, operation and management of the rail transit system in Zhengzhou. Underpinned by its exclusive right to operate the rail transit business in Zhengzhou and the continuous government support it has received since its inception, the Group has built a track record of success across its principal business segments.

- **Rail transit operation.** Rail transit operation is the Group’s core business and the Group generates fare income from the sale of rail transit tickets. The Group is the sole state-owned enterprise operating the rail transit system in Zhengzhou. As of 30 June 2021, the Group operated all of the metro lines and the intercity rail transit line under Zhengzhou’s rail transit system, namely Line 1, Line 2, Line 3 (Phase 1), Line 4, Line 5, Line 14 (Phase 1) and South Fourth Ring Road – Zhengzhou South Station Intercity Line (Phase 1), with a total route length of 206.4 kilometres and 152 stations. Since its first metro line became operational in December 2013, the total annual passenger ridership increased significantly from 291.5 million in 2018 to 341.0 million in 2020, representing a CAGR of 8.2 per cent. The Group is also the sole state-owned enterprise responsible for the investment and construction of rail transit system in Zhengzhou. As of 30 June 2021, the Group had invested in six metro lines of Zhengzhou’s rail transit system which were in operation and six metro lines under construction. Moreover, the Group had invested in the construction of two intercity rail transit lines in Zhengzhou as of the same date. With respect to the six metro lines and two intercity rail transit lines under construction as of 30 June 2021, the estimated total investment amount was approximately RMB139.2 billion, consisting of RMB55.2 billion from government capital contribution and RMB84.0 billion from contribution by the Group. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, business income from the Group’s rail transit operation business amounted to approximately RMB596.3 million, RMB627.2 million, RMB615.7 million, RMB174.3 million and RMB448.0 million, respectively, accounting for approximately 24.4 per cent., 73.9 per cent., 65.0 per cent., 72.8 per cent. and 82.4 per cent., respectively, of the Group’s total business income for the respective periods. For a map showing the Group’s metro and intercity rail transit lines in operation, under construction and in the planning stage, respectively, as of 30 June 2021, see “— *Business — Rail Transit Operation*”.
- **Real property development.** In conjunction with its investment in the construction and operation of the rail transit business, the Group engages in real property development business to create synergies between the business segments. The Group has adopted a “metro-land-property” model, which entails the integrated development of residential properties and commercial properties above or adjacent to the metro stations through its wholly-owned subsidiary, Zhengzhou Rail Transit Real Estate Co., Ltd. (鄭州市軌道交通置業有限公司). As of 30 June 2021, the Group had completed one real property development project and had five real property development projects under construction. As of the same date, the Group had three real property development projects in the planning stage with a total planned GFA of 0.9 million sq.m. and an estimated total investment amount of RMB11,873.1 million. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, business income from the Group’s real property development business amounted to approximately RMB1,663.6 million, RMB40.1 million, RMB172.4 million, nil and nil, respectively, accounting for approximately 68.0 per cent., 4.7 per cent., 18.2 per cent., nil and nil of the Group’s total business income for the respective periods.
- **Resource development.** Leveraging its rail transit operation business and to further capitalise on its rail transit assets, the Group conducts its resource development business by way of leasing its rail transit assets to third parties, mainly including advertisers, media companies and telecommunication companies. For example, the Group displays advertisement and media on the walls of the tunnels and the space in the metro stations and charges leasing service fees from such third-party service providers. To maximise the investment return from its rail transit assets, the Group plans to further launch others services and cultural projects in the rail transit stations. For

the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, business income from the Group's resource development business amounted to approximately RMB61.8 million, RMB74.8 million, RMB62.1 million, RMB26.5 million and RMB35.5 million, respectively, accounting for approximately 2.5 per cent., 8.8 per cent., 6.6 per cent., 11.1 per cent. and 6.5 per cent. of the Group's total business income for the respective periods.

- **Designing and consultation services.** By virtue of its expertise in the rail transit industry, the Group provides designing and consultation services to third parties through its subsidiary, Zhengzhou Rail Transit Design and Research Institute Co., Ltd. (鄭州市軌道交通設計研究院有限公司), which specialises in construction design, consultation, project analysis and transportation technology research of rail transit operations and investments. In addition to its rich experience in the rail transit industry, the Group also holds a Grade I Qualification covering 37 subfields and a Grade II Road Engineering Construction Qualification. Due to expanding business needs, the Group also plans to further provide consultation services to third parties through its wholly-owned subsidiary established in September 2021, Zhengzhou Metro Group Consulting Co., Ltd. (鄭州地鐵集團諮詢有限公司), which specialises in construction consultation, equipment supervision and cost consultation, among other services. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, business income from the Group's designing and consultation services business amounted to approximately RMB9.0 million, RMB14.3 million, RMB12.6 million, RMB4.5 million and RMB11.6 million, respectively, accounting for approximately 0.4 per cent., 1.7 per cent., 1.3 per cent., 1.9 per cent. and 2.1 per cent. of the Group's total business income for the respective periods.
- **Other businesses.** The Group is also engaged in other services that are ancillary to its rail transit business, such as souvenir sales and other services including construction materials production, electricity supply and rental services. The Group mainly conducts its construction materials production primarily through its subsidiary, Zhengzhou Metro Group Yijia Industrial Co., Ltd. (鄭州地鐵集團頤嘉實業有限公司), which is primarily responsible for the treatment and recycling of construction material waste. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, business income from the Group's other businesses amounted to approximately RMB117.1 million, RMB92.8 million, RMB84.0 million, RMB34.3 million and RMB48.9 million, respectively, accounting for approximately 4.8 per cent., 10.9 per cent., 8.9 per cent., 14.3 per cent. and 9.0 per cent. of the Group's total business income for the respective periods.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group's total business income was approximately RMB2,447.7 million, RMB849.3 million, RMB946.8 million, RMB239.6 million and RMB544.0 million, respectively. As of 30 June 2021, the Group had total assets of approximately RMB184.1 billion and net assets of approximately RMB55.3 billion.

### **Competitive Strengths**

The Group believes its historical success and future prospects are primarily attributable to its following competitive strengths:

#### ***Business development underpinned by the economic strengths and strategic location of Zhengzhou***

The Group is based in Zhengzhou, which is the capital of Henan Province. Zhengzhou's economy has grown rapidly in the past decade due to its strategic location and its enjoyment of a series of preferential policies designed to propel growth such as its status as a national central city, the establishment of various national strategic development projects, and the accelerated development and further opening-up of the

“One Belt, One Road” initiative. Multiple economic indicators of Zhengzhou outperformed most of the other provinces and municipalities in the PRC in the recent years. For example, from 2017 to 2020, the nominal GDP of Zhengzhou increased from approximately RMB913.0 billion to approximately RMB1,200.3 billion, representing a CAGR of approximately 9.6 per cent. Moreover, from 2017 to 2020, the total investment amount of fixed asset investment projects in Zhengzhou increased from approximately RMB1,329.5 billion to approximately RMB1,451.0 billion, representing a CAGR of approximately 3.0 per cent. Capitalising on Zhengzhou’s rapid economic growth in recent years, the Group has also achieved rapid development and expansion.

Henan Province is an important hub of transportation, telecommunications, logistics and distribution of goods and resources in the PRC, with multiple national key strategic development projects located in the province. The Zhengzhou Airport Economic Experimental Zone (鄭州航空港經濟綜合實驗區) is the first national aviation economic advanced zone established under the approval of the State Council. China (Henan) Pilot Free Trade Zone (中國(河南)自由貿易試驗區) forms part of the third batch of government-endorsed pilot free trade zones, each of which aims to become a world-class free trade economic zone within three to five years of its establishment. The National Independent Innovation Demonstration Zone (國家自主創新示範區) aims to accelerate local industrialisation through the consolidation of innovative resources. China (Zhengzhou) Comprehensive Pilot Zone for Cross-border E-Commerce (中國(鄭州)跨境電子商務綜合試驗區), part of the national pilot programme, undertakes the mission of exploring the construction of a new model for cross-border E-commerce. The National Big Data (Henan) Comprehensive Pilot Zone (國家大數據(河南)綜合試驗區) is the only big data comprehensive pilot zone in the central China region. The pilot zone actively promotes the synergies of talent, finance, platform, research and development to establish a multi-functional big data pilot zone. Such national and regional preferential policies are anticipated to bring to Zhengzhou plenty of growth opportunities.

Pursuant to the “Fourteenth Five-Year Plan” of Zhengzhou (鄭州市“十四五”規劃), Zhengzhou aims to implement its developmental blueprint with the focus on four sectors: connecting modern transportation and logistics, attracting and retaining talent, promoting advanced manufacturing and establishing a foundation for technology and innovation. As the “intersection of China’s transportation network” and the “heart of China’s railway networks”, Zhengzhou is the hub for a number of main railways. Together with Zhengzhou Xinzheng International Airport, Zhengzhou plays a pivotal role in the “One Belt One Road” initiatives. Being the capital of one of the largest provinces in the PRC in terms of population, Zhengzhou has a sufficient and steady supply of labour resources. Zhengzhou aims to continue to attract and retain labour, especially talented individuals with skills and qualification that are likely to contribute to Zhengzhou’s industrial development. Zhengzhou also engages in promoting high-tech manufacturing businesses through attracting industrial manufacturers relocating from the east coast of China as well as overseas.

Furthermore, according to the “Central China Cities Development Plan” (中原城市群發展規劃) of the NDRC, Zhengzhou has been positioned by the PRC government as one of the national central cities with a strategic plan to develop an integrated urban rail transit system and integrated intercity transportation system. As one of the seven cities being recognised as a national central city, Zhengzhou has been a central transportation base among China’s major cities. As the major investment and operating vehicle for Zhengzhou’s rail transit system, the Group benefits from the preferential national and regional policies and economic stimulus packages for Zhengzhou. The Group has played, and is expected to continue to play a key role in the development of the integrated rail transit system and integrated intercity transportation system in Zhengzhou. In addition, Zhengzhou has been recognised as one of the strategic components of the “One Belt, One Road” initiative by the PRC government. The “One Belt, One Road” initiative is expected to bring about tremendous market opportunities for the logistics and transportation businesses in Zhengzhou. The Group believes that it is well-positioned to capture the opportunities arising from the growth potentials of Zhengzhou and Henan Province.

### *Well positioned to capitalise on the development of Zhengzhou's urban rail transit industry*

The Group is well positioned to capitalise on the development of the urban rail transit industry in Zhengzhou. The urban rail transit industry expanded significantly throughout China. According to the National Bureau of Statistics of the PRC and the Ministry of Transport of the PRC, the annual passenger ridership of national metro lines increased from approximately 8.7 billion in 2012 to approximately 17.6 billion in 2020. The total length of national operating rail transit lines increased from approximately 2,058.0 kilometres in 2012 to approximately 7,546.0 kilometres in 2020.

The annual passenger ridership of the metro lines of Zhengzhou has increased significantly and remained steady despite the impact of the COVID-19 pandemic in 2020. For the years ended 31 December 2018, 2019 and 2020, the annual passenger ridership of the metro lines of Zhengzhou's rail transit system was approximately 291.5 million, 411.2 million and 341.0 million, respectively, representing a CAGR of 8.2 per cent. from 2018 to 2020. As Zhengzhou has a comparatively shorter operation route length and lower density of rail transit compared with other major cities in the PRC, such as Beijing and Shanghai, the Group believes that there is larger room for Zhengzhou's rail transit industry to further realise growth potential in the near future. Moreover, leveraging its unique position as the sole state-owned enterprise focusing on the investment, construction, operation and management of the rail transit system in Zhengzhou authorised by the Zhengzhou Government, the Group has benefited, and will continue to benefit, from the rapid growth of Zhengzhou's rail transit infrastructure development.

### *Monopoly position in the rail transit industry of Zhengzhou*

The Group is based in Zhengzhou, the capital of one of the largest provinces in the PRC in terms of population. From 2017 to 2020, the population of Zhengzhou increased from approximately 9.9 million to approximately 12.6 million, representing a CAGR of approximately 8.4 per cent. According to the 2019 Statistical Yearbook of Urban Construction released by the Ministry of Housing and Construction of the PRC, Zhengzhou ranks 12th in the country with an estimated total population of 6.7 million in the metropolitan and urban area. As market demand grows, the Group believes that there is larger room for Zhengzhou's rail transit industry to further realise growth potential in the near future in terms of operational mileage and stations in the near future.

According to the Zhengzhou Government's "Zhengzhou Rail Transit System Construction Plan Phase III (2019-2024)" (鄭州市城市軌道交通第三期建設規劃(2019-2024)) ("**Zhengzhou Construction Plan Phase III**") and "Zhengzhou Rail Transit Network Planning Revision (2015-2050)" (鄭州市軌道交通線網規劃修編(2015-2050)), the Zhengzhou Government plans to expand Zhengzhou's metro lines by approximately 970.9 kilometres comprising 21 rail transit lines and 523 stations by 2050, including eight general central city lines with approximately 326.3 kilometres and 218 stations, five general lines surrounding the outer edge of Zhengzhou with approximately 179.3 kilometres and 95 stations, and eight municipal express lines with approximately 465.3 kilometres and 210 stations. Furthermore, pursuant to the "Fourteenth Five-Year Plan" of Zhengzhou, the Group aims to promote the accessibility of public transportation. The Group will facilitate to establish a "30 minutes commute circle" that is based in Zhengzhou integrating rail transit lines, main railway lines, intercity transit lines and urban transit lines. The Group plans to complete approximately 70.0 per cent. of the construction as planned in the Zhengzhou Construction Plan Phase III and commence trial operations starting 2023. The Group also plans to commence the construction work starting 2023 as set out in the proposed Zhengzhou Rail Transit Construction Plan Phase IV and accelerate the commencement of the construction work of Line K2 and the second dispatch centre. By 2025, the Group expects that the traffic sharing rate by the rail transit transportation would surpass 60.0 per cent. in Zhengzhou, making rail transit the dominating means of transportation of Zhengzhou's public transport system.

Compared to other public transport infrastructure projects, rail transit infrastructure projects generally require significant upfront capital investment and longer investment payoff periods due to the mismatch

between the significant upfront investment and the relatively low fares charged to customers owing to the subsidised nature of the public transport system. As a result, local governments typically provide a portion of the upfront investment and finance the rest through enterprises such as the Group, by way of borrowing bank loans or issuance of onshore debts. The aforementioned factors have given rise to significant entry barriers for new market players to the rail transit industry. Consequently, the regional rail transit industry in China is typically monopolistic in nature.

Moreover, the rail transit operators in different cities typically focus on their respective geographic markets. Consequently, the market players in different cities and regions enjoy near exclusive local governmental support in terms of preferential policies and financial support, and advantages of rail transit over other means of public transport. Due to the nature of the industry and the government support, the Group enjoys a monopoly in the rail transit industry of Zhengzhou and faces limited competition.

***Industry-leading rail transit builder and operator with first-class research and development capabilities***

Pursuant to the “Zhengzhou Metro Group’s Action Plan to the ‘14th Five-Year Plan’” (鄭州地鐵集團智慧地鐵“十四五”規劃及行動計劃), the Group has established its blueprint for the Zhengzhou Metro Intelligent Information Platform. The Group focuses on four sectors of its daily operations, namely smart service, smart operation, smart construction and smart management. The Group has developed standardised operating and security systems to provide personalised services, digitalised business management, utilise data-driven decision-making, coordinate rail transit timetable to anticipate monitor of the functionality of the equipment to achieve timely maintenance and repairs.

The Group has leading research and development (“R&D”) capabilities in the PRC rail transit industry and is committed to technological innovation. The Group has a professional team of industry experts dedicated to improving the Group’s technical expertise and operational efficiency. The team regularly conducts research and development projects, covering fields such as rail transit engineering, environmental control, power supply, construction technology and operation and management. As of 30 June 2021, the Group has implemented the following innovative technologies to build an intelligent operating system for the rail transit industry:

- **Smart System.** At the behest of the Science and Technology Department of Henan Province, the Group has established Henan Province Rail Transportation Big Data Artificial Intelligence Engineering Technology Research Centre (河南省軌道交通大數據與人工智能工程技術研究中心) and Zhengzhou City Rail Transportation Big Data Artificial Intelligence Engineering Technology Research Centre (鄭州市軌道交通大數據與人工智能工程技術研究中心). Through these research centres, the Group has developed its intelligent passenger flow forecasting system to utilise big data for forecasting, scheduling and, where necessary, deploy emergency arrangements. It also utilises an intelligent video analysis system to monitor conditions along metro lines, increasing the efficiency by over 50.0 per cent. with an up to 90.0 per cent. rail transit track sparks recognition rate.
- **Big Data Container Cloud Platform.** The Group has also established the High Reliability Intelligent Rail Transit Engineering Research Centre (高可信智慧軌道交工程研究中心). This centre has undertaken the role of an incubator, with 17 pilot projects at the trial application stage including the first intelligent signal, operation, maintenance and diagnosis function application. The network intelligent dispatch research study that the Group put in trial application has successfully reduced the time required for the automatic map compilation process from seven business days to one business day. The Group also plans to install autonomous driving on its metro lines and intercity rail transit lines with the construction of Line 10 (Phase I) and Xinzheng International Airport Xuchang City Intercity Line.

- **BIM Life Cycle Demonstrative Engineering Project.** The Group promotes the building, information and modelling, or “BIM” management plan that enables the construction party to lead the project and monitor its progress supporting parties contribute to the implementation of the projects throughout the full life cycle of the projects. Through the BIM management plan, the Group was able to reduce the estimated total investment by 2.7 per cent, reduce design and coordination issues by 90.0 per cent., increase asset inventory efficiency by 300.0 per cent. and reduce the estimated construction periods by 9.0 per cent. during the planning stage.
- **TD-LTE Technology.** Line 1 utilises the TD-LTE Technology network, the first in rail transit industry to use an advanced technology for wireless communication. The TD-LTE Technology carries and uploads CCTV and PIS services to the control centre of the rail transit system. The TD-LTE Technology also marked the nation’s first communications-based train control research completed based on the LTE-M integrated communication.
- **Internet Ticketing.** The internet ticketing represents a marked improvement over the existing automatic ticket vending machines. Internet ticketing supports multiple functions such as cash ticket purchases, internet ticket purchases and internet ticket exchanges. Passengers can scan the QR code on iTVM through WeChat and Alipay, or pay for the ticket through Zhengzhou Rail Transit WeChat Public Account and Alipay City Service. Passengers can collect their tickets by entering the ticket number on the ticket vending machine. Through the technology, the Group has also enabled facial recognition gate access technology on its currently operating lines, making the Group the first in the industry with all operating metro lines equipped with facial recognition access and authentication and the first to create a dual-access intercommunicative model.
- **Automatic Fare Collection Network Management System (“ANCC”) and Cloud Gate iAGM.** In order to further improve the travel experience of passengers, the Group launched the ANCC online ticketing system and conducted trials of its “cloud gate” mobile phone scanning system at each station along Line 1. Passengers are relieved from the inconvenience of cash shortages or queuing for ticket purchases. Passengers can conveniently enter and exit the stations at stations where the cloud gate is implemented. Based on the success of the trials, the Group installed cloud gates throughout all of its currently operating lines. With the implementation of ANCC, the Group will save approximately RMB0.2 billion in estimated project cost. The Group is also considering implementing cloud gates over newly-constructed rail transit lines in order to provide an overall online cloud gate system throughout its entire network.

The Group’s strong research and development capabilities enable it to engage in large-scale and complex projects and complete them in an innovative and cost-effective manner. As of 30 June 2021, the Group had received numerous awards for its technical innovation, including the China Metro Technology Innovation Competition Outstanding Award (中國城市軌道交通科技創新大賽優秀項目獎) bestowed by the Beijing Urban Construction Design Development Group (北京城建設計發展集團) in 2019, 2019-2020 China Metro Industry Informatisation Best Practice Case (中國城市軌道交通行業2019-2020年信息化最佳實踐優秀案例) by China Association of Metros and First-Class Achievement of the First BIM Competition of the Engineering Construction Industry (Transportation Engineering) (首屆工程建設行業BIM大賽一等成果(交通工程類)) by China Association Construction Enterprise Management (中國施工企業管理協會). See “— Key Awards” below.

### ***Strong and continuous support from the Zhengzhou Government***

Since its establishment in 2008, the Group has received strong financial and operational support from the Zhengzhou Government in the form of, among others, capital injections, government grants and subsidies. On 6 March 2008, the Issuer was founded under the approval of the Zhengzhou Government. The Group has been designated as the sole state-owned enterprise responsible for the investment, construction, operation and management of the rail transit system in Zhengzhou as authorised by the Zhengzhou Government. The Group sets out its business strategies and development plans in close

accordance with the relevant municipal policies and economic development of Zhengzhou and has played an important role in implementing the policies and blueprint of the Zhengzhou Government for the development of its public transportation system. According to the overall development plan of the Zhengzhou Government during the “Thirteenth Five-Year Plan”, the Group is recognised as an integrated rail transit development enterprise primarily responsible for the integrated development of rail transit assets, resources, and other businesses in the urban and suburban areas of Zhengzhou. This unique strategic positioning of the Group has been bolstered by the following financial and policy support measures provided by the Zhengzhou Government:

- **Capital injection.** Since its establishment, the Group has received substantial capital injection as share capital from the Zhengzhou Government. For example, as of 30 June 2021, the Group had received various forms of capital injection in an aggregate amount of approximately RMB50.2 billion.
- **Government grants and subsidies.** The Group receives government grants and subsidies in support of its general operation. The Zhengzhou Finance Bureau subsidise the differences between rail transit operation and financial costs and fare income from the sale of rail transit tickets to the Group, based on the actual passenger ridership of all rail transit lines in operation. The Group receives grants and subsidies through multiple sources, among others, public fiscal budget and specialised rail transit funds. The Group recognises government grants and subsidies received, based on their respective purposes, under non-operating income, deferred income or other income. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, the Group had received government grants of approximately RMB969.8 million, RMB1,693.8 million, RMB2,672.8 million and RMB636.9 million, respectively, from the Zhengzhou Government, which were related and in support of the Group’s general operation.
- **Extensive land consolidation.** Cooperating with the Zhengzhou Land Reserve Centre, the Group has undertaken and completed a number of land consolidation and development projects of strategic importance to Zhengzhou, including rail transit stations and the construction of surrounding sites. With the support of the Zhengzhou Government, the Group has also undertaken transit-oriented consolidation and development projects which integrate land use with transportation planning to maximise the land use of the station areas. By undertaking these projects, the Group has accumulated extensive experience in the industry and established a proven track record, which, in turn, enables it to be well-positioned to capture opportunities in relation to the development of Zhengzhou.

In addition, a substantial majority of the Group’s directors and supervisors are appointed by Zhengzhou SASAC and the Zhengzhou Municipal Party Committee Organisation Department. The Group believes that the public’s recognition of its achievement in rail transit projects as well as the strong support it receives from the Zhengzhou Government, has contributed to the Group’s steady asset expansion and underpins the Group’s significance in Zhengzhou’s social and economic development.

#### ***Diverse sources of financing and stable business relationship with reputable banks***

Leveraging its monopoly position in the operation of Zhengzhou’s rail transit system and the strong support it receives from the Zhengzhou Government, the Group has experienced rapid business growth and maintained a robust financial performance. In each of July 2018, October 2019 and July 2020, the Group consecutively had received an “AAA” credit rating from China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司). The Group’s strong credit profile has enabled it to secure relatively low-cost onshore financing. The Group also maintains an optimal debt structure, with long-term debts constituting over 90.0 per cent. of its total indebtedness. In addition, the Group seeks to maintain a total debt to total asset ratio of below 70.0 per cent. The Group has access to diverse sources of funding that tap the domestic and international capital markets and maintain a balanced debt structure consisting of short-term, medium-term and long-term credit facilities.

The Group maintains good business relationships with reputable major PRC banks, including, among others, China Development Bank, Bank of China, Agricultural Bank of China, Industrial and Commercial Bank of China, Bank of Communications, Huaxia Bank, China CITIC Bank and China Everbright Bank. These long-term relationships have enabled the Group to establish a record of strong creditworthiness and solid reputation among these major commercial banks. As of 30 June 2021, the Group had an aggregate bank credit of approximately RMB327.5 billion, of which approximately RMB115.0 billion remained unutilised. See “— *Funding Sources*” below. The Group believes its strong financial profile and multiple sources of financing well position itself in implementing its development strategies.

#### ***Experienced senior management team with strong execution capabilities***

The Group’s senior management team has an average of over 20 years of experience in serving government authorities or state-owned enterprises. In particular, the Group’s senior management has a track record of professional experience in the metro industry and other public service sectors and possess extensive management skills and industry expertise. The Group believes the industry experience and execution capabilities of its management are essential to its success and has enabled it to capitalise on market opportunities, formulate effective business strategies and maximise its profitability.

The Group has established a sound and effective corporate governance structure which is in line with modern corporate governance practices. Its corporate governance system covers various aspects of the Group’s daily operations, such as safety, risk management and capital management. The Group has established a series of management systems covering designing and engineering, construction quality and safety, bidding procurement, legal affairs, human resources and employee benefits, financial budget, audit, and other corporate and internal control matters to ensure that the Group’s daily operations comply with applicable laws and internal risk control mechanisms. The Group believes its experienced management team and sound corporate governance has contributed to its success.

#### **Business Strategies**

The Group seeks to achieve its goals through the following strategies:

#### ***Further cement its unique position in rail transit operation in Zhengzhou and further develop its core business***

As the sole state-owned enterprise engaging in the investment, construction, operation and management of the rail transit system in Zhengzhou as authorised by the Zhengzhou Government, the Group plans to continue to leverage on its unique position and experience to cement its role in the development of Zhengzhou’s rail transit system. The Group intends to improve its rail transit operation business by further enhancing the safety and quality standard of the rail transit construction projects. The Group plans to implement comprehensive safety evaluation and emergency plans for risk management and to upgrade its management capability through business performance assessment, unified capital operations and greater control over operating risks. The Group will also implement high-standard survey and design concepts to achieve greater financial resources, marketing capabilities and brand recognition.

According to the relevant government directives, the Group will be responsible for establishing and operating a comprehensive rail transit network connecting Zhengzhou’s central district and the city’s surrounding major areas. As of 30 June 2021, the rail transit network of Zhengzhou had a total route length of approximately 206.4 kilometres in operation and approximately 211.6 kilometres under construction. The Group aims to further increase the total route length of its rail transit network in accordance with the municipal planning and rail transit network planning of the Zhengzhou Government.



***Continue to enhance its technological expertise to achieve sustainable long-term growth***

The Group will continue to enhance its R&D capabilities and deploy various resources to develop advanced technologies. The Group believes that utilisation of advanced technologies is important to the effective and efficient operation of the rail transit business, such as offering an increasing convenient transportation experience to the public. The Group also plans to leverage the rapid transformation and commercialisation of new technological achievements to establish an intelligent urban rail transit system. For example, the Group has deployed internet ticketing technology by way of using WeChat pay, Alipay and cloud gate technology. In addition, the Group cooperates with leading rail transit equipment companies to conduct R&D on intelligent rail transit engineering equipment, vehicles, testing equipment, and communication equipment, among others. The Group will closely monitor industry trends to adjust its investments in technologies and equipment upgrades to optimise its service offering and achieve sustainable long-term growth.

***Further develop the Group's real property development business and resource development businesses to create synergies***

The Group plans to implement its metro-land-property model and further develop its real property development business along its rail transit lines. The Group believes that this strategy will help diversify its business portfolios and tap into the real property development market, which will maximise its profits and secure a long-term stream of business income. The Group aims to continue to establish its brand name in its real property development business and seek opportunities in developing commercial and cultural properties.

To achieve an integrated and diversified business model and realise synergies, the Group intends to further consolidate and utilise its real transit assets and strengthen its resource development business. The Group plans to introduce creative cultural products and projects in the rail transit stations, such as commemorative tickets, cultural souvenirs, mascots of metros and other cultural products. The Group also plans to explore new media platforms to better utilise metro advertising space. Moreover, the Group intends to engage in the integrated development and operation of the commercial space of the metro stations, such as the investment and management of self-service equipment and other convenience services within the metro space.

***Continue to improve the Group's corporate governance and internal control***

The Group has instituted a sound corporate governance and internal control system and will continue to improve upon the foundation already laid. The Group's corporate governance structure follows modern corporate governance concepts and consists of the board of directors, the board of supervisors and operational departments led by the senior management. See “— *Directors, Supervisors and Senior Management of The Group*” below. Each component of the Group's corporate governance structure contributes to the long-term development of the Group. The board of directors guides and monitors the senior management in the implementation of the Group's strategic plans, while the board of supervisors monitors the directors' performance, creating a governance system of checks and balances. Employee director and supervisors also sit on the board of directors and board of supervisors to ensure the employees' voices are heard and considered when the Group is deliberating on major issues.

To drive sustainable growth and enhance corporate value, the Group is committed to implementing and strengthening compliance and improving the soundness and transparency of its internal control system. The Group aims to continuously evaluate and improve relevant policies and mechanisms to ensure a fair evaluation and promotion system, effective contract management and review system, information management and risk management throughout all levels of its corporate structure.

### ***Continue to optimise resource allocation and develop diversified financing channels through prudent financial management***

The Group aims to be prudent in financial management by making appropriate adjustments to its business mix from time to time in an effective and efficient manner. The Group will focus on optimising its financial structure through further implementing cost control management model and analytical system so as to achieve greater economies of scale and improve its overall competitiveness. These measures will also enable the Group to better allocate resources and enhance operational efficiencies.

As rail transit construction projects are capital intensive, the Group plans to explore and employ new financing channels, such as conducting bond issuances in international capital markets. In addition, the Group is seeking to build and reinforce close cooperative relationships with financial institutions to secure funding on more favourable terms to better support the Group's financing needs for future development. The Group expects to further leverage its strong financing capability to facilitate organic growth.

### **Key Awards**

The Group has received various honours and awards in recognition of, among others, the Group's overall strengths and reputation in the industries in which it operates. The table below sets forth the Group's major honours and awards received as of 30 June 2021:

<b>Year of Grant</b>	<b>Award/Recognition</b>	<b>Awarding Organisation</b>
2021 . . . . .	China Standard Metro Train Development and Test Demonstration Project – Zhengzhou Airport to Xuchang (系列化中國標準地鐵列車研製及試驗示範項目– 鄭州機場至許昌)	China Association of Metros (中國城市軌道交通協會)
	The 18th Tien-yow Jeme Civil Engineering Prize – South Fourth Ring Road – Zhengzhou South Station Intercity Line (Phase 1) (第十八屆中國土木工程詹天佑獎–鄭州市南四環至鄭州南站城郊鐵路一期工程)	China Civil Engineering Society and the Beijing Zhantianyou Development Foundation for Science and Technology (中國土木工程學會北京詹天佑土木工程科學技術發展基金會)
2020 . . . . .	2013-2020 the Leading Key Project Construction Enterprise in Henan Province (2013-2020年度河南省重點項目建設先進單位)	Henan Provincial People's Government (河南省人民政府)
	2019-2020 China Metro Industry Informatisation Best Practice Case (中國城市軌道交通行業2019-2020年信息化最佳實踐優秀案例)	China Association of Metros (中國城市軌道交通協會)
	2019 – 2020 China Intelligent Rail Transit Outstanding Application Case (中國智慧軌道交通優秀應用案例獎)	RT Rail Transit (RT 軌道交通)
	First-Class Achievement of the First BIM Competition of the Engineering Construction Industry (Transportation Engineering) (首屆工程建設行業BIM大賽一等成果 (交通工程類))	China Association Construction Enterprise Management (中國施工企業管理協會)

<b>Year of Grant</b>	<b>Award/Recognition</b>	<b>Awarding Organisation</b>
2019 . . . . .	China Metro Technology Innovation Competition Outstanding Award (中國城市軌道交通科技創新大賽優秀項目獎)	Beijing Urban Construction Design Development Group (北京城建設計發展集團)
	2018-2019 National Quality Engineering Award – Zhengzhou Metro Line 2 (Phase 1) (2018-2019年度國家優質工程獎 – 鄭州市軌道交通2號線一期工程)	China Association of Construction Enterprise Management (中國施工企業管理協會)
	Civilized Unit of Henan Province (河南省文明單位)	Henan Provincial People’s Government (河南省人民政府)
2018 . . . . .	2018 Municipal Management Enterprise Advanced Group (2018年度鄭州市管企業目標管理先進單位)	Zhengzhou SASAC and Zhengzhou SASAC Party Committee (鄭州市國資委黨委)
	2017-2018 Emergency Management Advanced Group (2017-2018年度應急管理工作先進單位)	Zhengzhou Government
2017 . . . . .	2017 Zhengzhou Key Project Construction Excellent Participating Unit (2017年度鄭州市重點項目建設優秀參建單位)	Zhengzhou Government
	Civilized Unit of Zhengzhou City (鄭州市文明單位)	Zhengzhou Government

## History and Development

The Issuer was incorporated on 6 March 2008 under approval of the Zhengzhou Government. As of the date of this Offering Circular, the Group has a registered capital of RMB2,779.0 million.

The table below sets forth selected key milestones in the Group’s history and development:

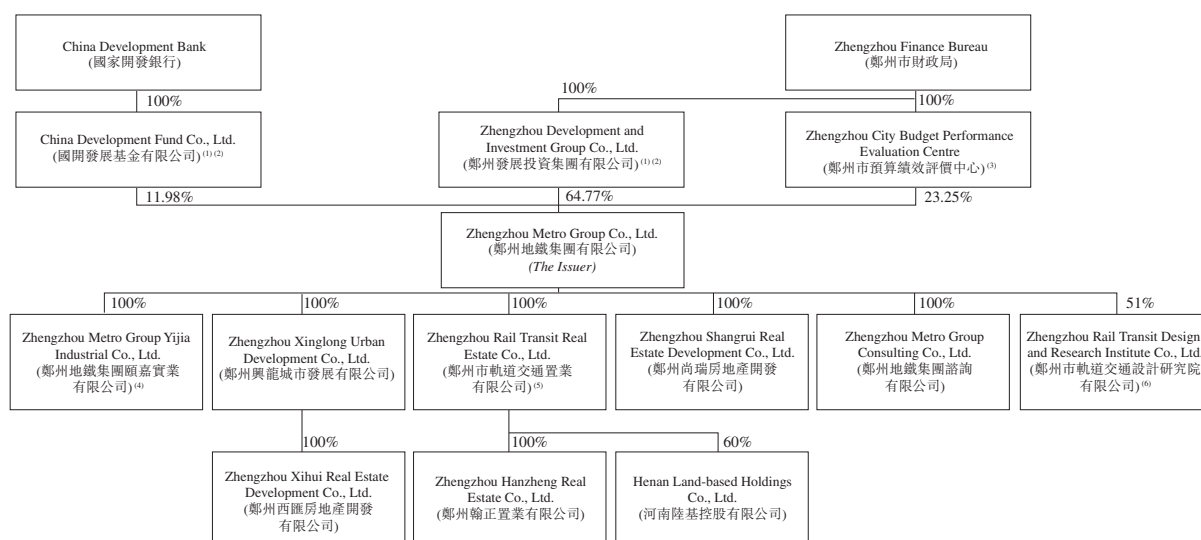
<b>Year</b>	<b>Events</b>
2008 . . . . .	<ul style="list-style-type: none"> <li>On 6 March 2008, the Issuer’s predecessor, Zhengzhou City Rail Transport Co., Ltd. (鄭州市軌道交通有限公司), was established according to the Directive No. 36 by the Zhengzhou Government with a registered capital of RMB100.0 million.</li> </ul>
2009 . . . . .	<ul style="list-style-type: none"> <li>In June 2009, Zhengzhou Rail Transit Real Estate Co., Ltd. (鄭州市軌道交通置業有限公司) was founded as a wholly-owned subsidiary of the Company and the construction of Zhengzhou Metro Line 1 (Phase 1) was commenced.</li> <li>In October 2009, Zhengzhou SASAC increased the registered capital of the Issuer by RMB900.0 million, increasing its registered capital to RMB1.0 billion.</li> </ul>
2010 . . . . .	<ul style="list-style-type: none"> <li>The construction of Zhengzhou Metro Line 2 (Phase 1) was commenced in December 2010.</li> </ul>
2011 . . . . .	<ul style="list-style-type: none"> <li>Zhengzhou Rail Transit Design and Research Institute Co., Ltd. (鄭州市軌道交通設計研究院有限公司) was founded in April 2011.</li> </ul>

- 2013 . . . . . • Zhengzhou Metro Line 1 (Phase 1) commenced trial operation in December 2013.
- 2014 . . . . . • The construction of South Fourth Ring Road – Zhengzhou South Station Intercity Line (Phase 1) was commenced in April 2014.
- The construction of Zhengzhou Metro Line 1 (Phase 2) was commenced in September 2014.
- The construction of Zhengzhou Metro Line 5 was commenced in December 2014.
- In December 2014, the registered capital of the Issuer was further increased to RMB1,546.0 million, which was provided by Bank of Communications Schroder Fund Management Co., Ltd.
- 2016 . . . . . • Zhengzhou Metro Line 2 (Phase 1) commenced trial operation in August 2016.
- The construction of Zhengzhou Metro Line 3 (Phase 1), South Fourth Ring Road – Zhengzhou South Station Intercity Line (Phase 2) and Zhengzhou Metro Line 2 (Phase 2) were commenced in December 2016.
- 2017 . . . . . • South Fourth Ring Road – Zhengzhou South Station Intercity Line (Phase 1) and Zhengzhou Metro Line 1 (Phase 2) commenced trial operation in January 2017.
- The construction of Zhengzhou Metro Line 14 (Phase 1) was commenced in January 2017.
- The construction of Zhengzhou Metro Line 4 was commenced in March 2017.
- In December 2017, the registered capital of the Issuer was further increased to RMB1,879.0 million, which was provided by China Development Fund Co., Ltd. through various capital injection.
- 2018 . . . . . • In July 2018, the registered capital of the Issuer was further increased to RMB2,779.0 million, which was indirectly provided by Zhengzhou Finance Bureau through Zhengzhou Development and Investment Group Co., Ltd. (鄭州發展投資集團有限公司).
- In September 2018, the Issuer changed its name to Zhengzhou Metro Group Co., Ltd. (鄭州地鐵集團有限公司).
- 2019 . . . . . • Zhengzhou Metro Line 5 commenced trial operation in May 2019.
- Zhengzhou Metro Line 2 (Phase 2) and Zhengzhou Metro Line 14 (Phase 1) commenced trial operation in December 2019.
- 2020 . . . . . • Zhengzhou Metro Line 4 and Zhengzhou Metro Line 3 (Phase 1) commenced trial operation in December 2020.

- In August 2021, the Issuer established Zhengzhou Xinglong Urban Development Co., Ltd. (鄭州興龍城市發展有限公司), a subsidiary of the Issuer to focus on the real property development business sector.
- In September 2021, the Issuer established Zhengzhou Metro Group Consulting Co., Ltd. (鄭州地鐵集團諮詢有限公司), a subsidiary of the Issuer to engage in construction consultation and management business.
- In September 2021, the Issuer established Zhengzhou Shangrui Real Estate Development Co., Ltd. (鄭州尚瑞房地產開發有限公司) a subsidiary of the Issuer to focus on the real property development business sector.

## Group Structure

The chart below illustrates the simplified corporate structure of the Group as of the date of this Offering Circular:



### Notes:

- (1) In August and September 2020, Zhengzhou Development and Investment Group Co., Ltd. entrusted the Issuer to pay RMB550 million to China Development Fund Co., Ltd. for the acquisition of 2.06 per cent. of the Issuer's equity held by China Development Fund Co., Ltd. After this change of shareholding, the shareholding of Zhengzhou Development and Investment Group Co., Ltd. and China Development Fund Co., Ltd. is 66.83 per cent. and 9.92 per cent., respectively. As of the date of this Offering Circular, the relevant procedures for such shareholding change has not been completed.
- (2) In March 2021, Zhengzhou Development and Investment Group Co., Ltd. entrusted the Issuer to pay RMB250 million to China Development Fund Co., Ltd. for the acquisition of 0.94 per cent. of the Issuer's equity held by China Development Fund Co., Ltd. After this change of shareholding, the shareholding of Zhengzhou Development and Investment Group Co., Ltd. and China Development Fund Co., Ltd. is 67.77 per cent. and 8.98 per cent., respectively. As of the date of this Offering Circular, the relevant procedures for such shareholding change has not been completed.
- (3) Zhengzhou City Budget Performance Evaluation Centre (鄭州市預算績效評價中心) is a sub-division of Zhengzhou Finance Bureau.
- (4) Zhengzhou Metro Group Yijia Industrial Co., Ltd. (鄭州地鐵集團頤嘉實業有限公司) is primarily responsible for the treatment and recycling of construction material waste.
- (5) Zhengzhou Rail Transit Real Estate Co., Ltd. (鄭州市軌道交通置業有限公司) is primarily responsible for the integrated development works along the rail transit lines, surrounding areas of the stations, terminals and underground commercial space.
- (6) Zhengzhou Rail Transit Design and Research Institute Co., Ltd. (鄭州市軌道交通設計研究院有限公司) is a design unit specialising in construction design, consultation, project analysis and transportation technology research of rail transit operations and investments. Zhengzhou Rail Transit Design and Research Institute holds the dual set qualifications of Grade I Rail Transit Engineering Construction and Grade II Road Engineering Construction. As of the date of this Offering Circular, Beijing Urban Construction Design & Research Institute Co., Ltd. holds 49.0 per cent. shareholding of Zhengzhou Rail Transit Design and Research Institute Co., Ltd.

## Business

As the sole state-owned enterprise focusing on the investment, construction, operation and management of the rail transit system in Zhengzhou as authorised by the Zhengzhou Government, the Group has played a key role in implementing the policies and blueprint of Zhengzhou Government for the development of public transport since its establishment in 2008. In addition to its core business in rail transit operation, to diversify its business portfolios and create synergies, the Group is also engaged in a range of rail transit related operating business, which mainly includes resource development, designing and consultation services and other businesses such as real property development along the rail transit lines. Leveraging on the rapid growth of Zhengzhou's rail transit infrastructure development and the strong financial and operational support from the Zhengzhou Government, the Group has maintained a strong growth momentum among its various business segments.

The table below sets forth the Group's business segments by revenue contribution to the Group's total business income for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2018		2019		2020		2020		2021	
	Amount	Per cent. of total business income	Amount	Per cent. of total business income	Amount	Per cent. of total business income	Amount	Per cent. of total business income	Amount	Per cent. of total business income
	(RMB in millions, except percentages)									
Rail transit operation . . . . .	596.3	24.4	627.2	73.9	615.7	65.0	174.3	72.8	448.0	82.4
Real property development . . . . .	1,663.6	68.0	40.1	4.7	172.4	18.2	–	–	–	–
Resource development . . . . .	61.8	2.5	74.8	8.8	62.1	6.6	26.5	11.1	35.5	6.5
Designing and consultation services . . . . .	9.0	0.4	14.3	1.7	12.6	1.3	4.5	1.9	11.6	2.1
Other businesses <sup>(1)</sup> . . . . .	117.1	4.8	92.8	10.9	84.0	8.9	34.3	14.3	48.9	9.0
<b>Total business income . . . . .</b>	<b>2,447.7</b>	<b>100.0</b>	<b>849.3</b>	<b>100.0</b>	<b>946.8</b>	<b>100.0</b>	<b>239.6</b>	<b>100.0</b>	<b>544.0</b>	<b>100.0</b>

Note:

- (1) The Group's other businesses primarily consist of (1) other services that are ancillary to its rail transit business, such as souvenir sales and (2) other services relating to construction materials production, electricity supply, rental services, etc.

### Rail Transit Operation

Rail transit operation is the Group's core business and the Group generates fare income from the sale of rail transit tickets. The Group is the sole state-owned enterprise operating the rail transit system in Zhengzhou. As of 30 June 2021, the Group operated all of the metro lines and the intercity rail transit line under Zhengzhou's rail transit system, namely Line 1, Line 2, Line 3 (Phase 1), Line 4, Line 5, Line 14 (Phase 1) and South Fourth Ring Road – Zhengzhou South Station Intercity Line (Phase 1), with a total route length of 206.4 kilometres and 152 stations. Since its first metro line became operational in December 2013, the total annual passenger ridership increased significantly from 291.5 million in 2018 to 341.0 million in 2020, representing a CAGR of 8.2 per cent. The Group is also the sole state-owned enterprise responsible for the investment, construction and management of rail transit system in Zhengzhou. As of 30 June 2021, the Group had invested in six metro lines of Zhengzhou's rail transit system which were in operation and six metro lines under construction. Moreover, the Group had invested in the construction of two intercity rail transit lines in Zhengzhou as of the same date. With respect to the six metro lines and two intercity rail transit lines under construction as of 30 June 2021, the estimated total investment amount was approximately RMB139.2 billion, consisting of RMB55.2 billion from government capital contribution and RMB84.0 billion from contribution by the Group.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, business income from the Group’s rail transit operation business amounted to approximately RMB596.3 million, RMB627.2 million, RMB615.7 million, RMB174.3 million and RMB448.0 million, respectively, accounting for approximately 24.4 per cent., 73.9 per cent., 65.0 per cent., 72.8 per cent. and 82.4 per cent., of the Group’s total business income for the respective periods.

The map below shows the Group’s metro lines and intercity rail transit lines in operation, those under construction and those in the planning stage as of 30 June 2021:



The Group commits to providing safe, reliable and convenient rail transit service to the public to fulfil the growing demand and the higher requirement for public transport in Zhengzhou. The Group has a set of developed and detailed operating procedures covering all major aspects of rail transit transportation, including operation, management and maintenance. Leveraging industry-leading technologies such as big data, cloud computation and artificial intelligence, the Group constantly optimises equipment maintenance and explores new models for an intelligent maintenance system. For example, certain smart operating facilities and concepts employed by the Group are smart system, big data container cloud platform, BIM life cycle demonstrative engineering project, TD-LTE technology, internet ticketing and ANCC and Cloud Gate iAGM. See “— *Competitive Strengths* — *Industry-leading rail transit builder and operator with first-class research and development capabilities*”.

## Rail Transit Lines in Operation

As of 30 June 2021, the Group had six metro lines and one intercity rail transit line currently in operation. The table below sets forth details of these rail transit lines operated by the Group:

Line	Starting and Terminal Stations	Length (kilometres)	Number of Stations
Line 1 . . . . .	Henan University of Technology Station – Henan University Station	41.2	30
Line 2 . . . . .	Liuzhuang Station – South Fourth Ring Station	30.9	22
Line 3 (Phase 1) . . . . .	Henan Sports Centre Station – Yinggang Station	25.5	21
Line 4 . . . . .	Laoyachen Station – Langzhuang Station	29.2	27
Line 5 . . . . .	Yuejigongyuan Loop	40.4	32
Line 14 (Phase 1) . . . . .	Xushui Station – Lianhu Station	7.5	6
South Fourth Ring Road – Zhengzhou South Station	South Fourth Ring Station – Xinzheng International Airport Station	31.7	14
Intercity Line (Phase 1) . . . . .			
<b>Total</b> . . . . .		<u>206.4</u>	<u>152</u>

- *Line 1:* Line 1, with a total route length of 41.2 kilometres and 30 stations, starts from Henan University of Technology Station and ends at Henan University Station. The construction of Line 1 consists of two phases:
  - *Line 1 (Phase 1):* Line 1 (Phase 1) consists the construction of a total route length of 26.2 kilometres with 20 stations, starting from City Sports Centre Station and ending at Xiliuhu Station. Construction of the project was commenced in June 2009. Trial operation of Line 1 (Phase 1) was commenced in December 2013.
  - *Line 1 (Phase 2):* Line 1 (Phase 2) consists the construction of a total route length of 15.0 kilometres and ten stations, starting from Henan University of Technology Station and ending at New Campus of Henan University Station. Construction of the project was commenced in September 2014. Trial operation of Line 1 (Phase 2) was commenced in January 2017.
- *Line 2:* Line 2, with a total route length of 30.9 kilometres and 22 stations, starts from Liuzhuang station and ends at South Fourth Ring Station. The construction of Line 2 consists of two phases:
  - *Line 2 (Phase 1):* with a total route length of 20.6 kilometres and 16 stations, starts from Liuzhuang Station and ends at South Fourth Ring Station. Construction of the project was commenced in December 2010. Trial operation of Line 2 (Phase 1) was commenced in August 2016.
  - *Line 2 (Phase 2):* with a total route length of 10.3 kilometres and 6 stations, starts from Jiahe Station and ends at Liuzhuang Station. Construction of the project was commenced in December 2016. Trial operation of Line 2 (Phase 2) was commenced in December 2019.
- *Line 3 (Phase 1):* with a total route length of 25.5 kilometres and 21 stations, starts from Henan Sports Centre Station and ends at Yinggang Station. Construction of the project was commenced in December 2016. Trial operation of Line 3 (Phase 1) was commenced in December 2020.
- *Line 4:* with a total route length of 29.2 kilometres and 27 stations, starts from Laoyachen Station and ends at Langzhuang Station. Construction of the project was commenced in March 2017. Trial operation of Line 5 was commenced in December 2020.



- *Line 5*: with a total route length of 40.4 kilometres and 32 stations, starts from Yuejigongyuan Station and ends at Yuejigongyuan Station. Construction of the project was commenced in December 2014. Trial operation of Line 5 was commenced in May 2019.
- *Line 14 (Phase 1)*: with a total route length of 7.5 kilometres and six stations, starts from Xushui Station and ends at Lianhu Station. Construction of the project was commenced in January 2017. Trial operation of Line 14 (Phase 1) was commenced in September 2019.
- *South Fourth Ring Road – Zhengzhou South Station Intercity Line (Phase 1)*: with a total route length of approximately 31.7 kilometres and 14 stations (comprising seven elevated stations and seven underground stations), starts from South Fourth Ring Station and ends at Xinzheng International Airport Station. Construction of the project was commenced in April 2014. Operation of the South Fourth Ring Road – Zhengzhou South Station Intercity Line (Phase 1) was commenced in January 2017.

### *Operating Performance*

The table below sets out certain key performance information of the Group’s rail transit operation business for the periods indicated:

	<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Annual passenger ridership . . . . .	291.5 million	411.2 million	341.0 million
Average daily passenger ridership . . . . .	0.8 million	1.1 million	0.9 million
Total number of train trips . . . . .	317,582	423,629	363,396
Average daily number of train trips . . . . .	870	1,161	993
Stored value ticket utilisation rate . . . . .	62.7 per cent	43.3 per cent	31.2 per cent
Train punctuality . . . . .	99.94 per cent	99.96 per cent	99.98 per cent

### *Stations*

As of 30 June 2021, Zhengzhou’s rail transit system had a total of 152 stations in operation and a total of 124 stations under construction. A metro or intercity rail transit line station of Zhengzhou’s rail transit system is usually equipped with automatic ticket machines, escalators, elevators, restrooms and facilities for the disabled. In addition, for security purpose, all of the rail transit stations operated by the Group are equipped with security inspection devices. To deal with emergencies, every metro or intercity rail transit line station of Zhengzhou’s rail transit system has an independent warning system, automatic sprinkler system and back-up power supply system, and is staffed with station managers and security check inspectors who are responsible for the overall operation and security of the stations.

### *Fares*

Due to the public service nature of the rail transit system, the Zhengzhou Government has published guidelines to control the pricing of ticket fares. Income from the sales of rail transit tickets is the primary source of the Group’s income and covers a substantial part of the operating costs of Zhengzhou’s rail transit system. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, business income from sales of rail transit tickets amounted to approximately RMB596.3 million, RMB627.2 million, RMB615.7 million, RMB174.3 million and RMB448.0 million, respectively, accounting for approximately 24.4 per cent., 73.9 per cent., 65.0 per cent., 72.8 per cent. and 82.4 per cent. of the Group’s total business income for the respective periods.

To encourage the use of public transport, the Zhengzhou metro system adopts a multi-tier pricing system based on ride distance. Metro fares cost RMB2.0 per person per ride for the first six kilometres, RMB3.0 per person per ride for ride distance between seven kilometres and 13 kilometres, RMB4.0 per person per ride for ride distance between 14 kilometres and 21 kilometres, and an additional RMB1.0 for every nine kilometres above 21 kilometres. The specific metro fares are determined by the Zhengzhou Government. See “Risk Factors — The Group’s ability to raise fares to cover the Group’s operating costs could be limited”.

#### *Metro Command and Dispatch*

The Group operates a control centre, which serves as the centralised command and management centre for the operation of rail transit network in Zhengzhou. The control centre is equipped with advanced devices to monitor the operation of the metro and intercity rail transit lines on a real-time basis. The main responsibilities of the control centre include command and dispatch of metro line and analysis of passenger ridership.

#### *Rail Transit Projects under Construction*

As of 30 June 2021, the Group had six metro lines and two intercity rail transit lines under construction. The table below sets forth details of the projects under construction as of 30 June 2021:

Line	Starting and Terminal Stations	Length	Number of Stations	Estimated Total Investment Amount	Year Commenced Construction	Expected Year Commencing Operation
		(kilometres)		(RMB in millions)		
<b>Metro</b>						
Line 3 (Phase 2)	Yinggang Station – Binhe New Town South Station	6.3	4	3,378	2020	2022
Line 6 (Phase 1)	Jiayu Station – Qinghuafuzhong Station	43.4	28	29,320	2020	2023
Line 7 (Phase 1)	Huanghe National Museum Station – Houzhai Station	29.3	21	23,896	2020	2023
Line 8 (Phase 1)	Tianjian Lake Station – Wenchuang Road Station	51.8	28	32,293	2020	2023
Line 10 (Phase 1)	Zhengzhou West Station – Zhengzhou Railway Station	21.9	12	15,065	2017	2022
Line 12 (Phase 1)	Longzi Lake East Station – Shengfosi Station	16.5	11	12,695	2020	2023
<b>Intercity Rail Transit Line</b>						
South Fourth Ring Road – Zhengzhou South Station Intercity Line (Phase 2)	Xinzheng International Airport Station – Zhengzhou South Station	9.0	4	4,720	2016	2021
Xinzheng International Airport – Xuchang City Intercity Line	Chang’an Road North Station – Xuchang City Railway Section	33.4	16	17,869	2019	2022
<b>Total</b>		<u>211.6</u>	<u>124</u>	<u>139,236</u>		

- **Line 3 (Phase 2):** Line 3 (Phase 2), with a total route length of 6.3 kilometres and four stations, starts from Yinggang Station and ends at Binhe New Town South Station. Construction of the project was commenced in March 2020 and is expected to be completed in December 2022. As of 30 June 2021, the estimated total investment amount of the project was approximately RMB3,378 million.

- *Line 6 (Phase 1)*: Line 6 (Phase 1), with a total route length of 43.4 kilometres and 28 stations, starts from Jiayu Station and ends at Qinghuafuzhong Station. Construction of the project was commenced in May 2020 and is expected to be completed in December 2023. As of 30 June 2021, the estimated total investment amount of the project was approximately RMB29,320 million.
- *Line 7 (Phase 1)*: Line 7 (Phase 1), with a total route length of 29.3 kilometres and 21 stations, starts from Huanghe National Museum Station and ends at Houzhai Station. Construction of the project was commenced in May 2020 and is expected to be completed in December 2023. As of 30 June 2021, the estimated total investment amount of the project was approximately RMB23,896 million.
- *Line 8 (Phase 1)*: Line 8 (Phase 1), with a total route length of 51.8 kilometres and 28 stations, starts from Tianjian Lake Station and ends at Wenchuang Road Station. Construction of the project was commenced in May 2020 and is expected to be completed in December 2023. As of 30 June 2021, the estimated total investment amount of the project was approximately RMB32,293 million.
- *Line 10 (Phase 1)*: Line 10 (Phase 1), with a total route length of 21.9 kilometres and 12 stations, starts from Zhengzhou West Station and ends at Zhengzhou Railway Station. Construction of the project was commenced in December 2017 and is expected to be completed by the end of 2022. As of 30 June 2021, the estimated total investment amount of the project was approximately RMB15,065 million.
- *Line 12 (Phase 1)*: Line 12 (Phase 1), with a total route length of 16.5 kilometres and 11 stations, starts from Longzi Lake East Station and ends at Shengfosi Station. Construction of the project was commenced in July 2020 and is expected to be completed in December 2023. As of 30 June 2021, the estimated total investment amount of the project was approximately RMB12,695 million.
- *South Fourth Ring Road – Zhengzhou South Station Intercity Line (Phase 2)*: South Fourth Ring Road – Zhengzhou South Station Intercity Line (Phase 2) consists a total route length of approximately 9.1 kilometres and four stations, starting from Xinzheng International Airport Station and ending at Zhengzhou South Station. Construction of the project was commenced in December 2016 and is expected to be completed in December 2021. As of 30 June 2021, the estimated total investment amount of South Fourth Ring Road – Zhengzhou South Station Intercity Line (Phase 2) was approximately RMB4,720 million.
- *Xinzheng International Airport – Xuchang City Intercity Line*: Xinzheng International Airport – Xuchang City Intercity Line consists a total route length of approximately 33.4 kilometres and 16 stations, starting from Chang’an Road North Station and ending at Xuchang City railway section. Construction of the project was commenced in October 2019 and is expected to be completed in December 2022. As of 30 June 2021, the estimated total investment amount of Xinzheng International Airport – Xuchang City Intercity Line was approximately RMB17,869 million.

## Project Investment

The tables below set forth details of the total investment amount of each metro line and rail transit line development project and the respective capital contribution provided by the Zhengzhou Government to the Group as of 30 June 2021:

	<b>Total Invested Amount</b>	<b>Capital Contribution by Zhengzhou Government</b>
	(RMB in millions)	(RMB in millions)
<b>Metro Lines and Rail Transit Lines in Operation</b>		
Line 1	22,893.7	9,615.4
Line 2	18,293.2	6,364.7
Line 3 (Phase 1)	20,608.3	8,655.5
Line 4	19,743.2	8,292.2
Line 5	32,138.5	13,498.2
Line 14 (Phase 1)	5,677.5	2,271.0
South Fourth Ring Road – Zhengzhou South Station Intercity Line (Phase 1)	13,857.9	4,157.4
	<b>Estimated Total Investment Amount</b>	<b>Capital Contribution by Zhengzhou Government</b>
	(RMB in millions)	(RMB in millions)
<b>Metro Lines and Rail Transit Lines under Construction</b>		
Line 3 (Phase 2)	3,378.5	1,351.4
Line 6 (Phase 1)	29,319.7	11,727.9
Line 7 (Phase 1)	23,895.8	9,558.3
Line 8 (Phase 1)	32,292.7	12,917.1
Line 10 (Phase 1)	15,065.0	6,026.0
Line 12 (Phase 1)	12,695.0	5,078.0
South Fourth Ring Road – Zhengzhou South Station Intercity Line (Phase 2)	4,720.2	1,416.0
Xinzheng International Airport – Xuchang City Intercity Line	17,869.0	7,147.6

In addition to financial support provided by the Zhengzhou Government, the Group also relies on other external funding sources to meet its investment and working capital needs. See “*Funding Sources*” below.

## Project Construction

### Project Planning and Design

Under the instruction of the Zhengzhou Government, the Group participates in the planning and design of Zhengzhou’s rail transit system for the comprehensive development of Zhengzhou’s rail transit system. The Group carries out the preliminary design and planning of the rail transit system, including the rail transit lines, stations and surrounding land, and submits a comprehensive development report and plan to the Zhengzhou Government for approval.

### Construction Management

The Group as the project owner outsources the construction work to third-party contractors. The Group is generally responsible for the financing of the construction of the rail transit development projects. The Group also monitors the construction progress of the rail transit development projects by third-party contractors.

Such contractors may engage subcontractors for specific processes and manage the construction progress and the subcontractors to ensure the completion of the construction projects in a timely and efficient manner, as well as according to pre-agreed price and scope of work as set out in the outsourcing contracts with the Group.

### ***Real Property Development***

In conjunction with its investment in the construction and operation of the rail transit business, the Group engages in real property development business to create synergies between these business segments. The Group has also adopted a “metro-land-property” model, which entails the integrated development of residential properties and commercial properties above or adjacent to the metro stations through its wholly-owned subsidiary, Zhengzhou Rail Transit Real Estate Co., Ltd. (鄭州市軌道交通置業有限公司) (“Zhengzhou Rail Transit”).

The Group undertakes real property development business through independent development or joint venture development with other prominent developers. Under the independent development model, Zhengzhou Rail Transit is primarily responsible for the development and construction. Zhengzhou Rail Transit manages the overall project progress with the cooperation with design management department, preliminary work department, engineering department, contract and legal department, marketing and property department, etc. The Group also bids for secondary land development projects through Zhengzhou Rail Transit. Under the joint venture development model, Zhengzhou Rail Transit and other prominent developers jointly manage and oversee the projects. The contracted developers primarily undertake the construction of projects and will be entitled to a management construction fee from Zhengzhou Rail Transit upon delivery of projects.

Following the completion of the construction, the Group sells or leases such properties.

As of the date of this Offering Circular, the Group had completed one real property development project. The table below sets forth the Group’s completed real property development project as of 30 June 2021:

No.	Project Name	Properties Type	Business Model	Total GFA (sq.m.)	Total Investment Account (RMB in millions)	Status
1 . . .	Yijia Yuan Project (頤嘉園項目)	Residential	Independent Development	106,338	1,880.0	All units sold

As of 30 June 2021, the Group had five real property development projects under construction. The table below sets forth certain information about the Group’s five real property development projects under construction as of 30 June 2021:

No.	Project Name	Properties Type	Business Model	Planned GFA (sq.m.)	Estimated Total Investment (RMB in millions)
1 . . .	Huanghe Road Resettlement Project (黃河路安置房項目)	Residential and Commercial	Independent Development	76,923	921.0
2 . . .	Zhenggui Fengshang West Court Project (鄭軌風尚西苑項目)	Commercial, Residential and Office Buildings	Joint Venture Development	26,275	266.0

No.	Project Name	Properties Type	Business Model	Planned GFA (sq.m.)	Estimated Total Investment (RMB in millions)
3 . . .	Yijia Jingwei Project (頤嘉經緯項目)	Residential and Commercial	Joint Venture Development	56,526	754.0
4 . . .	Jingwei Huayue Project (經緯華悅項目，原高鐵站西廣場項目)	Commercial	Independent Development	51,700	361.0
5 . . .	Zhongmou Wonderful Future Court Project (中牟美好未來苑項目)	Residential	Joint Venture Development and Independent Development	93,896	634.0
<b>Total</b>				<u>305,320</u>	<u>2,936</u>

As of 30 June 2021, the Group had three real property development projects in the planning stage with a total planned GFA of approximately 0.9 million sq.m. and an estimated total investment amount of approximately RMB11,873.1 million. The table below sets forth certain information about the Group's three real property development projects in the planning stage as of 30 June 2021:

No.	Project Name	Properties Type	Planned GFA (sq.m.)	Estimated Total Investment Account (RMB in millions)
1. . . .	Property Development Project on the Wulongkou Parking Lot Along Line 5 (5號線五龍口停車場上蓋物業開發項目)	Residential	388,264	3,310.0
2. . . .	Dashiqiao Station Site Comprehensive Property Development Project (大石橋站站點綜合物業開發項目)	Commercial, Residential and Office Buildings	79,460	1,703.7
3. . . .	Comprehensive Development Project of the First Affiliated Hospital of Zhengzhou University (鄭大附一院站綜合開發項目)	Commercial, Residential and Office Buildings	422,688	6,859.4
<b>Total</b>			<u>890,412</u>	<u>11,873.1</u>

### **Resource Development**

To further capitalise on its rail transit assets, the Group also conducts its resource development business by way of leasing its rail transit assets to third parties, mainly including advertisers, media companies and telecommunication companies. To maximise the investment return from its rail transit assets, the Group plans to further leverage its rail transit resources and launch other convenience services and cultural projects in the rail transit stations it operates.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, business income from the Group's resource development business amounted to approximately RMB61.8 million, RMB74.8 million, RMB62.1 million, RMB26.5 million and RMB35.5 million, respectively, accounting for approximately 2.5 per cent., 8.8 per cent., 6.6 per cent., 11.1 per cent. and 6.5 per cent. of the Group's total business income for the respective periods.

### *Advertisement Leasing*

The Group engages in the advertisement leasing business in reliance on its assets and operation of Zhengzhou's rail transit system. For example, the Group displays advertisement and media on the walls of the tunnels and the space in the metro stations and charges leasing service fees from such third-party service providers. The advertisement leasing business of the Group primarily consists of the pre-planning work of the advertising resources of the metro system, as well as merchandising and contracting out the management right of these advertising resources.

### *Civil Communication Leasing*

The Group cooperates with China Mobile, China Unicom, Telecom and China Tower Co., Ltd. to conduct civil communication resource development projects on unlimited indoor coverage and data transmission within the metro space.

### *Designing and Consultation Services*

Leveraging its expertise in the rail transit industry, the Group provides designing and consultation services to third parties through its subsidiary, Zhengzhou Rail Transit Design and Research Institute Co., Ltd. (鄭州市軌道交通設計研究院有限公司), which specialises in construction design, consultation, project analysis and transportation technology research of rail transit operations and investments. In addition to its rich experience in the rail transit industry, the Group also holds a Grade I Qualification covering 37 subfields and a Grade II Road Engineering Construction Qualification. Due to expanding business needs, the Group also plans to provide consultation services to third parties through its wholly-owned subsidiary established in September 2021, Zhengzhou Metro Group Consulting Co., Ltd. (鄭州地鐵集團諮詢有限公司), which specialises in construction consultation, equipment supervision and cost consultation, among other services. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, business income from the Group's designing and consultation services business amounted to approximately RMB9.0 million, RMB14.3 million, RMB12.6 million, RMB4.5 million and RMB11.6 million, respectively, accounting for approximately 0.4 per cent., 1.7 per cent., 1.3 per cent., 1.9 per cent. and 2.1 per cent. of the Group's total business income for the respective periods.

### *Other Businesses*

The Group adopts an integrated business model to create synergies among various assets and maximise the return on investment. In addition to its core business in rail transit operation and other principal businesses, the Group is also engaged in other services that are ancillary to its rail transit business, such as souvenir sales and other services including the treatment and recycling of construction materials waste, electricity supply and rental services.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, business income from the Group's other businesses amounted to approximately RMB117.1 million, RMB92.8 million, RMB84.0 million, RMB34.3 million and RMB48.9 million, respectively, accounting for approximately 4.8 per cent., 10.9 per cent., 8.9 per cent., 14.3 per cent. and 9.0 per cent. of the Group's total business income for the respective periods.

## Funding Sources

The Group's core business is capital intensive in nature and substantial upfront capital investment requires a long-term payback period. The Group relies on external funding sources to meet its investment and working capital needs. As of the date of this Offering Circular, the Group has already established diversified and market-oriented funding channels that serve the Group's business expansion and satisfy the Group's working capital demands.

- **Capital injection.** Since its establishment, the Group has received substantial capital injection as share capital from the Zhengzhou Government. For example, as of 30 June 2021, the Group had received various forms of capital injection in an aggregate amount of approximately RMB50.2 billion.
- **Government grants and subsidies.** The Group receives government capital contribution for its investment in the construction of metro lines in Zhengzhou and recognises such capital contribution under its capital reserves. In addition, the Group receives government grants and subsidies in support of its general operation. The Zhengzhou Finance Bureau subsidise the differences between rail transit operation and financial costs and fare income from the sale of rail transit tickets to the Group, based on the actual passenger ridership of all rail transit lines in operation. The Group receives grants and subsidies through multiple sources, among others, public fiscal budget and specialised rail transit funds. The Group recognises such government grants received, based on their respective purposes, under non-operating income or other income in line with PRC GAAP. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, the Group had received government grants of approximately RMB969.8 million, RMB1,693.8 million, RMB2,672.8 million and RMB636.9 million, respectively, from the Zhengzhou Government, which were related and in support of the Group's general operation.
- **Bank loans.** The Group has established a reputation of strong creditworthiness among major PRC commercial banks. As of 30 June 2021, the Group had an aggregate bank credit of approximately RMB327.5 billion, of which approximately RMB115.0 billion remained unutilised.

## Relationship with the Zhengzhou Government

Notwithstanding the Issuer's extensive relationships with the Zhengzhou Government and the financial support provided by the Zhengzhou Government, the Issuer is not part of the government. It is operationally and financially separated from the Zhengzhou Government. Its functions and departments are separate from those of the government and do not share any premises with the Zhengzhou Government. Even though a substantial majority of the Group's directors and supervisors are appointed by Zhengzhou SASAC and the Zhengzhou Municipal Party Committee Organisation Department, they are not government officers and do not have any employment outside of the Group. The Issuer has a budget and financial reporting system and assets and liabilities separate from those of the Zhengzhou Government. Neither the Zhengzhou Government nor any other PRC governmental entity has any obligation to repay any amount under the Bonds and will not provide a guarantee of any kind for the Bonds. If the Issuer does not fulfil its obligations under the Bonds and the Trust Deed, the Bondholders will only have recourse against the Issuer, and not the Zhengzhou Government or any other PRC governmental entity. The Bonds are solely to be repaid by the Issuer and the obligations of the Issuer under the Bonds or the Trust Deed shall solely be fulfilled by the Issuer as an independent legal person. This position has been reinforced by Circular 23 and Circular 706. Both Circulars do not, however, prohibit the PRC government from providing support (in various forms including capital injection and subsidies, but excluding injecting any kinds of public assets and land reserves as the Group's assets) to the Group in its ordinary course of business in compliance with PRC laws and regulations. The detailed description of the relationships between the Issuer and the Zhengzhou Government in this Offering Circular does not imply in any way any explicit or implicit credit support of the Zhengzhou Government in respect of the Bonds, the repayment of which remains the sole responsibility of the Issuer.



## Research and Development

The Group has leading R&D capabilities in the PRC rail transit industry and is committed to technology innovation. The Group has a professional team of industry experts dedicated to improving the Group's technical expertise and operational efficiency. The Group possesses leading expertise in the industry with professional capabilities in the R&D of designing, constructing, operating and managing its rail transit lines. As of the date of this Offering Circular, the Group has been and continues conducting research and development projects, covering fields such as rail transit engineering, environment control, power supply, construction technology and operation and management.

The Group has also developed and implemented certain innovative technologies and concepts such as smart system, big data container cloud platform, BIM life cycle demonstrative engineering project, TD-LTE technology, internet ticketing and ANCC and Cloud Gate iAGM. See “— *Competitive Strengths — Industry-leading rail transit builder and operator with first-class research and development capabilities*”. As of 30 June 2021, the Group had been granted various certificates in recognition of its R&D capabilities, including the China Metro Technology Innovation Competition Outstanding Award (中國城市軌道交通科技創新大賽優秀項目獎) bestowed by the Beijing Urban Construction Design Development Group (北京城建設計發展集團) in 2019, 2019-2020 China Metro Industry Informatisation Best Practice Case (中國城市軌道交通行業2019-2020年信息化最佳實踐優秀案例) by China Association of Metros and First-Class Achievement of the First BIM Competition of the Engineering Construction Industry (Transportation Engineering) (首屆工程建設行業BIM大賽一等成果(交通工程類)) by China Association Construction Enterprise Management (中國施工企業管理協會).

## Employees

As of the date of this Offering Circular, the Group has over 11,000 employees. The Group contributes to the pension plan, medical insurance, unemployment insurance, maternity insurance and work-related injury insurance for its employees, in accordance with applicable PRC laws and regulations.

As of the date of this Offering Circular, the Group has not experienced any strike or any other form of labour disturbance that could materially and adversely affect its business, financial condition and results of operations.

## Occupational Safety and Environmental Protection

The Group adopts comprehensive safety protocols to ensure workplace safety. For example, it has implemented workplace safety guidelines setting out the responsibilities of project contractors, construction workers and safety officers, the safety measures, educating project members on the safety requirements, handling any infractions, ensuring safety records are properly kept and managing onsite safety and emergency incidents. The Group believes that as of the date of this Offering Circular, it is in compliance in all material respects with applicable safety regulations.

The Group is subject to environmental laws and regulations governing noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by various governmental authorities in the PRC. The Group believes that, as of the date of this Offering Circular, it is in compliance in all material respects with applicable environmental laws and regulations.

## Insurance

As of the date of this Offering Circular, the Group maintains insurance for the operation of Zhengzhou's rail transit system in accordance with the customary practice adopted by peer companies in the PRC. The Group also contributes social insurance for its employees according to relevant PRC laws. See “— *Employees*”. The Group maintains insurance coverage in amounts that it believes are commensurate with its risk of loss and industry practice.

Consistent with what the Group believes to be customary practice in the PRC, it does not carry any business interruption insurance or key-man insurance. There is a risk that the Group does not have sufficient insurance coverage for losses, damages and liabilities should any of such arise from its business operation. See “*Risk Factors — The insurance coverage of the Group may not adequately protect it against all operational risks*”.

### **Legal Proceedings**

The Group is from time to time involved in disputes and legal proceedings arising in the ordinary course of its business. See “*Risk Factors — Risks relating to the Group’s Business — The Group faces litigation risks in the course of its business*”. To the best of its knowledge, there are no pending litigation, arbitration or administrative proceedings against the Group as of the date of this Offering Circular that could have a material adverse effect on its business, results of operations or financial condition.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE GROUP

### Directors

The board of directors of the Issuer consists of four members, including a chairman and three directors. The board of directors of the Issuer determines major matters of the Issuer and is primarily responsible for implementing the decisions of, and reporting to, the Zhengzhou Government, determining the business plans and investment proposals, making the annual financial budget plans, determining the management structure of the Issuer and selecting the senior management of the Issuer.

The table below sets forth certain information regarding the Issuer's directors as of the date of this Offering Circular:

Name	Age	Title
Mr. Zhang Zhou (張洲)	52	Chairman of the Board of Directors
Mr. Yuan Juliang (袁聚亮)	56	Director
Mr. Li Yajun (李亞軍)	47	Director
Mr. Sun Fei (孫飛)	41	Employee Director

**Mr. Zhang Zhou (張洲)** is the Chairman of the Board of Directors of the Issuer. Mr. Zhang also currently serves as a Secretary of the Party Committee of the Issuer. Mr. Zhang joined the Issuer in May 2008. He previously served as the deputy general manager, a member of the Party Committee, the deputy secretary of the Party Committee, a director, the executive deputy general manager, and a general manager of the Issuer. Prior to joining the Issuer, Mr. Zhang previously served as a teacher at Zhengzhou Zhongyuan District Xigang Middle School (鄭州市中原區西崗中學), the deputy head of Zhengzhou Zhongyuan District People's Government Office (鄭州市中原區政府辦公室), the director of the Legal Affairs Bureau (法制局), the deputy secretary of the Party Committee and the township head of Zhengzhou Zhongyuan District Gouzhao Town (鄭州市中原區溝趙鄉), the deputy secretary and the secretary of the Party Working Committee and the office head of the Zhengzhou High & New Technology Industries Development Zone Gouzhao Representative Office (鄭州高新技術產業開發區溝趙辦事處), the director of the Government Offices Administration Bureau of Zhengzhou National High & New Technology Industries Development Zone Management Committee (鄭州國家高新技術產業開發區管理委員會機關事務管理局), an assistant to the head of Management Committee, the director of the Government Offices Administration Bureau and the head of the Housing Demolition and Relocation Office of Zhengzhou National High & New Technology Industries Development Zone (鄭州國家高新技術產業開發區) and the general manager of Zhengzhou High-tech Construction Investment Co., Ltd. (鄭州高新建設投資有限公司). Mr. Zhang obtained a master's degree in public administration from Zhongnan University of Economics and Law and a college diploma from Kaifeng Teachers College.

**Mr. Yuan Juliang (袁聚亮)** is a Director of the Issuer. Mr. Yuan also currently serves as a member of the Party Committee and the Executive Deputy General Manager of the Issuer. Mr. Yuan joined the Issuer in March 2008 and had served in the municipal engineering and rail transit industries for more than 20 years. Mr. Yuan previously served as the deputy general manager and the deputy secretary of the Party Committee of the Issuer. Prior to joining the Issuer, Mr. Yuan previously worked at Zhengzhou Municipal Engineering Co., Ltd. (鄭州市市政工程總公司). Mr. Yuan obtained a bachelor's degree in urban highway and road construction from Harbin Institute of Architecture and Engineering.

**Mr. Li Yajun (李亞軍)** is a Director of the Issuer. Mr. Li also currently serves as the Deputy General Manager of the Issuer and the Head of Finance Department. Mr. Li also served as the head of the Contracts Regulation Department (合約法規部). Mr. Li joined the Issuer in January 2013. Prior to joining the Issuer, Mr. Li previously served as an officer of the Multimedia Data Centre and an officer of the Enterprise Development Department of Zhengzhou Telecommunications Bureau (鄭州電信局), the deputy head of the Multimedia Centre of Zhengzhou Telecommunications Co., Ltd. (鄭州市電信公司), the deputy head of the Planning and Construction Office of the Zhengzhou Network Co., Ltd. (鄭州市網

通公司) and a senior engineer specialising in wireless 4G communication research and development at Nokia Shanghai Bell Co., Ltd. (上海貝爾股份有限公司). Mr. Li obtained a doctorate degree in information and communication system from Shanghai Jiaotong University and a master's degree in system engineering from Xi'an Jiaotong University. Since March 2021, Mr. Li has been appointed as a Director of the Issuer, subject to the official change with the State Administration for Industry and Commerce.

**Mr. Sun Fei (孫飛)** is an Employee Director of the Issuer. Mr. Sun also currently serves as the Head of the Enterprise Management Department of the Issuer and the Executive Director, Manager and Legal Representative of Zhengzhou Yijia Technology Industrial Co., Ltd. (鄭州頤嘉科技實業有限公司). Mr. Sun joined the Issuer in December 2008. Prior to joining the Issuer, Mr. Sun previously served as the manager of planning department of Shanghai Meichao Decoration Company (上海美巢裝飾公司), the director of real estate department of Henan Economic Viewpoint (河南經濟視點報) and the chief editor of real estate department of Zhengzhou Target Advertising Co., Ltd. (鄭州目標廣告有限公司). Mr. Sun obtained a bachelor's degree in business administration from Zhengzhou University. Since June 2021, Mr. Sun has been appointed as an Employee Director of the Issuer, subject to the official change with the State Administration for Industry and Commerce.

## Supervisors

The board of supervisors of the Issuer consists of three members. The Issuer's board of supervisors is primarily responsible for monitoring the Issuer's financial matters and overseeing the actions of the board of directors and the senior management of the Issuer.

The table below sets forth certain information regarding the Issuer's supervisors as of the date of this Offering Circular:

Name	Age	Title
Ms. Si Haiyan (司海燕) . . . . .	51	Chairperson of the Board of Supervisors
Mr. Wang Zhuanjian (王轉建) . . . . .	42	Employee Supervisor
Ms. Shang Lina (商麗娜) . . . . .	42	Employee Supervisor

**Ms. Si Haiyan (司海燕)** is the Chairperson of the Board of Supervisors of the Issuer. Ms. Si also currently serves as a member of the Party Committee of the Issuer. Ms. Si joined the Issuer in March 2008. Prior to joining the Issuer, Ms. Si previously served as an officer of the Technology Department, the secretary of the Youth League Committee and the secretary of the fleet party branch of Zhengzhou Public Transportation Co., Ltd. (鄭州公交公司), an officer of the Organization and Publicity Division of Zhengzhou Public Utilities Bureau (鄭州市公用事業局), the deputy head of the General Office and the director of the Information Centre of Zhengzhou Water Supply Co., Ltd. (鄭州自來水總公司), a member of the Cultural and Sports Committee of Zhengzhou Reserve Cadre Training Course and the chief secretary of the China Urban Water Supply and Drainage Association Equipment Materials Committee (中國城鎮供水排水協會設備材料委員會). Ms. Si obtained a post-doctoral degree in engineering management from Beijing Jiaotong University, a doctorate degree in economics from Huazhong University of Science and Technology, a master's degree in business administration from the Macau University of Science and Technology and a bachelor's degree in law from Zhengzhou University.

**Mr. Wang Zhuanjian (王轉建)** is an employee supervisor of the Issuer. Mr. Wang also currently serves as the head of Human Resources Department of the Issuer. Mr. Wang previously served as a project manager of Beijing Bomu Enterprise Management Consulting Company (北京博目企業管理顧問公司). Mr. Wang also served as a deputy director and a director of Human Resources Department and the secretary of the Youth League Committee of Zhengzhou Rail Transit Real Estate Co., Ltd., Operations Branch (鄭州市軌道交通置業有限公司運營分公司) Mr. Wang holds a master's degree in management science and engineering from the University of Science and Technology of China (中國科學技術大學).

**Ms. Shang Lina (商麗娜)** is an employee supervisor of the Issuer. Ms. Shang also currently serves as the deputy general manager and a member of the Party Committee of the Operations Branch of Issuer. Ms.

Shang previously worked as a deputy head of Human Resources Department of Zhengzhou Rail Transit Real Estate Co., Ltd. (鄭州市軌道交通置業有限公司). Ms. Shang holds a bachelor's degree in accounting from Henan Provincial Radio and Television University (河南省直廣播電視大學).

## Senior Management

The table below sets forth information regarding the Issuer's senior management team as of the date of this Offering Circular:

Name	Age	Title
Mr. Yang Yong (楊勇)	43	General Manager and Secretary of the Party Committee
Mr. Zhang Jun (張軍)	52	Deputy Secretary of the Party Committee
Mr. Yuan Juliang (袁聚亮)	56	Executive Deputy General Manager
Mr. Li Yajun (李亞軍)	47	Deputy General Manager and Head of Finance Department
Mr. Zhao Yunchen (趙運臣)	47	Chief Engineer
Mr. Cui Tianlin (崔天麟)	49	Deputy General Manager
Mr. Li Tiejun (李鐵軍)	47	Deputy General Manager
Mr. Wang Shiwei (王世偉)	44	President of Union Office

**Mr. Yang Yong (楊勇)** is the General Manager and the Secretary of the Party Committee of the Issuer. Mr. Yang joined the Issuer since July 2021. Prior to joining the Issuer, Mr. Yang previously served as a deputy director of government office, a deputy director of the legal affairs bureau and the deputy magistrate of Zhongmu County Government (中牟縣政府). Mr. Yang also served as the deputy mayor of Dengfeng Municipal Government (登封市政府), a member of the standing committee of the Dengfeng Municipal Party Committee (登封市委) and secretary of the political and legal committee of Dengfeng Municipal Party Committee (登封市政法委). Mr. Yang obtained a bachelor's degree in law from Henan Provincial Party School (河南省委黨校).

**Mr. Zhang Jun (張軍)** is the Deputy Secretary of the Party Committee of the Issuer. Mr. Zhang joined the Issuer in December 2017. Prior to joining the Issuer, Mr. Zhang previously served as an office secretary, a deputy inspector for discipline inspection, a deputy inspector for discipline inspection of the Missionary Room, the deputy head and the head of the Policy and Regulation Research Office and the head of the Performance Monitoring Office of the Zhengzhou Commission for Discipline Inspection (鄭州市紀委), an inspector for discipline inspection at the county level of Zhengzhou, a special commissioner at the Issuer and the deputy director of the Zhengzhou Bureau of Corruption Prevention (鄭州預防腐敗局). Mr. Zhang obtained a bachelor's degree in law from Zhengzhou University.

**Mr. Yuan Juliang (袁聚亮)** has been the Executive Deputy General Manager of the Issuer since December 2012. For Mr. Yuan's biography, see "*Directors*" above.

**Mr. Li Yajun (李亞軍)** has been the Deputy General Manager of the Issuer since January 2013. For Mr. Li's biography, see "*Directors*" above.

**Mr. Zhao Yunchen (趙運臣)** is the Chief Engineer of the Issuer. Mr. Zhao joined the Issuer since September 2008. Prior to joining the Issuer, Mr. Zhao previously served as an engineer of Institute of Science of Tunnel Engineering Bureau, Ministry of Railways (鐵道部隧道工程局科學研究所), a director, a senior engineer and a technology development office of Luoyang Institute of Science and Technology, China Railway Tunnel Group (中鐵隧道集團洛陽科學技術研究所). Mr. Zhao has also served as the deputy chief engineer, design director and the director of technology management of Issuer. Mr. Zhao obtained a master's degree in architecture and civil engineering from Tongji University (同濟大學).

**Mr. Cui Tianlin (崔天麟)** is the Deputy General Manager of the Issuer. Mr. Cui joined the Issuer since September 2008. Prior to joining the Issuer, Mr. Cui previously served as the assistant engineer of Institute of Science of Tunnel Engineering Bureau, Ministry of Railways (鐵道部隧道工程局科學研究所), a senior engineer and the deputy director of the first division of Scientific Research Institute of China Railway Tunnel Group (中鐵隧道集團研究所). Mr. Cui obtained a master's degree in architecture and civil Engineering from Beijing Jiaotong University (北京交通大學).

**Mr. Li Tiejun (李鐵軍)** is the Deputy General Manager of the Issuer. Mr. Li also currently serves as the chairman of board of directors and general manager of Zhengzhou Rail Transit Real Estate Co., Ltd. (鄭州市軌道交通置業有限公司) and the board of directors of Henan Land-based Holdings Co., Ltd. (河南陸基控股有限公司). Mr. Li joined the Issuer in December 2008. Prior to joining the Issuer, Mr. Li previously served as an assistant engineer and technical supervisor of the third operation team of new railway transportation division of Fifth Engineering Bureau of Ministry of Railway (鐵道部第五工程局) (now known as the Fifth Bureau (Group) Corporation of China Railway (中鐵五局(集團)有限公司)), a deputy manager, a project manager and a senior engineer of Sixth Engineering Co., Ltd, Shanghai Branch of Fifth Bureau (Group) Corporation of China Railway. Mr. Li obtained a master's degree in public management from Zhongnan University of Economics and Law (中南財經政法大學).

**Mr. Wang Shiwei (王世偉)** has been the President of Union Office of the Issuer since March 2021. Mr. Wang previously served as the Deputy Secretary of the Party Committee of the Issuer. Mr Wang also served as the Party Secretary of Zhengzhou Rail Transit Real Estate Co., Ltd., Operations Branch (鄭州市軌道交通置業有限公司運營分公司), a deputy chief of the Enterprise Management Section of Luohe City Cotton and Maize Company (漯河市棉麻公司) and a manager of Luohe Kefeng Cotton Industry Co., Ltd. (漯河市科豐棉業公司). Mr. Wang obtained a master's degree in administrative management from the Party School of the Central Committee of the Communist Party of China (中共中央黨校).

## PRC REGULATIONS

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

### **The PRC Legal System**

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

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

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

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

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

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

### **The PRC Judicial System**

Under the PRC Constitution and Organic Law of the People's Courts (中華人民共和國人民法院組織法), the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts.

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

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

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

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

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

### **Foreign Exchange Controls**

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



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

On 28 December 1993, the PBOC, under the authority of the State Council, promulgated the Notice of PBOC Concerning Further Reform of the Foreign Currency Control System (中國人民銀行關於進一步改革外匯管理體制的公告), effective from 1 January 1994. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional exchangeability of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centres. On 26 March 1994, the PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (the “**Provisional Regulations**”), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

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

On 29 January 1996, the State Council promulgated Regulations of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例) (the “**Foreign Exchange Administration Regulations**”) which became effective from 1 April 1996. The Foreign Exchange Administration Regulations classifies all international payments and transfers into current account items and capital account items. Most current account items are subject to the approval by relevant banks that are duly authorised by SAFE to do so, while capital account items are still subject to SAFE approval directly. The Foreign Exchange Administration Regulations was subsequently amended on 14 January 1997 and 5 August 2008. Such amendment affirms that the State shall not restrict international current account payments and transfers.

On 20 June 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the “**Settlement Regulations**”) which became effective on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on exchangeability of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC published the Announcement on the Implementation of Foreign Exchange Settlement and Sale through Banks by Foreign-invested Enterprises (外商投資企業實行銀行結售匯工作實施方案). The announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialised accounts for capital account receipts and payments at designated foreign exchange banks.

On 25 October 1998, the PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (中國人民銀行、國家外匯管理局關於停辦外匯調劑業務的通知) pursuant to which and with effect on the same day, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On 8 January 2003, Interim Provision on Foreign Debts Management (外債管理暫行辦法) was promulgated by the NDRC, SAFE and MOF, according to which, the summation of the accumulated medium-term and long-term loans borrowed by a foreign invested entity and the balance of short-term shall not exceed the surplus between the total investment and the registered capital of the foreign-invested entity. Within the range of the surplus, the foreign invested entity may borrow foreign loans at its own will. If the loans exceed the surplus, the total investment of the foreign invested entity shall be re-examined by its original examination and approval authorities.

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

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in the PRC (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) must sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organisations outside the territory or from the issuance of Securities and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

Enterprises in the PRC (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or exchange and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or exchange and pay at the designated foreign exchange banks.

Exchangeability of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE or its competent branch.

In January and April 2005, SAFE issued two regulations that require PRC residents to register with and receive approvals from SAFE in connection with their offshore return/round-trip investment activities. SAFE also announced that the purpose of these regulations is to achieve the proper balance of foreign exchange and the standardisation of all cross-border flows of funds.

On 21 October 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) which became effective on 1 November 2005 and amended on 29 May 2007 taking effect on the same day. The notice replaced the two regulations issued by SAFE in January

and April 2005 mentioned above. On 4 July 2014, SAFE issued the Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Return on Investment Conducted by Residents in China via Special-Purpose Companies (國家外匯管理局關於境內居民通過特殊目的公司境外融資及返程投資外匯管理有關問題的通知), which became effective at the same day. This notice replaced the notice issued by SAFE in October 2005 mentioned above. According to the notice, “special purpose company” refers to the overseas enterprises that are directly established or indirectly controlled for the purpose of investment and financing by Mainland residents (including Mainland institutions and resident individuals) with their legitimate holdings of the assets or interests in Mainland enterprises, or their legitimate holdings of overseas assets or interests. Under the notice, a mainland resident can make contribution to a special purpose company with legitimate holdings of domestic or overseas assets or interests, and a mainland enterprise directly or indirectly controlled by a Mainland resident may, on the basis of real and reasonable needs, disburse loans to its registered special purpose companies pursuant to prevailing provisions, and, a mainland resident may, on the basis of real and reasonable needs, purchase foreign exchanges to remit funds overseas for the establishment, share repurchase, delisting, etc. of a special purpose company. Prior to the establishment or assumption of control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch.

On 5 August 2008, the State Council issued the Regulation of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例) (the “**New Forex Regulation**”). The New Forex Regulation came into effect with the intention to further limit the inbound of foreign currency while relaxing the requirement of outbound investment, taking into consideration the capital reserve structure of the PRC then. Under the New Forex Regulation, foreign currency received under the current account by domestic entities will not be asked to be settled into Renminbi automatically, while foreign currency under capital account may also be maintained upon approval. Unless otherwise required by laws and regulations, applicants may go to commercial banks directly for capital investment overseas without SAFE approval.

On 30 March 2015, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), effective from 1 June 2015, which replaced the Notice of the General Affairs Department of the State Administration of Foreign Exchange on Relevant Issues Relating to the Business Operation to Improve the Administration of Payment and Exchange Settlement of Capital of Foreign-Funded Enterprises (Hui Zong Fa [2008] No. 142) (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知(匯綜發[2008]142號)) and the Supplementary Notice of the General Affairs Department of the State Administration of Foreign Exchange on Relevant Issues Relating to the Business Operation to Improve the Administration of Payment and Exchange Settlement of Capital of Foreign-Funded Enterprises (Hui Zong Fa [2011] No. 88 (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的補充通知(匯綜發[2011]88號)). Under the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), foreign-invested enterprises are allowed to settle their foreign exchange capitals on a discretionary basis, and a foreign-invested enterprise shall be facilitated to make domestic equity investment with the amount of foreign exchanges settled.

On 1 July 2009, the PBOC, MOF, MOFCOM, the General Administration of Customs, the State Administration of Taxation and the China Banking Regulatory Commission jointly promulgated the Measures for the Administration of Pilot Renminbi Settlement in Cross-border Trade (跨境貿易人民幣結算試點管理辦法), under which, eligible enterprises as designated by relevant authorities located in the cities or provinces which have been chosen by the State Council to execute the pilot Renminbi trade settlement scheme, are allowed to settle the cross-border trade transactions in Renminbi.

The PBOC, MOF, MOFCOM, the General Administration of Customs, the State Administration of Taxation and the China Banking Regulatory Commission jointly promulgated the Circular on Issues Concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (中國人民銀行、財政部、商務部、海關總署、國家稅務總局、銀監會關於擴大跨境貿易人民幣結算試點有關問題的通知) on 17 June 2010 and the Circular on Expansion of the Region of Renminbi Settlement of Cross-Border Trades on 27 July 2011, which, together, extended the pilot scheme to the whole of the PRC and to make Renminbi trade and other current account item settlement available in all countries worldwide.

## **Regulations regarding Overseas Investment and Acquisition Activities**

### ***NDRC Supervision***

According to Administrative Measures for the Outbound Investment by Enterprises (企業境外投資管理辦法) issued on 26 December 2017 and became effective on 1 March 2018 which replaced Measures for the Administration of Approval and Filing of Overseas Investment Projects (境外投資項目核准和備案管理辦法), projects subject to approval are sensitive projects to be carried out by investors either directly or through overseas enterprises controlled thereby. The approval authority is NDRC. The sensitive projects referred to in these Measures include: (i) projects involving sensitive countries and regions; and (ii) projects involving sensitive industries. The sensitive countries and regions include (i) countries and regions that have not yet established diplomatic relations with China; (ii) countries and regions where wars and civil strife occur; (iii) countries and regions where investment made by enterprises shall be restricted according to the international treaties and protocols concluded or acceded by China; and (iv) other sensitive countries and regions. The sensitive industries include: (i) research, production, maintenance and repair of weapons and equipment; (ii) development and utilisation of cross-border water resources; (iii) news media; and (iv) industries for which outbound investments by enterprises shall be restricted according to Chinese laws, regulations and related regulatory policies. The category of sensitive industries shall be released by NDRC.

Projects subject to filing are non-sensitive projects directly carried out by investors, namely the non-sensitive projects involving the direct investment of assets and equities or the provision of financing or guarantees. For a project requiring filing, the authority in charge of filing is (i) NDRC, if the investor is a centrally administered enterprise (a centrally administered financial enterprise or an enterprise directly subordinate to the administration by the State Council or its subordinate organ, the same below); (ii) NDRC, if the investor is a local enterprise and the amount of investment by the Chinese investor is U.S.\$0.3 billion or above; and (iii) the provincial development and reform authority at the place where the investor is registered, if the investor is a local enterprise and the amount of investment by the Chinese investor is less than U.S.\$0.3 billion.

According to the Notice on Issues Concerning the Implementation of Measures for the Administration of Approval and Filing of Overseas Investment Projects (關於實施《境外投資項目核准和備案管理辦法》有關事項的通知), the Circular of the NDRC on Properly Handling the Delegation of Approval Authority over Outbound Investment Projects to Lower-level Authorities (關於做好境外投資項目下放核准權限工作的通知) terminated.

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

### *MOFCOM supervision*

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

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

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

Other than those overseas investments subject to MOFCOM verification as described above, all other overseas investments are subject to a filing requirement. The investing enterprise shall fill and complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM and print out a copy of such filing form for stamping with the company chop, and then submit such stamped filing form together with a copy of its business license, for filing at MOFCOM (for a central enterprise) or the provincial department of commerce (for a local enterprise) respectively. MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within 3 working days of receipt of such filing form. The investing enterprise must carry out the investment within 2 years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such Certificate will automatically expire and a new filing or verification application has to be made by the investing enterprise after such expiry. In addition, if any item recorded in such Certificate is changed, the investing enterprise shall handle an updating process at MOFCOM or the provincial department of commerce (as the case may be).

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

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

### ***Foreign Exchange Administration***

According to Administrative on Foreign Exchange of PRC (中華人民共和國外匯管理條例) and Circular of the State Administration of Foreign Exchange on Promulgating the Administrative Provisions on Foreign Exchange of the Outbound Direct Investments of Domestic Institutions (關於發佈境內機構境外直接投資外匯管理規定的通知), corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau. The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate for overseas direct investment to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureau for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

The SAFE promulgated Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the “**2015 SAFE Circular**”) on 13 February 2015. The 2015 SAFE Circular aims to deepen the reform of foreign exchange administration of capital accounts, promote and facilitate the capital operation of enterprises in making cross-border investments, regulate the direct investment-related foreign exchange administration business, improve the administration efficiency. The 2015 SAFE Circular set forth the following reformation: (i) cancel two administrative examination and approval items: verification and approval of foreign exchange registration under domestic direct investment, and verification and approval of foreign exchange registration under overseas direct investment; After the implementation hereof, a bank that has obtained the financial institution identification code assigned by the relevant Foreign Exchange Bureau and has activated the capital account information system with the Foreign Exchange Bureau at its domicile may handle Foreign Exchange Registration of Direct Investment for foreign-invested enterprises in the Mainland and the domestic investors of enterprises invested overseas directly through the capital account information system of the Foreign Exchange Bureau; (ii) cancel the confirmation and registration of foreign investors’ non-monetary contribution and the confirmation and registration of foreign investors’ contribution to purchasing the equity held by the Chinese party under domestic direct investment; (iii) the confirmation and registration of foreign investors’ monetary contribution is adjusted to book-entry registration of domestic direct investment monetary contribution.

The 2015 SAFE Circular, which is new regulation, has been promulgated to control the remittance of Renminbi for payment of transactions categorised as capital account items and such new regulation will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

### ***State-owned Assets Supervision***

Relevant applicable laws and regulations include Interim Measures for Administration of Overseas State-owned Property Rights of Central Enterprises (中央企業境外國有產權管理暫行辦法) and Interim Measures for the Supervision and Administration of Overseas State-owned Assets of Central Enterprises (中央企業境外國有資產監督管理暫行辦法) and Interim Measures for the Supervision and Management of Overseas Investment of Central Enterprises (中央企業境外投資監督管理辦法).

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

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

### **Enterprise Income Tax Law**

Prior to 1 January 2008, under the then applicable PRC law and regulations (the “**Old EIT Law**”), entities established in the PRC were generally subject to a 33 per cent. enterprise income tax, or EIT. However, entities that satisfied certain conditions enjoyed preferential tax treatment. In accordance with the tax laws and regulations effective until 31 December 2007, foreign invested manufacturing enterprises scheduled to operate for a period not less than ten years were exempted from paying state income tax for two years starting from its first profit making year and were allowed a 50 per cent. reduction in its tax rate in the third, fourth and fifth years (“**two-year exemption and three-year reduction by half**”).

On 16 March 2007, the NPC enacted the EIT Law, which, together with its related implementation rules (中華人民共和國企業所得稅法實施條例) issued by the State Council on 6 December 2007, became effective on 1 January 2008 and amended on 23 April 2019. The EIT Law imposes a single uniform income tax rate of 25 per cent. on all Chinese enterprises, including foreign invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under the previous tax laws and regulations. On 26 December 2007, the State Council issued a Notice on the Implementation of the Transitional Preferential Tax Policies (國務院關於實施企業所得稅過渡優惠政策的通知). Further, at 1 January 2008, the enterprises that previously enjoyed “two-year exemption and three-year reduction by half” of the enterprise income tax and other preferential treatments in the form of tax deductions and exemptions within specified periods may, after the implementation of the EIT Law, continue to enjoy the relevant preferential treatments until the expiration of the time period. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make profits, its preferential time period shall be calculated from 2008.

Under the Announcement of the State Administration of Taxation on Issues Relating to Enterprise Income Tax Pertaining to Implementation of the Catalogue of Encouraged Industries in Western Region (國家稅務總局關於執行《西部地區鼓勵類產業目錄》有關企業所得稅問題的公告) which issued by the State Administration of Taxation on 10 March 2015 and became effective on 1 October 2014, the preferential tax treatment for encouraged enterprises located in western China and certain industry-oriented tax incentives are still available. The Chinese and foreign-invested enterprises within the state-encouraged industry located in western China may be taxed at a preferential income tax rate of 15 per cent. for years from 1 January 2011 to 31 December 2020 after being approved by the competent tax authority.

### **Value Added Tax**

According to the Tentative Regulations on the Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) which was promulgated by the State Council on 10 November 2008, amended respectively on 6 February 2016 and 19 November 2017, and the Detailed Implementation Rules of the Tentative Regulations on the Value-added Tax of the PRC (中華人民共和國增值稅暫行條例實施細則) promulgated by MOF which came into effect on 1 January 2009 and was amended on 28 October 2011, organisations or individuals who sell commodities, provide processing, repairing or replacement services, or import commodities within the PRC’s territories are subject to value-added tax, and shall pay the value-added tax accordingly. The rate of the value-added tax shall be 17 per cent. or 11 per cent., depending on the commodities being sold. For taxpayers exporting commodities, the tax rate shall be zero per cent.

With the reform of value-added tax since 2012, MOF and the State Administration of Taxation promulgated a series of regulations and commenced pilot from the transport industry and part of the modern service industries which gradually expands to the scope of the pilot reform region and the applicable industry scope, and ultimately under the Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (財政部、國家稅務總局關於全面推開營業稅改征增值稅試點的通知) which was promulgated on 23 March 2016 and came into effect on 1 May 2016, the pilot program of replacing business tax with value-added tax shall be implemented nationwide effective since 1 May 2016 and all business tax payers in construction industry, real estate industry, finance industry and service industry, etc. shall be included in the scope of the pilot program and pay value-added tax instead of business tax. Under the Decision of State Council on Abolition of the Provisional Regulations of the People's Republic of China on Business Tax and Revision of the Provisional Regulations of the People's Republic of China on Value-added Tax (國務院關於廢止《中華人民共和國營業稅暫行條例》和修改《中華人民共和國增值稅暫行條例》的決定) which was promulgated on 19 November 2017 and came into effect at the same day, business tax is officially replaced by value-added tax.

### **Environmental Protection Laws**

The State Environmental Protection Administration is responsible for the overall supervision and management of environmental protection in the PRC. All manufacturers in the PRC must comply with environmental laws and regulations including the Environmental Protection Law of the PRC (中華人民共和國環境保護法), Prevention and Control of Water Pollution Law of the PRC (中華人民共和國水污染防治法), Prevention and Control of Air Pollution Law of the PRC (中華人民共和國大氣污染防治法), Prevention and Control of Environmental Noise Pollution Law of the PRC (中華人民共和國環境噪聲污染防治法) and Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC (中華人民共和國固體廢物污染環境防治法), and relevant environmental regulations such as provisions regarding the treatment and disposal of pollutants and sewage, discharge of polluted fumes and the prevention of industrial pollution. Depending on the circumstances and the seriousness of the violation of the environmental regulations, the local authorities are authorised to impose various types of penalties on the persons or entities in violation of the environmental regulations. The penalties which could be imposed include the issue of warnings, suspension of operation or installation and use of preventive facilities which are incomplete and fail to meet the prescribed standards, reinstallation of preventive facilities which have been dismantled or left idle, administrative sanction against office-in-charge, suspension of business operations or shut-down of the enterprise or institution. Fines could also be levied together with these penalties. The relevant local authorities may apply to the court for compulsory enforcement of environmental compliance. The persons or entities in violation of the applicable laws and regulations may also be liable to pay damages to the victims and/or result in criminal liability.

Other major environmental protection laws applicable to the Group include: Regulations of Environmental Management on Project (建設項目環境保護管理條例) and Environmental Impact Evaluation Law of the PRC (中華人民共和國環境影響評價法).



## TAXATION

*The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.*

### **Hong Kong**

#### ***Withholding Tax***

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

#### ***Profits Tax***

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

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

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

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

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

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

### ***Stamp Duty***

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

### **PRC**

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

Pursuant to the Enterprise Income Tax Law effective on 1 January 2008 and the PRC Individual Income Tax Law effective on 1 January 2019, and their respective implementation regulations, an income tax is imposed on payments of interest by way of withholding in respect of the Bonds, made by the Issuer (if the Issuer is regarded as a PRC enterprise under the Enterprises Income Tax Law and/or the Individual Income Tax Law) to non-resident Bondholders, including non-resident enterprises and non-resident individuals. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management bodies” of the Issuer are within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the Enterprise Income Tax Law and be subject to enterprise income tax at the rate of 25% in respect of its income sourced from both within and outside PRC. If the Issuer is regarded as a PRC tax resident enterprise, such enterprise income tax shall be withheld by the Issuer that is acting as the obligatory withholder and it shall withhold the tax amount from each payment due.

However, the tax so charged on interests paid on the Bonds to non-resident Bondholders who or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) which was promulgated on 21 August 2006 (the “**Tax Arrangement**”) for the purpose of the avoidance of double taxation will be 7 per cent. of the gross amount of the interest pursuant to the Tax Arrangement and relevant interpretation of the Tax Arrangement formulated by the State Administration of Taxation of China.

Under the Enterprise Income Tax Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the Enterprise Income Tax Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the Enterprise Income Tax Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not

established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Tax Arrangement, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, may be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

In addition, pursuant to Circular 36 which took effect on 1 May 2016, entities and individuals providing services within the PRC are subject to VAT. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. Circular 36 further clarifies that “loans” refer to the activity of lending capital for another’s use and receiving interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of the Bonds is likely to be treated as a “loan” provided by the Bondholders to the Issuer, which thus shall be regarded as financial services for VAT purposes. In general, the income derived from the provision of loans will not be subject to VAT in the PRC if none of the Issuer, or the Bondholders is within the PRC. However, it is uncertain whether a foreign incorporated company which is deemed to be a PRC resident enterprise would be regarded as being within the PRC. In the event that the Issuer is deemed to be a PRC resident enterprise and is deemed to be within the PRC by the PRC tax authorities, the Bondholders may be deemed to be providing financial services to the Issuer within the PRC and consequently, the amount of interest on the Bonds payable by the Issuer to any non-resident Bondholders may be subject to withholding VAT at the rate of 6 per cent. plus related surcharges.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

The interpretation and enforcement of Circular 36 and other applicable laws and regulations pertaining to PRC VAT involve uncertainties, and the above statements may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the Enterprise Income Tax Law, the PRC Individual Income Tax Law and the VAT reform detailed above, if the Issuer is regarded as a PRC tax resident enterprise, it shall withhold income tax (should such tax apply) from the payments of interest in respect of the Bonds for any non-resident Bondholder and the Issuer shall withhold VAT (should such tax apply) from the payments of interest in respect of the Bonds for any Bondholder located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of income tax, VAT or otherwise), the Issuer have agreed to pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, as further set out in the “*Terms and Conditions of the Bonds*”.

No PRC stamp duty will be imposed on non-resident Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Securities is maintained outside the PRC and the issuance and the sale of the Bonds is made outside of the PRC.

## **The Proposed Financial Transactions Tax (“FTT”)**

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

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

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

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

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

## **FATCA**

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

## SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Joint Lead Managers dated 9 November 2021 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to severally, but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite its name below:

<b>Joint Lead Manager</b>	<b>Principal amount of the Bonds to be subscribed</b>
	<b>(U.S.\$)</b>
China International Capital Corporation Hong Kong Securities Limited . . . . .	130,000,000
Bank of China Limited . . . . .	65,000,000
Industrial Bank Co., Ltd. Hong Kong Branch . . . . .	100,000,000
BOCOM International Securities Limited . . . . .	10,000,000
China Everbright Bank Co., Ltd., Hong Kong Branch . . . . .	20,000,000
China Minsheng Banking Corp., Ltd., Hong Kong Branch . . . . .	20,000,000
CMB Wing Lung Bank Limited . . . . .	45,000,000
CMBC Securities Company Limited. . . . .	5,000,000
CNCB (Hong Kong) Capital Limited . . . . .	45,000,000
Guotai Junan Securities (Hong Kong) Limited. . . . .	10,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch . . . . .	20,000,000
SPDB International Capital Limited. . . . .	20,000,000
Standard Chartered Bank . . . . .	10,000,000
Total . . . . .	500,000,000

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

The Joint Lead Managers and certain of their subsidiaries or affiliates have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with, the Issuer, and/or its subsidiaries, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers, and their subsidiaries or affiliates, may from time to time, engage in transactions with and perform services for the Issuer and/or its subsidiaries in the ordinary course of business.

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

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

In connection with the issue of the Bonds, any of the Joint Lead Managers appointed and acting in its capacity as a stabilising manager (the “**Stabilising Manager**”) or any person acting on behalf of the Stabilising Manager may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager or any person acting on behalf of the Stabilising Manager shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilising Manager or any person acting on behalf of the Stabilising Manager will undertake stabilisation action. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Joint Lead Managers.

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

## **General**

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

No action has been or will be taken in any jurisdiction by the Issuer and the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed offering of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer and the Joint Lead Managers in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer or the Joint Lead Managers.

## **United States**

The Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

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

## **United Kingdom**

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

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

## **The People’s Republic of China**

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

## **Hong Kong**

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

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

## **Singapore**

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

275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

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

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

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

## **Japan**

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



## **DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS**

*The consolidated financial statements of the Group included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications that still exist between PRC GAAP and IFRS, which might be relevant to the financial information of the Group included herein.*

*The following is a general summary of certain differences between PRC GAAP and IFRS as applicable to the Group. The Group is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there can be no assurance regarding the completeness of the summary. The Group has not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and has not quantified such differences. Had any such quantification or reconciliation been undertaken by the Group, other potentially significant accounting and disclosure differences may be required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standard. Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete.*

*In making an investment decision, investors must rely upon their own examination of the Group, the terms of the offering and other disclosure contained herein. Investors should consult their own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.*

### **Provision for Work Safety Cost**

Under PRC GAAP, in accordance with relevant regulations of the Chinese authorities, the Group has to accrue special reserves such as work safety cost, which are presented as cost of expenses of the period and the amount that has been accrued, are presented in special reserve of owner's equity. Work safety cost, which belongs to cost of expenses, directly offset the special reserves. The accrued work safety reserve, which is used by enterprises and used to form fixed assets, shall be charged as "construction in progress", and recognised as a fixed asset upon the project being completed and reaching the expected operational standard. Meanwhile, the special reserves are offset in accordance with the cost of fixed asset formation, while the equivalent amount of accumulated depreciation is recorded. The fixed asset so formed shall cease to accrue depreciation in the following periods.

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

### **Government Grant**

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

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

### **Reversal of Impairment Loss**

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

Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

### **Related Party Disclosures**

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

Under IFRS, government-related entities are still treated as related parties.

### **Fixed Assets and Intangible Assets**

Under PRC GAAP, only the cost model is allowed.

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

## GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream with Common Code 240579308 and ISIN XS2405793089.
2. **LEI:** The Issuer's Legal Entity Identifier is 3003002SY3HQ5YNSQQ10.
3. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by a board resolution of the Issuer dated 23 March 2021 and a shareholders' resolution of the Issuer dated 8 June 2021. PRC counsel to the Issuer has advised that no other approvals or consents are required from any regulatory authorities or other relevant authorities in the PRC for the Issuer to issue the Bonds except for the Enterprise Foreign Debt Pre-Issuance Registration Certificate in respect of the issue of the Bonds from the NDRC, which has been obtained and dated 23 July 2021 pursuant to the NDRC Notice, the reporting of the information relating to the issue of the Bonds with the NDRC in accordance with the Notice, the registration of the Bonds with SAFE pursuant to the PBOC Circular effective on 11 January 2017 and the approval from the Hong Kong Stock Exchange on the listing of the Bonds on the Hong Kong Stock Exchange.
4. **No Material Adverse Change:** Except for those as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Issuer and the Group since 30 June 2021.
5. **Litigation:** None of the Issuer or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer believes are material in the context of the Bonds, nor is the Issuer aware that any such proceedings are pending or threatened.
6. **Available Documents:** Copies of the Group's Financial Statements and the Articles of Association of the Issuer will be available for inspection from the Issue Date at the Issuer's registered office at Zhengzhou Guidaojiaotongdiaoduzhongxin Mansion, Crossing of Zhongxing South Road and Kangning Avenue, Zhengdong New District, Zhengzhou, Henan, PRC. Copies of the Trust Deed and the Agency Agreement will be made available for inspection from the Issue Date at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday (other than public holidays) by the Bondholders at the specified office of the Principal Paying Agent, in each case following prior written request and proof of holding and identity to the satisfaction of the Principal Paying Agent.
7. **Financial Statements:** This Offering Circular contains the Group's Financial Statements. The Group's Financial Statements were prepared in accordance with PRC GAAP. These consolidated financial statements have been audited and reviewed, as the case may be, by Baker Tilly, the previous independent auditor of the Issuer, or Wuyige, the current independent auditor of the Issuer, as the case may be. The Issuer has prepared the Financial Statements Translation, as set out elsewhere in this Offering Circular. The Financial Statements Translation does not itself constitute audited and reviewed, as the case may be, financial statements. None of the Joint Lead Managers, the Trustee or the Agents nor any of their respective affiliates, directors, employees, agents, representatives, officers or advisers nor any person who controls any of them has independently verified or checked the accuracy of the Financial Statements Translation and gives no assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete.
8. **Listing:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. It is expected that dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on 16 November 2021.

## INDEX TO FINANCIAL STATEMENTS

<b>REVIEWED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE GROUP AS OF AND FOR THE SIX MONTHS ENDED 30 JUNE 2021</b>	<b>Page</b>
Review Report .....	F-3
Consolidated Balance Sheet .....	F-5
Balance Sheet .....	F-7
Consolidated Statement of Income .....	F-9
Statement of Income .....	F-10
Consolidated Statement of Cash Flows .....	F-11
Statement of Cash Flows .....	F-12
Consolidated Statement of Changes in Equity .....	F-13
Statement of Changes in Equity .....	F-15
Notes to the Financial Statements .....	F-17
 <b>AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2020</b>	 <b>Page</b>
Auditor's Report .....	F-80
Consolidated Balance Sheet .....	F-84
Balance Sheet .....	F-86
Consolidated Statement of Income .....	F-88
Statement of Income .....	F-89
Consolidated Statement of Cash Flows .....	F-90
Statement of Cash Flows .....	F-91
Consolidated Statement of Changes in Equity .....	F-92
Statement of Changes in Equity .....	F-94
Notes to the Financial Statements .....	F-96
 <b>AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2019</b>	 <b>Page</b>
Auditor's Report .....	F-170
Consolidated Balance Sheet .....	F-173
Balance Sheet .....	F-175
Consolidated Income Statement .....	F-177
Income Statement .....	F-178
Consolidated Cash Flows Statement .....	F-179
Cash Flows Statement .....	F-180
Consolidated Statement of Changes in Owner's Equity .....	F-181
Statement of Changes in Owner's Equity .....	F-183
Notes to Financial Statements .....	F-185

**Zhengzhou Metro Group  
Co., Ltd.**

**Review Report**

DAXIN YUE ZI [2021] No.16-10001

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.



大信会计师事务所  
北京市海淀区知春路1号  
学院国际大厦15层  
邮编 100083

WUYIGE Certified Public Accountants.LLP  
15/F, Xueyuan International Tower  
No. 1 Zhichun Road, Haidian Dist.  
Beijing, China, 100083

电话 Telephone: +86 (10) 82330558  
传真 Fax: +86 (10) 82327668  
网址 Internet: www.daxincpa.com.cn

## Review Report

DAXIN YUE ZI [2021] No.16-10001

### To Zhengzhou Metro Group Co., Ltd.:

We have reviewed the financial statements of Zhengzhou Metro Group Co., Ltd. (hereafter referred to as "the Company"), which comprise the consolidated and the Company's balance sheets as at 30 June 2021, the consolidated and the Company's statements of income, the consolidated and the Company's statements of cash flows and the consolidated and the Company's statements of changes in equity for the six-month period then ended, and notes to the financial statements.

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises. Our responsibility is to express a conclusion on these financial statements based on our review.

We conducted our review in accordance with ' China Certified Public Accountant Review Standards No. 2101 Review of Financial Statements ', which requires us to plan and implement review work in order to obtain limited assurance about whether the financial statements as a whole are free from material misstatements. A review of these financial statements consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. The degree of assurance provided by the review is lower than that an audit. We have not conducted an audit and therefore we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view of the financial position





大信会计师事务所  
北京市海淀区知春路1号  
学院国际大厦15层  
邮编 100083

WUYIGE Certified Public Accountants.LLP  
15/F, Xueyuan International Tower  
No. 1 Zhichun Road, Haidian Dist.  
Beijing, China, 100083

电话 Telephone: +86 (10) 82330558  
传真 Fax: +86 (10) 82327668  
网址 Internet: www.daxincpa.com.cn

of the Company as at 30 June 2021, and of its financial performance and cash flows for the six-month period then ended, in accordance with Accounting Standards for Business Enterprises.

**WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.**

Certified Public Accountant of China

Certified Public Accountant of China



Beijing, China

26 August 2021





# Consolidated Balance Sheet

For the six-month period ended 30 June 2021

Prepared by: Zhengzhou Metro Group Co., Ltd.

Currency: RMB Yuan

Items	Notes	As at 30/06/2021	As at 31/12/2020
<b>Current assets:</b>			
Cash at bank and on hand	5.1	9,009,201,512.79	7,014,691,134.25
Financial assets held for trading			
Derivative financial assets			
Notes receivable	5.2	900,000.00	
Trade receivables	5.3	73,202,284.03	69,909,736.60
Receivables financing			
Advances to suppliers	5.4	30,015,763.38	55,522,088.27
Other receivables	5.5	8,543,117,329.59	7,090,659,875.77
Inventories	5.6	1,244,256,398.86	829,894,923.17
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	5.7	6,467,514,774.18	5,693,327,093.52
<b>Total current assets</b>		<b>25,368,208,062.83</b>	<b>20,754,004,851.58</b>
<b>Non-current assets:</b>			
Debt investments			
Available-for-sale financial assets			5,000,000.00
Other debt investments			
Long-term receivables			
Long-term equity investments	5.8	7,377,213,935.34	7,377,213,935.34
Other equity instrument investments	5.9	5,000,000.00	
Other non-current financial assets			
Investment properties	5.10	142,675,437.49	143,761,147.41
Fixed assets	5.11	71,850,051,449.96	70,909,098,821.86
Construction in progress	5.12	69,636,157,816.53	60,200,755,132.05
Right-of-use assets	5.13	7,699,403.71	
Intangible assets	5.14	83,348,882.33	83,669,930.98
Development expenditures			
Goodwill			
Long-term prepaid expenses	5.15	4,316,758.79	4,878,117.34
Deferred tax assets	5.16	23,866.85	17,486.28
Other non-current assets	5.17	9,625,977,677.57	7,703,455,297.19
<b>Total non-current assets</b>		<b>158,732,465,228.57</b>	<b>146,427,849,868.45</b>
<b>Total assets</b>		<b>184,100,673,291.40</b>	<b>167,181,854,720.03</b>

Legal representative:

Chief Financial Officer:

Head of Accounting Department:





# Consolidated Balance Sheet (Continued)

For the six-month period ended 30 June 2021

Prepared by: Zhengzhou Metro Group Co., Ltd.

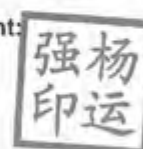
Currency: RMB Yuan

Items	Notes	As at 30/06/2021	As at 31/12/2020
<b>Current liabilities:</b>			
Short-term borrowings	5.18	200,000,000.00	
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Trade payables	5.19	7,120,706,784.72	7,799,724,865.69
Advances from customers	5.20	108,057,457.01	112,893,127.76
Contract liabilities	5.21	1,018,559.15	
Employee benefits payable	5.22	114,097,883.12	266,958,749.30
Taxes and surcharges payable	5.23	1,020,645.46	3,084,265.92
Other payables	5.24	240,955,064.57	306,094,619.83
Liabilities held for sale			
Non-current liabilities due within one year	5.25	4,576,345,267.01	4,559,296,005.95
Other current liabilities	5.26	40,466.04	2,500,000,000.00
<b>Total current liabilities</b>		<b>12,362,242,127.08</b>	<b>15,548,051,634.45</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	5.27	111,868,102,018.58	95,467,209,019.76
Bonds payable	5.28		
Lease liabilities	5.29	6,701,727.74	
Long-term payables	5.30	1,623,758,439.80	637,689,622.41
Long-term employee benefits payable			
Provisions			
Deferred income	5.31	679,955,647.05	680,227,061.31
Deferred tax liabilities			
Other non-current liabilities	5.32	2,293,960,000.00	2,293,960,000.00
<b>Total non-current liabilities</b>		<b>116,472,477,833.17</b>	<b>99,079,085,703.48</b>
<b>Total liabilities</b>		<b>128,834,719,960.25</b>	<b>114,627,137,337.93</b>
<b>Owners' equity:</b>			
Paid-in capital	5.33	2,779,000,000.00	2,779,000,000.00
Other equity instruments			
Capital reserve	5.34	47,390,260,505.42	44,300,260,505.42
Less: treasury shares			
Other comprehensive income			
Special reserve	5.35	30,981,179.69	28,816,796.07
Surplus reserve	5.36	535,513,250.09	535,513,250.09
Undistributed profits	5.37	4,501,776,299.05	4,890,768,774.83
<b>Total owners' equity attributable to the parent</b>		<b>55,237,531,234.25</b>	<b>52,534,359,326.41</b>
Non-controlling interests		28,422,096.90	20,358,055.69
<b>Total owners' equity</b>		<b>55,265,953,331.15</b>	<b>52,554,717,382.10</b>
<b>Total liabilities and owners' equity</b>		<b>184,100,673,291.40</b>	<b>167,181,854,720.03</b>

Legal representative:

Chief Financial Officer:

Head of Accounting Department:





# Balance Sheet

For the six-month period ended 30 June 2021

Prepared by: Zhengzhou Metro Group Co., Ltd.

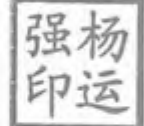
Currency: RMB Yuan

Items	Notes	As at 30/06/2021	As at 31/12/2020
<b>Current assets:</b>			
Cash at bank and on hand		8,742,238,872.93	6,259,714,136.30
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Trade receivables	11.1	61,835,277.88	80,861,149.43
Receivables financing			
Advances to suppliers		20,434,129.70	21,868,327.27
Other receivables	11.2	8,286,370,489.27	7,092,430,333.16
Inventories		179,421,900.60	132,858,820.36
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		6,584,070,170.04	5,968,281,938.48
<b>Total current assets</b>		<b>23,874,370,840.42</b>	<b>19,556,014,705.00</b>
<b>Non-current assets:</b>			
Debt investments			
Available-for-sale financial assets			5,000,000.00
Other debt investments			
Long-term receivables			
Long-term equity investments	11.3	8,392,536,817.17	8,392,536,817.17
Other equity instrument investments		5,000,000.00	
Other non-current financial assets			
Investment properties		1,718,900.55	1,742,137.05
Fixed assets		70,901,205,319.09	70,909,043,266.90
Construction in progress		70,829,570,273.40	60,208,573,393.30
Right-of-use assets			
Intangible assets		82,956,634.60	83,304,334.73
Development expenditures			
Long-term prepaid expenses		816,687.35	816,687.35
Deferred tax assets			
Other non-current assets		9,724,189,677.57	7,801,822,297.19
<b>Total non-current assets</b>		<b>159,937,994,309.73</b>	<b>147,402,838,933.69</b>
<b>Total assets</b>		<b>183,812,365,150.15</b>	<b>166,958,853,638.69</b>

Legal representative:

Chief Financial Officer:

Head of Accounting Department:





## Balance Sheet (Continued)

For the six-month period ended 30 June 2021

Prepared by: Zhengzhou Metro Group Co., Ltd.

Currency: RMB Yuan

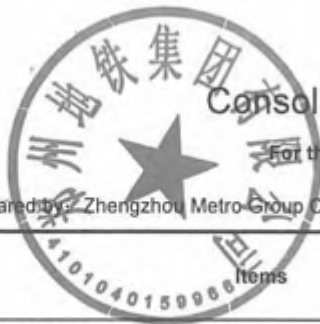
Items	Notes	As at 30/06/2021	As at 31/12/2020
<b>Current liabilities:</b>			
Short-term borrowings		200,000,000.00	
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Trade payables		7,022,109,823.71	7,718,426,522.20
Advances from customers		20,573,520.63	47,646,131.68
Contract liabilities		344,125.19	
Employee benefits payable		110,872,603.90	262,654,604.40
Taxes and surcharges payable		100,796.95	2,716,728.50
Other payables		245,325,855.56	317,751,799.22
Liabilities held for sale			
Non-current liabilities due within one year		4,576,345,267.01	4,559,296,005.95
Other current liabilities			2,500,000,000.00
<b>Total current liabilities</b>		<b>12,175,671,992.95</b>	<b>15,408,491,791.95</b>
<b>Non-current liabilities:</b>			
Long-term borrowings		111,868,102,018.58	95,467,209,019.76
Bonds payable			
Lease liabilities			
Long-term payables		1,623,758,439.80	637,689,622.41
Long-term employee benefits payable			
Provisions			
Deferred income		679,955,647.05	680,227,061.31
Deferred tax liabilities			
Other non-current liabilities		2,293,960,000.00	2,293,960,000.00
<b>Total non-current liabilities</b>		<b>116,465,776,105.43</b>	<b>99,079,085,703.48</b>
<b>Total liabilities</b>		<b>128,641,448,098.38</b>	<b>114,487,577,495.43</b>
<b>Owners' equity:</b>			
Paid-in capital		2,779,000,000.00	2,779,000,000.00
Other equity instruments			
Capital reserve		47,390,260,505.42	44,300,260,505.42
Less: treasury shares			
Other comprehensive income			
Special reserve		30,981,179.69	28,816,796.07
Surplus reserve		535,513,250.09	535,513,250.09
Undistributed profits		4,435,162,116.57	4,827,685,591.68
<b>Total owners' equity</b>		<b>55,170,917,051.77</b>	<b>52,471,276,143.26</b>
<b>Total liabilities and owners' equity</b>		<b>183,812,365,150.15</b>	<b>166,958,853,638.69</b>

Legal representative:

Chief Financial Officer:

Head of Accounting Department:





# Consolidated Statement of Income

For the six-month period ended 30 June 2021

Prepared by: Zhengzhou Metro Group Co., Ltd.

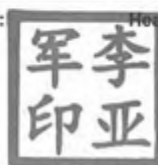
Currency: RMB Yuan

Items	Notes	for the six-month period ended 30 June 2021	for the six-month period ended 30 June 2020
<b>1. Operating revenue</b>	5.38	<b>544,000,655.31</b>	<b>239,571,063.83</b>
Less: Operating costs	5.38	898,293,782.26	534,774,190.12
Taxes and surcharges	5.39	1,202,909.49	758,419.68
Selling expenses		23,058.31	1,008,180.95
Administrative expenses	5.40	35,088,642.00	37,797,399.75
Research and development expenses		2,143.37	
Finance expenses	5.41	14,800,437.45	51,733,912.40
Add: Other income	5.42	14,831,372.15	93,857,863.56
Investment income ((losses expressed with "-"))	5.43		266,978.34
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets measured at amortized costs			
Gains on changes in fair value (losses expressed with "-")			
Credit impairment losses (losses expressed with "-")	5.44	-97,425.38	
Assets impairment losses (losses expressed with "-")			
Gains on disposal of assets (losses expressed with "-")			
<b>2. Operating profit (loss expressed with "-")</b>		<b>-390,676,370.80</b>	<b>-292,376,197.17</b>
Add: Non-operating income	5.45	950,527.48	141,618,433.62
Less: Non-operating expenses	5.46	152,670.97	1,176,418.57
<b>3. Total profit (loss expressed with "-")</b>		<b>-389,878,514.29</b>	<b>-151,934,182.12</b>
Less: income tax expenses	5.47	49,920.28	7,053.26
<b>4. Net profit (net loss expressed with "-")</b>		<b>-389,928,434.57</b>	<b>-151,941,235.38</b>
A. Classified by continuing and discontinued operations			
Net profit from continuing operations		-389,928,434.57	-151,941,235.38
Net profit from discontinued operations			
B. Attributable to			
Owners of the Company		-388,992,475.78	-151,145,625.77
*Non-controlling interests		-935,958.79	-795,609.61
<b>5. Other comprehensive income, net of income tax</b>			
Attributable to owners of the parent			
Attributable to non-controlling interests			
<b>6. Total comprehensive income</b>		<b>-389,928,434.57</b>	<b>-151,941,235.38</b>
Attributable to owners of the Company		-388,992,475.78	-151,145,625.77
Attributable to non-controlling interests		-935,958.79	-795,609.61

Legal representative:

Chief Financial Officer:

Head of Accounting Department:





# Statement of Income

For the six-month period ended 30 June 2021

Prepared by: Zhengzhou Metro Group Co., Ltd.

Currency: RMB Yuan

Items	Notes	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
<b>1. Operating revenue</b>	11.4	523,672,300.86	235,229,626.48
Less: Operating costs	11.4	883,013,035.70	531,082,140.37
Taxes and surcharges		191,952.43	155,216.68
Selling expenses			
Administrative expenses		24,872,878.13	27,388,022.23
Research and development expenses		2,143.37	
Finance expenses		23,880,610.26	-107,935.93
Add: Other income		14,828,252.28	93,817,468.60
Investment income ((losses expressed with "-"))			266,978.34
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets measured at amortised costs			
Gains on changes in fair value (losses expressed with "-")			
Credit impairment losses (losses expressed with "-")			
Assets impairment losses (losses expressed with "-")			
Gains on disposal of assets (losses expressed with "-")			
<b>2. Operating profit (loss expressed with "-")</b>		-393,460,066.75	-229,203,369.93
Add: Non-operating income		936,591.64	140,699,175.80
Less: Non-operating expenses			8,962.92
<b>3. Total profit (loss expressed with "-")</b>		-392,523,475.11	-88,513,157.05
Less: income tax expenses			
<b>4. Net profit (loss expressed with "-")</b>		-392,523,475.11	-88,513,157.05
A. Net profit from continuing operations		-392,523,475.11	-88,513,157.05
B. Net profit from discontinued operations			
<b>5. Other comprehensive income, net of income tax</b>			
A. Items that will not be reclassified subsequently to profit or loss			
B. Items that may be reclassified subsequently to profit or loss			
<b>6. Total comprehensive income</b>		-392,523,475.11	-88,513,157.05

Legal representative:

Chief Financial Officer:

Head of Accounting Department:



# Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2021

Prepared by: Zhengzhou Metro Group Co., Ltd.

Currency: RMB Yuan

Items	Notes	for the six-month period ended 30 June 2021	for the six-month period ended 30 June 2020
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		621,339,206.77	474,496,399.61
Refunds of taxes and surcharges			332,744.62
Cash received relating to other operating activities		32,827,506.00	1,397,025,096.97
<b>Sub-total of cash inflows from operating activities</b>		<b>654,166,712.77</b>	<b>1,871,854,241.20</b>
Cash paid for goods and services		673,220,126.53	245,067,628.00
Cash paid to and on behalf of employees		714,323,605.00	389,451,183.79
Cash paid for taxes and surcharges		13,725,982.93	10,808,518.35
Cash paid relating to other operating activities		132,478,739.86	1,362,907,235.78
<b>Sub-total of cash outflows from operating activities</b>		<b>1,533,748,454.32</b>	<b>2,008,234,565.92</b>
<b>Net cash flows from operating activities</b>		<b>-879,581,741.55</b>	<b>-136,380,324.72</b>
<b>2. Cash flows from investing activities:</b>			
Cash received from disposal of investments			
Cash received from investment income			266,978.34
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			12,489,770.21
<b>Sub-total of cash inflows from investing activities</b>			<b>12,756,748.55</b>
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		12,598,985,673.75	11,745,046,940.68
Cash paid for acquisition of investments			6,800,000.00
Cash paid for obtaining subsidiaries and other business units			
Cash paid relating to other investing activities			611,840,000.00
<b>Sub-total of cash outflows from investing activities</b>		<b>12,598,985,673.75</b>	<b>12,363,686,940.68</b>
<b>Net cash flows from investing activities</b>		<b>-12,598,985,673.75</b>	<b>-12,350,930,192.13</b>
<b>3. Cash flows from financing activities:</b>			
Cash received from capital contributions		3,109,000,000.00	4,485,250,000.00
Including: Cash received from non-controlling shareholders' capital contributions to subsidiaries		9,000,000.00	6,000,000.00
Cash received from borrowings		18,274,339,914.80	15,733,000,000.00
Cash received relating to other financing activities			
<b>Sub-total of cash inflows from financing activities</b>		<b>21,383,339,914.80</b>	<b>20,218,250,000.00</b>
Cash repayments for borrowings		3,426,702,861.66	4,981,294,555.54
Cash payments for distribution of dividends, profits, or for interest expenses		2,482,803,825.30	2,199,850,178.73
Including: Subsidiaries' cash payments for distribution of dividends or profits to non-controlling shareholders			
Cash paid relating to other financing activities		755,434.00	212,477,774.37
<b>Sub-total of cash outflows from financing activities</b>		<b>5,910,262,120.96</b>	<b>7,393,622,508.64</b>
<b>Net cash flows from financing activities</b>		<b>15,473,077,793.84</b>	<b>12,824,627,491.36</b>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>5. Net increase/ (decrease) in cash and cash equivalents</b>		<b>1,994,510,378.54</b>	<b>337,316,974.51</b>
Add: Opening balance of cash and cash equivalents		7,014,691,134.25	16,119,736,894.69
<b>6. Closing balance of cash and cash equivalents</b>		<b>9,009,201,512.79</b>	<b>16,457,053,869.20</b>

Legal representative:

Chief Financial Officer:

Head of Accounting Department:



# Statement of Cash Flows

For the six-month period ended 30 June 2021

Prepared by: Zhengzhou Metro Group Co., Ltd.

Currency: RMB Yuan

Items	Notes	for the six-month period ended 30 June 2021	for the six-month period ended 30 June 2020
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		582,303,394.60	336,216,613.36
Refunds of taxes and surcharges			213,441.22
Cash received relating to other operating activities		21,235,296.70	364,580,791.59
<b>Sub-total of cash inflows from operating activities</b>		603,538,691.30	701,010,846.17
Cash paid for goods and services		309,659,281.41	185,101,407.29
Cash paid to and on behalf of employees		702,633,802.96	380,387,109.89
Cash paid for taxes and surcharges			
Cash paid relating to other operating activities		111,074,503.31	364,938,961.84
<b>Sub-total of cash outflows from operating activities</b>		1,123,367,587.68	930,427,479.02
<b>Net cash flows from operating activities</b>		-519,828,896.38	-229,416,632.85
<b>2. Cash flows from investing activities:</b>			
Cash received from disposal of investments			
Cash received from investment income			266,978.34
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			
<b>Sub-total of cash inflows from investing activities</b>			266,978.34
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		12,374,578,676.82	11,749,605,962.32
Cash paid for acquisition of investments			10,800,000.00
Cash paid for obtaining subsidiaries and other business units			
Cash paid relating to other investing activities		67,900,918.01	611,840,000.00
<b>Sub-total of cash outflows from investing activities</b>		12,442,479,594.83	12,372,245,962.32
<b>Net cash flows from investing activities</b>		-12,442,479,594.83	-12,371,978,983.98
<b>3. Cash flows from financing activities:</b>			
Cash received from capital contributions		3,100,000,000.00	4,480,950,000.00
Cash received from borrowings		18,254,339,914.80	15,733,000,000.00
Cash received relating to other financing activities			
<b>Sub-total of cash inflows from financing activities</b>		21,354,339,914.80	20,213,950,000.00
Cash repayments for borrowings		3,426,702,861.66	4,981,294,555.54
Cash payments for distribution of dividends, profits, or for interest expenses		2,482,803,825.30	2,062,177,310.03
Cash paid relating to other financing activities			212,477,774.37
<b>Sub-total of cash outflows from financing activities</b>		5,909,506,686.96	7,255,949,639.94
<b>Net cash flows from financing activities</b>		15,444,833,227.84	12,958,000,360.06
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>5. Net increase/ (decrease) in cash and cash equivalents</b>		2,482,524,736.63	356,604,743.23
Add: Opening balance of cash and cash equivalents		6,259,714,136.30	12,795,242,617.39
<b>6. Closing balance of cash and cash equivalents</b>		8,742,238,872.93	13,151,847,360.62

Legal representative:

张洲  
4101055194114

Chief Financial Officer:

李亚  
印

Head of Accounting Department:

杨运  
印

# Consolidated Statement of Changes in Equity

Currency: RMB Yuan

For the six-month period ended 30 June 2021

Items	Owner's equity attributable to the parent										Non-controlling interests	Total owners' equity
	Paid-in capital	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Sub-total			
1. Closing balance of prior year	2,779,000,000.00		44,300,260,505.42			28,816,796.07	535,513,250.09	4,890,768,774.83	52,534,359,326.41	20,358,055.69	52,554,717,382.10	
Add: Changes in accounting policies												
Corrections of prior period errors												
Business combination under common control												
Others												
2. Opening balance of current year	2,779,000,000.00		44,300,260,505.42			28,816,796.07	535,513,250.09	4,890,768,774.83	52,534,359,326.41	20,358,055.69	52,554,717,382.10	
3. Changes in current period (decrease expressed with "-")			3,090,000,000.00			2,164,383.62		-388,992,475.78	2,703,171,907.84	8,064,041.21	2,711,235,949.05	
(1) Total comprehensive income for the period								-388,992,475.78	-388,992,475.78	-935,959.79	-389,928,434.57	
(2) Contributions by and distributions to owners			3,090,000,000.00						3,090,000,000.00	9,000,000.00	3,099,000,000.00	
1) Capital contributions from owners												
2) Capital contributions from other equity instruments holders												
3) Share-based payments recognized in shareholders' equity												
4) Others			3,090,000,000.00						3,090,000,000.00		3,090,000,000.00	
(3) Profit distribution												
1) Appropriation to surplus reserve												
2) Distribution to owners												
3) Others												
(4) Internal transfer of owner's equity												
1) Capitalization of capital reserve												
2) Capitalization of surplus reserve												
3) Making up losses from surplus reserve												
4) Transfer or changes in ownership of retained earnings												
5) Transfer of other comprehensive income to retained earnings												
6) Others												
(5) Special reserve						2,164,383.62			2,164,383.62		2,164,383.62	
1) Appropriation to special reserve						5,468,088.15			5,468,088.15		5,468,088.15	
2) Use of special reserve						3,303,704.53			3,303,704.53		3,303,704.53	
(6) Others												
4. Closing balance of current period	2,779,000,000.00		47,390,260,505.42			30,981,179.69	535,513,250.09	4,501,776,299.05	55,237,531,234.25	28,422,096.90	55,265,953,331.15	

Chief Financial Officer:

Head of Accounting Department:







Consolidated Statement of Changes in Equity (Continued)

Currency: RMB Yuan

Prepared by: Zhongguo Metro Group Co., Ltd. For the six-month period ended 30 June 2020

Items	Owner's equity attributable to the parent										Non-controlling interests	Total owners' equity
	Paid-in capital	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Sub-total			
1. Closing balance of prior year	2,779,000,000.00		38,524,440,505.42			24,083,446.44	521,830,816.09	4,810,918,030.98	46,660,272,798.93		9,172,120.18	46,669,444,919.11
Add: Changes in accounting policies												
Corrections of prior period errors												
Business combination under common control												
Others												
2. Opening balance of current year	2,779,000,000.00		38,524,440,505.42			24,083,446.44	521,830,816.09	4,810,918,030.98	46,660,272,798.93		9,172,120.18	46,669,444,919.11
3. Changes in current period (decrease expressed with "-")			4,485,250,000.00			4,303,344.61		-151,236,458.31	4,338,316,886.30		11,143,835.37	4,349,460,721.67
(1) Total comprehensive income for the period								-151,145,625.77	-151,145,625.77		-796,609.61	-151,941,235.38
(2) Contributions by and distributions to owners			4,485,250,000.00					-80,832.54	4,485,159,167.46		11,939,444.98	4,497,098,612.44
1) Capital contributions from owners												
2) Capital contributions from other equity instruments holders												
3) Share-based payments recognized in shareholders' equity												
4) Others			4,485,250,000.00					-80,832.54	4,485,159,167.46		11,939,444.98	4,497,098,612.44
(3) Profit distribution												
1) Appropriation to surplus reserve												
2) Distribution to owners												
3) Others												
(4) Internal transfer of owner's equity												
1) Capitalization of capital reserve												
2) Capitalization of surplus reserve												
3) Making up losses from surplus reserve												
4) Transfer or changes in deemed payment plans to retained earnings												
5) Transfer of other comprehensive income to retained earnings												
6) Others												
(5) Special reserve						4,303,344.61			4,303,344.61			4,303,344.61
1) Appropriation to special reserve						5,982,716.18			5,982,716.18			5,982,716.18
2) Use of special reserve						1,679,371.57			1,679,371.57			1,679,371.57
(6) Others												
4. Closing balance of current period	2,779,000,000.00		43,009,690,505.42			28,386,791.05	521,830,816.09	4,659,681,572.67	50,998,669,665.23		20,315,955.55	51,018,985,640.78

Chief Financial Officer:

Head of Accounting Department

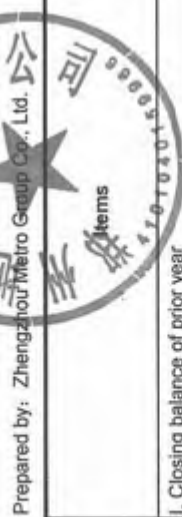
李亚印

杨运强

张洲  
4101065154114

# Statement of Changes in Equity

Currency: RMB Yuan



For the six-month period ended 30 June 2021									
	Paid-in Capital	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
1. Closing balance of prior year	2,779,000,000.00		44,300,260,505.42			28,816,796.07	535,513,250.09	4,827,685,591.68	52,471,276,143.26
Add: Changes in accounting policies									
Corrections of prior period errors									
Others									
2. Opening balance of current year	2,779,000,000.00		44,300,260,505.42			28,816,796.07	535,513,250.09	4,827,685,591.68	52,471,276,143.26
3. Changes in current period (decrease expressed with "-")			3,090,000,000.00			2,164,383.62		-392,523,475.11	2,699,640,908.51
(1) Total comprehensive income for the period								-392,523,475.11	-392,523,475.11
(2) Contributions by and distributions to owners			3,090,000,000.00						3,090,000,000.00
1) Capital contributions from owners									
2) Capital contributions from other equity instruments holders									
3) Share-based payments recognized in shareholders' equity									
4) Others			3,090,000,000.00						3,090,000,000.00
(3) Profit distribution									
1) Appropriation to surplus reserve									
2) Distribution to owners									
3) Others									
(4) Internal transfer of owner's equity									
1) Capitalization of capital reserve									
2) Capitalization of surplus reserve									
3) Making up losses from surplus reserve									
4) Transfer of changes in defined benefit plans to retained earnings									
5) Transfer of other comprehensive income to retained earnings									
6) Others									
(5) Special reserve						2,164,383.62			2,164,383.62
1) Appropriation to special reserve									
2) Use of special reserve									
(6) Others									
4. Closing balance of current period	2,779,000,000.00		47,390,260,505.42			30,981,179.69	535,513,250.09	4,435,162,116.57	55,170,917,051.77

Legal representative:



Chief Financial Officer:



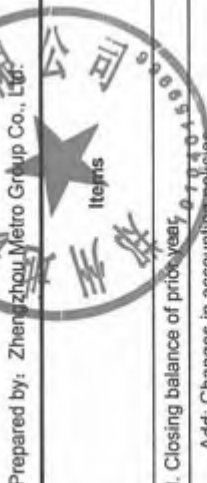
Head of Accounting Department:



# Statement of Changes in Equity (Continued)

Currency: RMB Yuan

		For the six-month period ended 30 June 2020							
Items	Paid-in Capital	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
1. Closing balance of prior year	2,779,000,000.00		38,524,440,505.42			24,083,446.44	521,830,816.09	4,704,543,685.68	46,553,898,453.63
Add: Changes in accounting policies									
Corrections of prior period errors									
Others									
2. Opening balance of current year	2,779,000,000.00		38,524,440,505.42			24,083,446.44	521,830,816.09	4,704,543,685.68	46,553,898,453.63
3. Changes in current period (decrease expressed with "-")			4,485,250,000.00			4,303,344.61		-88,513,157.05	4,401,040,187.56
(1) Total comprehensive income for the period								-88,513,157.05	-88,513,157.05
(2) Contributions by and distributions to owners			4,485,250,000.00						4,485,250,000.00
1) Capital contributions from owners			4,485,250,000.00						4,485,250,000.00
2) Capital contributions from other equity instruments holders									
3) Share-based payments recognized in shareholders' equity									
4) Others									
(3) Profit distribution									
1) Appropriation to surplus reserve									
2) Distribution to owners									
3) Others									
(4) Internal transfer of owner's equity									
1) Capitalization of capital reserve									
2) Capitalization of surplus reserve									
3) Making up losses from surplus reserve									
4) Transfer of changes in defined benefit plans to retained earnings									
5) Transfer of other comprehensive income to retained earnings									
6) Others									
(5) Special reserve						4,303,344.61			4,303,344.61
1) Appropriation to special reserve						5,982,716.18			5,982,716.18
2) Use of special reserve						1,679,371.57			1,679,371.57
(6) Others									
4. Closing balance of current period	2,779,000,000.00		43,009,690,505.42			28,386,791.05	521,830,816.09	4,616,030,528.63	50,954,938,641.19



Prepared by: Zhenshou Metro Group Co., Ltd.

强杨  
印运

李  
印亚

Head of Accounting Department:

Chief Financial Officer:

Legal representative:

张洲  
4101055194114

# Zhengzhou Metro Group Co., Ltd.

## Notes to the Financial Statements

(All amounts in Chinese Renminbi Yuan unless otherwise stated)

### 1 Company Profile

1.1 The Company's registered place, organization structure and the address of head quarter

Zhengzhou Metro Group Co., Ltd. (Hereinafter referred to as “The Company” or “Company”) was registered in Zhengzhou Administration for Industry and Commerce and founded on Mar. 6, 2008 by approval of the Notice of the People’s Government of Zhengzhou on Establishing Zhengzhou Rail Transit (Zhengzhou Government Document [2008] No. 36). The registered office of the Company is in located at No. 100, Kangning Street, Zhengzhou Area (Zhengdong), Henan Pilot Free Trade Zone. The unified social credit code of the Company is 914101006728529431, and the legal representative of the Company is Zhang Zhou.

1.2 The Company's business nature and main operation activities

The company belongs to the rail transit industry and its operating scopes are as follows: project investment for rail transit projects; construction and operation of track project (with qualification certificate, business license); commercial housing lease; property services; communication equipment leasing; construction machinery equipment, building materials sales; design, production, agency, and release of domestic advertising; engagement in the import and export of goods and technology(excluding goods and technologies that are subject to approval by the state's laws and regulations to operate or prohibit import and export) .

1.3 Consolidated statements scope

The scope of the consolidated financial statements for the first half of 2021 includes 8 subsidiaries. Compared with the previous period, one new subsidiary has been added to the consolidation scope of the current period. The details can refer to the Note 6 Changes in consolidation scope and Note 7 Interest in other entities.

### 2 Basis of Preparation of Financial Statements

2.1 Basis of Preparation.

On the basis of going concern and transactions and events actually occurred, the Group prepares its financial statements with the following accounting policies and accounting estimates in accordance with the Accounting Standards for Business Enterprises – basic Standards, specific accounting standards and other relevant provisions (hereinafter

collectively known as "Accounting Standards for Business Enterprises" or "CAS").

## 2.2 Going concern

This financial statement is reported on the basis of continuous operation. Our company has a continuous operation capacity at least 12 months from the end of the reporting period.

## 3 Significant Accounting Policies and Accounting Estimates

### 3.1 Statement of Compliance with CAS

The financial statements prepared by the Company meet the requirements of the CAS, which presented truthfully and completely for the Group's financial position as of 30 June 2021, and financial performance and cash flows for the six-month period then ended.

### 3.2 Accounting Period

The financial year of the Group is calendar year from 1 January to 31 December.

### 3.3 Operating Cycle

The Company's operating cycle is 12 months in each calendar year and it classifies the assets and liabilities' liquidity by operating cycle.

### 3.4 Functional Currency

The Group's presentation currency is Chinese Renminbi (hereafter referred to as "RMB").

### 3.5 Business Combination

#### 3.5.1 Business combinations involving enterprises under common control

In a business combination involving enterprises under common control, if the acquirer pays for the business combination in cash, by transferring of non-cash assets or assuming liabilities, the initial investment cost is the holding share of the acquiree's equity in the ultimate controlling party's consolidated financial statements measured at the carrying amounts at the acquisition date. If the acquirer issues equity instruments for the business combination, the acquirer measures the share capital by the par value of the shares issued. The difference between the original investment cost and the carrying amount (or the total par value of shares issued) will be adjusted to the capital reserve. If the capital reserve is insufficient to absorb the difference, the remaining amount shall be deducted from the undistributed profits.

#### 3.5.2 Business combinations involving enterprises not under common control

In a business combination involving enterprises not under common control, the combination costs are the aggregate of the fair values of the assets paid, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for control over the acquiree at the acquisition date. At the acquisition date, the acquired

assets, liabilities and contingent liabilities of the acquiree that meet the recognition criteria are measured at their fair value. The Company shall recognise the difference of the combination costs in excess of its interest portion in the fair value of the net identifiable assets acquired from the acquiree as goodwill. The Company shall recognise the difference of the combination costs less than its interest portion in the fair value of the net identifiable assets acquired from the acquiree in the non-operating income for current period after reassessment.

### 3.6 Preparation of Consolidated Financial Statements

#### 3.6.1 The scope of consolidated financial statements

The Company incorporates all its subsidiaries (including individual entities under its control) into the scope of the consolidated financial statements, including the enterprises controlled by the Company, divisible part in the investees and structured entities.

#### 3.6.2 Uniform accounting policies, balance sheet date and accounting period

If the subsidiaries adopt different accounting policies or accounting period compared with the Company, the Company shall make necessary adjustments on the subsidiaries' financial statements according to its accounting policies or accounting period when the consolidated financial statements are prepared.

#### 3.6.3 The elimination in the preparation of consolidated financial statements

The consolidated financial statements are prepared based on the individual financial statements of the Company and its subsidiaries, after elimination of the transactions incurred among the Company and the subsidiaries. The portion of a subsidiary's equity that is not attributable to the Company is treated as non-controlling interests and presented in the consolidated balance sheet within equity. The equity investment of the Company held by one subsidiary shall be treated as the Company's treasury shares and a deduction of the shareholders' equity which is presented as "less: treasury shares" in the consolidated balance sheet within equity.

#### 3.6.4 The accounting treatment for obtaining subsidiaries through a business combination

Where a subsidiary or business has been acquired through a business combination involving enterprises under common control in the reporting period, the obtained subsidiary or business is deemed to be included in the consolidated financial statements from the date they are controlled by the ultimate controlling party. Their assets, liabilities, operating results and cash flows are included in the consolidated financial statements from the beginning of the accounting period in which the acquisition occurred. Where a subsidiary or business has been acquired through a business combination not involving

enterprises under common control, their individual financial statements are adjusted based on the fair value of identifiable net assets at the acquisition date when preparing the consolidated financial statements.

#### 3.6.5 The accounting treatment for disposal of equity investment in a subsidiary

In the consolidated financial statements, when the Company partly disposes its investment in a subsidiary without losing its control on the subsidiary, the difference between the consideration received and its corresponding portion of the net asset continually calculated from the purchase date or combination date should be adjusted to the capital reserve and if the capital reserve is insufficient to absorb the difference, the remaining amount will be deducted from the retained earnings.

If the Company loses its control on a investee because of disposing some portion of its equity investment in the investee, when it prepares its consolidated financial statements, the remaining balance of its equity investment will be remeasured at the fair value of the date at which it loses its control. The difference between the sum of the consideration received and the fair value of the remaining equity investment, and its corresponding interest portion of the net asset continually calculated from the purchase date or the combination date should be recorded in the investment income of the current period, and be deducted to goodwill simultaneously. Other comprehensive income (OCI) etc. relating to the investment in the former subsidiary will be transferred to the investment income in the same period in which it loses its control.

### 3.7 Joint Arrangement Classification and Accounting Treatments

#### 3.7.1 The classification of joint arrangement

Joint arrangements are classified as joint operations or joint ventures. A joint arrangement will be classified as joint operation when the joint arrangement achieves not through an individual entity. Individual entity is an entity with individual identifiable finance structure, including single legal entity and entity unqualified as legal entity but qualified as lawful entity. A joint arrangement is usually be classified as joint venture when the joint arrangement achieves through incorporating an individual entity. When changes arising from relevant events or environment cause changes of the cooperative parties' rights and obligations in the joint arrangements, the cooperative parties shall reassess the classification of the joint arrangements.

#### 3.7.2 The accounting treatment of joint operations

The company acted as a party participating in joint operations, recognises the following items relating to its interests in the joint operations and accounts for them in accordance

with related requirements of Accounting Standards for Business Enterprises: (a) its solely-held assets and solely-assumed liabilities, and its share of any assets and liabilities held jointly; (b) its revenue from the sale of its share of the output arising from the joint operation; (c) its share of the revenue from the sale of the output by the joint operation; (d) its own expenses and its share of any expenses incurred jointly.

The company acted as a party involving in joint operations without common control power, accounts for its investments referring to the treatment method of joint operation participants if it is entitled to relevant assets and undertake relevant liabilities of the joint operations, otherwise, it accounts for its investments according to related requirements of Accounting Standards for Business Enterprises.

### 3.7.3 The accounting treatment of joint ventures

The company accounts for its investments in accordance with CAS 2 Long-term Equity Investment if it is one of the participating parties with common control power in joint ventures. And the company accounts for its investments according to its influence extent on the joint ventures if it is not one of the participating parties with common control power involved in the joint ventures.

## 3.8 Cash and Cash Equivalents

The cash in the Company's statement of cash flows is cash on hand and deposits that can be readily drawn on demand. Cash equivalents in the statement of cash flows are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

## 3.9 Foreign Currency Transactions and Translation of Financial Statements Denominated in Foreign Currency

### 3.9.1 Translation of foreign currency transactions

The Company records foreign currency transactions in RMB for accounting purpose using the spot exchange rate prevailing at the date when the transactions occur. At the balance sheet date, monetary items denominated in foreign currency are translated to RMB by adopting the prevailing exchange rate on that date. Foreign exchange difference between the prevailing exchange rate on that date and the prevailing exchange rate on initial recognition or on the previous balance sheet date are recognised in profit or loss for the current period, except the foreign exchange arising from specific loan denominated in foreign currency qualified as capital expenditure and included in the cost of related assets. Non-monetary items denominated in foreign currency that are measured at historical cost are still translated at amount in functional currency exchanged at the prevailing exchange



rate at the transaction date. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the exchange rate at the date when fair value was determined and the difference between the translated functional currency amount and the prior translated amount on initial recognition or on the previous balance sheet date are recorded in profit or loss for the current period or other comprehensive income.

### 3.9.2 The translation of financial statements denominated in foreign currency

If the Company's controlled subsidiaries, joint ventures and associates etc. adopt different reporting currency, their financial statements denominated in foreign currency shall be translated to financial statements in RMB when preparing consolidated financial statements. The assets and liabilities are translated to RMB amounts using the spot exchange rate at the balance sheet date. Items of the equity, except for "undistributed profits", are translated at the spot exchange rate at the dates when such items occurred. The revenue and expenditures in the statement of income are translated using the spot exchange rate at the transaction date. The difference arising from foreign currency financial statements translation is presented in other comprehensive income at the consolidated balance sheet within equity. Items of the statement of cash flows are translated using the spot exchange rate when they incurred. Effect arising from changes of exchange rates on cash and cash equivalents is presented separately in the statement of cash flows. When disposing of foreign operations, exchange differences of foreign currency financial statements attributable to the foreign operations are transferred to profit or loss for the current period entirely or in proportion with the disposal portion of the foreign operations.

## 3.10 Financial Instruments

### 3.10.1 Classification and reclassification of financial instruments

Financial instruments are the contracts under which the financial assets of an entity are formed and correspondingly the financial liabilities or equity instruments of any other entity are formed.

#### 3.10.1.1 Financial assets

The Company classifies a financial asset as subsequently measured at amortised cost that meets both of the following conditions:

- a) the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company classifies a financial asset as subsequently measured at fair value through other comprehensive income that meets both of the following conditions:

- a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset, and
- b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company may make an irrevocable election at initial recognition to designate non-traded equity instruments as subsequently measured at fair value through other comprehensive income. The designation is made on the basis of single investment which meets the equity instrument definition from the aspect of the issuer.

The Company classifies a financial asset as subsequently measured at fair value through profit or loss unless it is subsequently measured at amortised cost or measured at fair value through other comprehensive income. The Company may make an irrevocable election at initial recognition to designate a financial asset as subsequently measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

When the Company changes its business model for managing financial assets, all affected financial assets are reclassified from the first day of the next subsequent reporting period after the business model changes and the reclassification is applied prospectively from the reclassification date, meaning that any previously recognised gains, losses (including impairment gains or losses) or interest will not be restated.

#### 3.10.1.2 Financial liabilities

Financial liabilities are classified at initial recognition as: a) financial liabilities measured at fair value through profit or loss; b) financial liabilities that arise when transfers of financial assets do not qualify for derecognition or when the continuing involvement approach applies; and financial liabilities as subsequently measured at amortised cost. All financial liabilities are not be reclassified.

#### 3.10.2 Measurement of financial instruments

The Company measures financial instruments at fair value upon their initial recognition. The related transaction fees for the financial assets and financial liabilities subsequently measured at fair value through profit or loss are charged in profit or loss directly. The related transaction fees for other financial assets and financial liabilities are included in their initial costs. The Company measures the accounts receivable and notes receivable deriving from selling goods or providing services at their transaction price if the accounts

receivable and notes receivable do not contain a significant financing component or the Company applies the practical expedient not considering the significant financing component. The subsequent measurement of a financial instrument is determined by its classification.

#### 3.10.2.1 Financial assets

##### A. Financial assets measured at amortised cost

The financial assets are measured subsequently at amortised cost using the effective interest method after initial recognition. The gains or losses calculated by the effective interest method which do not belong to any hedging relationships are recognised in profit or loss when the financial assets are derecognised, reclassified, amortized or impaired.

##### B. Financial assets measured at fair value through profit or loss

After initial recognition, the financial assets are measured subsequently at fair value except that they belong to any hedging relationships, and any gains or losses including interests and dividends are recognised in profit or loss.

##### C. Financial assets measured at fair value through other comprehensive income

After initial recognition, the financial assets are measured subsequently at fair value. The interest calculated by the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss and other gains or losses are recognised in other comprehensive income. The accumulated gains or losses recognised in other comprehensive income will be reclassified in profit or loss upon derecognition of the financial assets.

#### 3.10.2.2 Financial liabilities

##### A. Financial liabilities measured at fair value through profit or loss

The category includes financial liabilities held for trading, derivative financial liabilities and financial liabilities designated as measured at fair value through profit or loss. After initial recognition, financial liabilities in this category are measured at fair value and the gains and losses from changes of fair value of financial liabilities held for trading are recognised in profit or loss except those relating to hedging accounting.

For financial liabilities designated as measured at fair value through profit or loss, the change of fair value due to the change of the Company's self-credit risk are recognised in other comprehensive income, and other changes of fair value are recognised in profit or loss. If the recognition in other comprehensive income for the change of fair value due to the change of the financial liabilities' self-credit risk will cause or enhance an accounting mismatch in profit or loss, the Company recognises all gains or losses from the financial

liabilities in profit or loss.

#### B. Financial liabilities measured at amortised cost

After initial recognition, financial liabilities in this category are measured at amortised cost using the effective interest method.

#### 3.10.3 Measurement method of financial instruments' fair value

For financial instruments that active markets exist, the Company uses the quoted prices in the active markets to determine their fair value. If there is no active market for the financial instruments, the Company uses valuation techniques to determine their fair value. The valuation techniques mainly include market approach, income approach and cost approach.

In limited conditions, if there is no sufficient updated information to determine the fair value, or the range of estimated fair value is so wide that the cost indicates the best estimate of the fair value, the cost may represent the appropriate estimate of the fair value within the distribution range. The Company makes use of all available information concerning the investee's business performance and operation to determine if the cost may represent its fair value.

#### 3.10.4 The recognition basis and measurement approach for transfer of financial assets and liabilities

##### 3.10.4.1 Financial assets

A financial asset of the Company is derecognised when it meets one of the following conditions: a) the contractual rights to the cash flows from the financial asset expire, or b) the financial asset has been transferred and the Company transfers substantially all the risks and rewards of ownership of the financial asset; c) the financial asset has been transferred, although the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it has not retained control.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, and recognises related financial liabilities correspondingly.

On derecognition of a financial asset in its entirety, the difference between the following two items is recognised in profit or loss:

- (a) the carrying amount measured at the date of derecognition and
- (b) the sum of the consideration received and the accumulated change amount of fair value recognised directly in other comprehensive income for the corresponding

derecognition financial asset (relating to a financial asset measured at fair value through other comprehensive income).

If a financial asset is partly transferred, the entire carrying amount of the financial asset is split into the derecognised part and retained part according to their respective fair value at the derecognition date, and the difference between the following two items is recognised in profit or loss:

- a) the carrying amount measured at the date of derecognition which is allocated to the derecognized part; and
- (b) the sum of the consideration received for the derecognised part and the accumulated change amount of fair value which has been recognised in other comprehensive income belonging to the corresponding derecognised part (relating to a financial asset measured at fair value through other comprehensive income).

#### 3.10.4.2 Financial liabilities

When the present obligation specified in the contract is extinguished, the Company derecognises a financial liability (or a part of a financial liability).

When a financial liability (or a part of a financial liability) is derecognised, the Company recognises the difference between the carrying amount of the financial liability (or a part of the financial liability) and the consideration paid (including any non-cash assets transferred or liabilities assumed) in profit or loss.

### 3.11 The approach and accounting treatment of expected credit losses (ECL)

#### 3.11.1 The approach of expected credit losses

The Company recognises loss allowance based on ECL on financial assets that are measured at amortized cost (including accounts receivable), financial assets measured at fair value through other comprehensive income (including receivables for financing), and lease receivables.

The Company assesses whether the credit risk on financial instruments have increased significantly since initial recognition at each balance sheet date and divides the credit risk impairment process into three stages and adopts different accounting treatment:

- (a) In the first stage, the credit risk on financial instruments has not significantly increased since initial recognition. The Company measures the loss allowance for the financial instruments at an amount equal to 12-month expected credit losses, and calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets.
- (b) In the second stage, the credit risk on financial instruments has significantly increased

since initial recognition which are not subject to impairment. The Company measures the loss allowance for the financial instruments at an amount equal to the lifetime expected credit losses, and calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets.

(c) In the third stage, the financial instruments are subject to impairment since initial recognition. The Company measures the loss allowance for the financial instruments at an amount equal to the lifetime expected credit losses, and calculates interest income by applying the effective interest rate to the net carrying amount (gross carrying amount minus the impairment allowance) of the financial instruments.

#### 3.11.1.1 The approach of expected credit losses for the financial instruments with a low risk of default

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition directly without comparing the credit risk with that on initial recognition if the financial instrument is determined to have a low credit risk at the balance sheet date.

If the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations, the financial instrument is considered to have a low credit risk.

#### 3.11.1.2 The approach of expected credit losses for accounts receivable, lease receivables

The Company adopts simplified approach, i.e. the measurement of lifetime ECL, to determine the impairment losses for accounts receivable that result from transactions within the scope of Accounting Standards for Business Enterprises No. 14- Revenue, and the lease receivables that result from transactions within the scope of Accounting Standards for Business Enterprises No. 21- Lease, regardless whether they contain a significant financing component or not.

The Company assesses whether the credit risk on a financial instrument has increased significantly or not since initial recognition on an individual or group basis according to the characteristics of the financial instruments. The Company segments notes receivable, accounts receivable and contract assets into several groups on the basis of shared credit risk characteristics to calculate ECL, and the segmentation bases are determined as follows:

Trade receivable group 1: Aging portfolio

Trade receivable group 2: Other portfolios

Notes receivable group 1: Bank acceptances portfolio

Notes receivable group 2: Commercial acceptances portfolio

For the groups of accounts receivable, the Company prepares provision matrices with appropriate aging of accounts receivable and expected credit loss rates to calculate ECL considering the historical experience, current conditions and forecast of future economic conditions. For the groups of notes receivable, the Company calculates ECL by their exposure to default risk and the lifetime expected credit loss rates considering the historical experience, current conditions and forecast of future economic conditions.

#### 3.11.1.3 The approach of expected credit losses for other financial instruments

The Company adopts the normal approach, i.e. the three-stage model, to determine the impairment losses for other financial instruments except aforementioned financial assets, like debt investments, other debt investments, other receivables, long-term receivables excluding lease receivables etc.

The Company segments other receivables into several groups by their nature and calculates ECL on the basis of grouping. The segmentation bases are determined as follows:

Other receivables group 1: Aging portfolio

Other receivables group 2: Other portfolios

#### 3.11.2 The accounting treatment of expected credit losses

The Company remeasures ECL at each balance sheet date to reflect the credit risk change of financial instruments after initial recognition and recognises the additional or reverse amount of the impairment allowance in profit or loss of the current period as impairment losses or gains, which will be deducted from the carrying amount of the financial assets in the balance sheet, or recorded to the provisions for loan commitments or financial guarantee contracts or in other comprehensive income for financial assets measured at fair value through other comprehensive income depending on the category of the financial instruments.

### 3.12 Inventories

#### 3.12.1 Categories of inventories

Inventories are the finished goods or commodities that the Company holds to sell, the work in progress in production process, and the material and goods consumed during the production process or service rendering process in daily operation. Inventories include

raw materials, revolving materials, low-cost consumables and packaging materials development costs and development products. etc.

### 3.12.2 Cost Measurement for Inventories

When acquired, the cost of inventories shall be measured at the actual costs. Weighted average method is used to measure the actual costs of dispatched inventories. At each balance sheet date, inventories are measured at the lower of cost and net realisable value. Reusable materials are amortized by using one-off amortization method.

### 3.12.3 Provision for diminution in value of inventories

At each balance sheet date, inventories are measured at the lower of cost and net realisable value. When the cost of inventory exceeds its net realizable value, provision for diminution in value of inventories is recognized. The Company usually recognizes provision for diminution in value of inventories on the basis of a single inventory item. For the inventory items of large quantity and low price, the Company recognizes provision for diminution in value of inventories based on inventory categories.

### 3.12.4 Inventory count system

The Company adopts the perpetual inventory system.

### 3.12.5 Amortization methods of low-value consumables and packaging materials

Low-cost consumables and packaging materials are amortized by the once-off amortization method.

## 3.13 Contract assets and contract liabilities

### 3.13.1 Contract assets

The Company presents the right to consideration in exchange for goods or services that it has transferred to a customer as a contract asset when that right is conditioned on something other than the passage of time. The contract assets are subject to impairment on the same basis as a financial asset by the expected credit losses method. The Company adopts simplified approach, i.e. the measurement of lifetime ECL, to determine the impairment losses for contract assets not containing a significant financing component. The Company adopts the normal approach, i.e. the three-stage model, to determine the impairment losses for contract assets containing a significant financing component.

When the contract assets is impaired, the deducted amount should be recorded as assets impairment losses and the provision for impairment loss accordingly. For reversal of the provision for impairment loss, the contrary accounting entries should be proposed.

### 3.13.2 Contract liabilities

The Company presents the obligation to transfer goods or services to a customer for



which it has received (or the amount is due) from the customer as a contract liability.

The Company presents the net balance of contract asset and contract liability arising from the same contract.

### 3.14 Long-term Equity Investment

#### 3.14.1 Determination of initial investment cost

Long-term equity investment acquired through a business combination: For a business combination involving enterprises under common control, the initial investment cost of a long-term equity investment is the holding share of the acquiree's equity in the ultimate controlling party's consolidated financial statements measured at the carrying amounts at the acquisition date. For a business combination not involving enterprises under common control, the initial investment cost of a long-term equity investment is the cost of acquisition determined at the date of acquisition. For a long-term equity investment acquired in cash, the initial investment cost is the amount of cash paid. For a long-term equity investment acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued. For a long-term equity investment acquired by debt restructuring, the initial investment cost is determined according to related requirements of Accounting Standards for Business Enterprises No. 12- Debt Restructuring. For a long-term equity investment acquired by exchange of non-cash assets, the initial investment cost is determined according to related requirements of Accounting Standards for Business Enterprises No. 7- Exchange of Non-monetary Assets .

#### 3.14.2 Subsequent measurement and recognition of profit or loss

Where the Company is able to exercise control over an investee, the long-term equity investment is accounted for using the cost method. Where the Company has investment in associates and joint ventures, the long-term equity investment is accounted for using the equity method. Where portion of the long-term equity investment in an associate is indirectly held through venture capital organizations, mutual funds, trust companies or similar entities including investment-linked insurance funds, regardless whether these entities can exercise significant influence on the investments, the Company treats the investment portion according to Accounting Standards for Business Enterprises No. 22- Financial Instrument Recognition and Measurement and accounts for the remaining portion using the equity method.

#### 3.14.3 Basis for recognition of joint control or significant influence over an investee

Joint control of an investee is that the decision of activities that can significantly affect the

arrangement's return must require the unanimous consent of the parties sharing control, including sale and purchase of goods or services, financial assets management, purchase and disposal of assets, research and development activity and financing activities etc. The Company holding of 20%-50% voting capital of the investee presents it can exercise significant influence over the investee. The Company usually can exercise significant influence over the investee even its voting capital less than 20% if it can meet one of the following situations: a) Appointing representatives in the board of directors or similar governing body of the investee; b) Participating in the strategy and policy decision process; c) Delegating management personnel; d) The investee relying on the Company's technique or technical material; e) Significant transactions occur between the Company and the investee.

### 3.15 Investment Properties

Investment properties of the Group includes land use rights and buildings leased to other party, and land use rights held for resale after appreciation. Investment properties is initially measured at acquisition cost, and is subsequently measured using the cost method.

The buildings leased to third parties are depreciated using the straight line method according to the same depreciation policy for fixed assets. The land use rights leased to third parties and land use rights held for resale after appreciation are amortized using the straight line method according to the same amortisation policy for intangible assets.

### 3.16 Fixed Assets

#### 3.16.1 Recognition criteria for fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, services rendering, renting or business administration with useful lives exceeding one accounting year. Fixed assets can be recognised when the following criteria are met:

- (i) It is probable that the economic benefits relating to the fixed assets will flow into the company;
- (ii) The costs of the fixed assets can be measured reliably.

#### 3.16.2 Classification and depreciation method of fixed assets

The categories of fixed assets mainly include: subway lines, buildings, machinery & equipment, electronic equipment and transportation vehicles. The Company adopts the straight line method for depreciation. The useful life and residual value of an asset is assessed based on its nature and the manner of use. At the end of each financial year, the useful lives, residual values and the depreciation method are reviewed, and adjusted if

there are variances with the original estimates.

Category	Depreciation period (years)	Residual rate (%)	Annual depreciation rate (%)
Buildings	20-40	3.00-5.00	2.38-4.85
Machinery & equipment	5-30	3.00-5.00	3.17-19.40
Transportation vehicles	3-5	3.00-5.00	19.00-32.33
Office equipment and Others	3-5	3.00-5.00	19.00-32.33

The company refers to the accounting policies adopted by the domestic subway counterparts. Underground buildings such as stations and tunnels are not depreciated. Before the subway line network is formed, assets such as vehicles and equipment directly related to the operation of the subway are not depreciated temporarily; Non-productive fixed assets are adopted straight-line depreciation. On January 12, 2016, the company reported to Zhengzhou Finance Bureau and State-owned Assets Supervision and Administrator Commission of Zhengzhou Municipal People's Government separately with [2016] No. 3 and [2016] No. 5 documents of Zhengzhou rail transit.

### 3.17 Construction in Progress

The construction in progress of the Company includes self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when it has reached the working condition for its intended use. The recognition criteria of intended use include any of the followings: a) The tangible work of fixed assets (including installation) have been entirely or substantively completed; b) Trial production or trial operation has occurred whose outcome indicates the asset can be operated properly or manufacture quality product steadily; c) No expenditure or insignificant expenditure occur subsequently for the constructed asset; d) The constructed asset has achieved or substantively achieved the requirement of design or contract.

### 3.18 Borrowing Costs

#### 3.18.1 Recognition criteria for capitalization of borrowing costs

Borrowing costs are capitalized when they are directly attributable to the acquisition, construction or production of a qualifying asset and included in the cost of related assets. Other borrowing costs are recognized as expenses and recorded in profit or loss for the current period when incurred. Qualifying assets that meet conditions for capitalization are fixed assets, investment property, inventory or other assets that take a substantial period of time for construction or production in order to get ready for their intended use or sale.

#### 3.18.2 Calculation of capitalization cost

Capitalization period refers to the period from commencement of capitalization of borrowing costs to its termination. The period during which capitalization is suspended is

excluded. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months.

For designated borrowings, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing less any bank interest earned from unused funds of the designated borrowings or any investment income on the temporary investment of those funds. For funds borrowed for general purpose, the amount of interest to be capitalized on such borrowings is calculated by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of designated borrowings. Capitalization rate is determined by calculating weighted average interest rate of general borrowings. If there is any premium or discount of the borrowings, the interest cost shall be adjusted in every accounting period by the amortized amount of premium or discount calculating by effective interest method.

Effective interest method is the method to calculate the amortization amount of premium or discount or interest expenses by the effective interest rate of the borrowings. The effective interest rate is the interest rate to discount the future cash flow of the borrowing during its expected duration to the present carrying amount of the borrowing.

### 3.19 Intangible Assets

#### 3.19.1 The measurement of intangible assets

The intangible assets shall be initially measured according to its cost. Acquisition costs of intangible assets include purchase price and relevant expenditures. The invested cost of intangible assets contributed by investors shall be determined according to the conventional value in the investment contract or agreement, except for those of unfair value in the contract or agreement. If the conventional value in the investment contract or agreement is unfair, the costs of intangible assets shall be their fair value. The costs of internally generated intangible assets include the total development expenditures to bring the asset to its intended use.

The subsequent measurements for intangible assets are as follows: a) the intangible assets with definite useful life are amortized by straight line method and reviewed the useful life and amortization method at the end of each year. Any discrepancy between the review and initial estimates shall be adjusted accordingly. b) The intangible assets with indefinite useful life are not amortized, and reviewed for the useful life at the end of each year. If there are objective evidence indicating their useful life is definite, the Company

shall estimate the useful life of the intangible assets and amortize them by straight line method.

### 3.19.2 The assessment basis for indefinite useful life

Intangible assets without foreseeable period to bring economic benefits to the Company or with uncertain useful life are classified as intangible assets of indefinite life. The judgment basis for indefinite life includes: a) The legal rights are derived from contractual rights or other legal rights, however there is no explicit useful life indicated in the contracts or regulations; b) Although considering the industry practice or demonstration from related professionals comprehensively, the benefit period of the intangible assets still can't be decided.

At the end of each year, the Company reviews the intangible assets with indefinite useful life mainly using bottom-to-top approach. The related departments who use the intangible assets will perform a basic review and evaluate whether there are changes on the basis to determine indefinite useful life.

### 3.19.3 The specific criteria for research phase and development phase of internally generated projects, and the specific criteria for capitalization of expenditure incurred during development phase

Expenditure in the research phase is recognized as an expense in profit or loss for current period when it is incurred. Expenditure in the development phase of internally generated projects is capitalized if they meet the criteria of intangible assets.

### 3.20 Impairment of long-term assets

At each balance sheet date, if there are impairment indications for the long-term assets including long-term equity investments, investment property subsequently measured at cost model, fixed assets, construction in progress, productive biological assets measured at cost, oil and gas assets, and intangible assets etc., the Company performs impairment test. If the outcome of impairment test indicates the recoverable amount of the asset is lower than its carrying amount, the Company recognises the provision for impairment based on the amount of the shortfall.

The recoverable amount of an asset is determined by the higher of the net amount after deducting the disposal costs from the asset's fair value and the present value of the asset's estimated future cash flow. The provision for impairment of asset is estimated and recognised on individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the asset group to which the asset belongs. The asset group is the minimum portfolio of assets that could

generate cash inflow independently.

Impairment tests are conducted for goodwill presented in the financial statements separately at least at the end of every accounting year regardless whether there are impairment indications or not. The carrying amount of goodwill arising from business combinations is allocated to relevant asset groups or asset group portfolio. The related impairment loss is recognised if the impairment test indicates the recoverable amount of the asset groups or asset group portfolio embodied the goodwill is lower than their carrying amounts. The amount of impairment loss is firstly deducted from the carrying amount of goodwill embodied in the asset groups or asset group portfolio, then be deducted from the carrying amounts of other assets' based on the proportions of their carrying amounts in the asset group or asset groups portfolio.

The impairment losses of assets will not be reversed in subsequent periods once they are recognised.

### 3.21 Long-term Prepaid Expenses

Long-term prepaid expenses refer to expenses that have been paid but their benefit period is more than one year (excluding one year). Long-term prepaid expenses will be amortized in the benefit periods. If one long-term deferred expense can't benefit the company in the subsequent periods, the remaining balance of the long-term deferred expense shall be recognised as expense in profit or loss for the current period.

### 3.22 Employee Benefits

Employee benefits refer to all forms of consideration or compensation given by the company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

#### 3.22.1 Short-time employee benefits

In the accounting period in which employees have rendered services, the company recognises the employee benefits as liability, and charges to profit or loss for the current period, or includes in the cost of relevant assets in accordance with other accounting standards. Welfare benefit are charged to profit or loss for the current period or included in the cost of relevant assets when incurred. Welfare benefit in non-monetary forms is measured at fair value. In the accounting period in which employees have rendered services, the company recognises the social security contributions as liability according to regulations such as medical insurance, work injury insurance and maternity insurance as well as housing funds, and charges to profit or loss for the current period or includes in the

cost of relevant assets.

### 3.22.2 Post-employment benefits

During the accounting period in which employees provide the service, the company calculates the defined contribution plans payable according to the basis and percentage required by local government, recognised as the liability and charges to profit or loss for current period or includes in the cost of related assets. The company attributes the obligation incurred by defined benefits plans using the projected accumulated benefit unit credit method to periods in which the employees rendered services and charges the obligation to profit or loss for the current period or includes in the cost of related assets.

### 3.22.3 Termination benefits

Termination benefits provided by the company to employees are recognised as an employee benefit liability and charged to profit or loss for the current period at the earlier of the following dates:

- (i) The company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal;
- (ii) When the company recognises costs or expenses related to the restructuring that involves the payment of termination benefits.

### 3.22.4 Other long-term employee benefits

If other long-term employee benefits provided by the Company to the employees meet the conditions for classifying as a defined contributions plan, those benefits are accounted for in accordance with the above requirements relating to defined contribution plan. Besides, net obligations or net assets of other long-term employee benefits are recognised and measured in accordance with the above requirements relating to defined benefits plan.

## 3.23 Revenues

The Company recognises revenue at the allocated transaction price when it satisfies a performance obligation in a contract, i.e. the customer obtains the control of related goods or services. Obtaining control of related goods means the ability to direct the use of, and obtain substantively all the benefits from it. A performance obligation is the Company's a promise in a contract with a customer to transfer to the customer a good or service (or a bundle of goods or services) that is distinct. The transactions price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts to be expected to repay the customer.

A performance obligation satisfied over time or at a point of time is determined by the

terms in the contract and the requirements of relevant laws and regulations. If a performance obligation is satisfied over time, the Company will recognise revenue over time by its progress towards complete satisfaction of the performance obligation. Otherwise the Company will recognise revenue at a point of time when the customer obtains the control of related assets.

### 3.23.1 Specific methods of revenue recognition for the Company's major businesses

#### 3.23.1.1 Confirmation method of subway operating revenue

The company's subway passenger revenue is mainly divided into one-card income (all types of tickets issued by the company are collectively referred to as one-card) and one-ticket income.

Passenger revenues is counted by the ANCC sorting system, and after checking and confirming the relevant data and sorting amount with the bank and the third-party collection agency, the passenger revenue is confirmed according to the daily income statement.

#### 3.23.1.2 Real estate sales contracts

In accordance with the terms of the sales contract, legal and regulatory requirements, the realization of sales revenue is recognized at the point when the property is completed and accepted, the delivery conditions agreed in the sales contract are met, and the customer obtains control of the related goods or services.

#### 3.23.1.3 Design service contracts

Since the design services provided in the course of the Company's performance have irreplaceable uses and the Company is entitled to receive payments for the cumulative portion of performance completed to date throughout the contract period, the Company recognizes revenue as a performance obligation performed over a period of time in accordance with the progress of performance, except where the progress of performance cannot be reasonably determined. The progress of performance for such operations is determined in accordance with the output method. For cases where the progress of performance cannot be reasonably determined, the Company recognizes revenue in the amount of costs already incurred until the progress of performance can be reasonably determined, if the costs already incurred are expected to be reimbursed.

#### 3.23.1.4 Construction contracts

The Company recognizes revenue based on the progress of performance over the period in which the Company fulfills its performance obligations. The Company determines the progress of performance based on the proportion of the contract work completed to the



total estimated contract work.

#### 3.23.1.5 Property rental contracts

The realization of income from leased properties is recognized when the relevant rent has been received or evidence of collection has been obtained, based on the lease contract or agreement on the lease date (considering the rent-free period if there is a rent-free period) and the amount of the rent.

#### 3.24 Contract Costs

The contract costs of the Company include the incremental costs to obtain a contract and the costs to fulfil a contract. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. If the Company expects to recover those costs, the costs will be recognised as an asset.

If the costs incurred in fulfilling a contract with a customer are not within the scope of another standard like Accounting Standards for Business Enterprises No. 1- Inventories, they will be treated as the costs to fulfil a contract and recognised as an asset when meeting the following conditions:

- a) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify, including direct labour, direct materials, allocations of costs that relate directly to the contract, costs that are explicitly chargeable to the customer under the contract and other costs that are incurred only because the Company entered into the contract;
- b) the costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future; and
- c) the costs are expected to be recovered.

The Company records the costs to fulfil a contract in the inventory whose amortization period upon initial recognition is no longer than one year or one common operating cycle, and records the costs to fulfil a contract in the other non-current assets whose amortization period upon initial recognition is longer than one year or one common operating cycle.

The Company amortizes the assets recognised by the term of costs to obtain a contract and costs to fulfil a contract on a systematic basis that is consistent with the revenue recognition to which the assets relate. The incremental costs of obtaining a contract are recognised as an expense when incurred if the amortisation period of the asset that the Company otherwise would have recognised is one year or less.

The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset recognised exceeds:

- (a) the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates; less
- (b) the costs that relate directly to providing those goods or services and that are estimated to incur.

When the impairment conditions no longer exist or have improved that make the total of (a) and (b) higher than carrying amount of an asset, the Company will recognise in profit or loss a reversal of some or all of an impairment loss previously recognised. The increased carrying amount of the asset will not exceed the amount that would have been determined (net of amortisation) if no impairment loss had been recognised previously.

### 3.25 Government Grants

#### 3.25.1 Category and accounting treatment of government grants

Government grants are the monetary assets and non-monetary assets received from the government without consideration to be paid which are not including the capital injected by the government acted as an owner role. Government grants in the form of monetary assets are measured for the received or receivable amount, while government grants in the form of non-monetary assets are measured at fair value. When the fair value of non-monetary assets can't be obtained reliably, the government grants are measured at nominal amount.

Government grants related to the Company's routine operation will be recorded in other income based on the nature of its economic substance and government grants not related to the Company's routine operation will be recorded in non-operating income or expenses. If the government documents explicitly state that the government grants will be used to establish or form long-term assets, the government grants will be classified as government grants related to assets. If there is no explicit subsidy object in the government document, the portion related to long-term assets will be classified as government grants related to assets and the rest portion will be classified as government grants related to income. If the category of a government grant can't be distinguished reasonably, all the government grant will be classified as government grants related to income. Government grants related to assets are recognized as deferred income which are amortized in profit or loss for each period over the related assets' estimated useful period on a systematic basis.

Except those grants which are classified as government grants related to assets, other

government grants are classified as government grants related to income. If the grant related to income is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and amortized in profit or loss over the periods in which the related costs are recognized. If the grant related to income is a compensation for related expenses or losses already incurred, the grant is recognized directly in profit or loss for the current period.

When a bank receives the discount interest fund from the financial sector and then provides a loan to the Company with preferential interest rate, the Company accounts for the loan at the actual received amount and related interest expenses will be calculated based on the principal and the preferential interest rate. When the Company receives the discount interest fund from the financial sector directly, the discount interest fund will be deducted from related borrowing cost.

#### 3.25.2 The recognition timing for government grants

The government grants will be recognized when the Company meets the accompanying conditions of the government grants which are entitled to be received. The receivable government grants will be recognized when there are conclusive evidence to indicate the Company could meet all related requirements of the government grants and the Company expects to receive the government grants in the future. Other government grants will be recognized when the grant fund is received.

#### 3.26 Deferred Tax Asset and deferred Tax Liability

Temporary differences arising from the difference between the carrying amount of an asset or liability (asset or liability not recognised in balance sheet but the tax base is ascertained by the current tax laws and regulation, the tax base is the temporary difference) and its tax base are recognised as deferred tax calculating by the effective tax rate in the expected period to receive the asset or discharge the liability.

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized and should be recognised for deductible loss or tax reduction that could be carried forward in subsequent periods to the extent that it is probable that taxable income will be available against which deductible loss or tax reduction can be utilized. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced.

The taxable temporary differences associated with investments in subsidiaries and

associates shall be recognised deferred tax liability; except the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The deductible temporary differences associated with investments in subsidiaries, associates, the corresponding deferred tax asset is recognised when it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable profits will be available in the future against which the temporary difference can be utilized.

### 3.27 Leases

#### 3.27.1 The accounting treatment for lessee

At the lease commencement date, the Company recognises right-of-use assets and lease liabilities for all other leases except short-term leases and leases of low-value assets, and will recognise depreciation expenses and interest expenses separately over the lease term.

The Company recognises rental expenses in profit or loss applying a straight-line basis in each period over the lease term for short-term leases and leases of low-value assets.

##### 3.27.1.1 Right-of-use assets

Right-of-use assets represent a lessee's rights to use the underlying assets for the lease term. At the commencement date, a right-of-use asset is measured at cost. The cost includes:

- a) the amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received if such lease incentives exist;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets of the Company are depreciated by the straight line method based on their category. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If the Company can reasonably be certain that the ownership of a leased asset will be obtained at the expiration of the lease term, the related right-of-use asset is depreciated over the useful life of the underlying asset. The related right-of-use asset is depreciated over the shorter of lease term and residual use life of the underlying asset if the Company can not reasonably be certain that the ownership of a leased asset will be obtained at the expiration of lease term.

The Company determines whether a right-of-use asset is subject to impairment or not in accordance with the requirements of Accounting Standards for Business Enterprises No. 8- Impairment of assets.

#### 3.27.1.2 Lease liabilities

At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments include: a) fixed payments (including in-substance fixed payments) less any lease incentives if such lease incentives exist; b) variable lease payments that depend on an index or a rate; c) amounts expected to be payable by the lessee under residual value guarantees; d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Company uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. The Company calculates the interest expenses which are recorded in finance expenses using the constant periodic rate of interest in each period during the lease term. The periodic rate of interest is the discount rate or adjusted discount rate the Company uses.

Variable lease payments which are not included in the measurement of lease liabilities are recognised in profit or loss when they actually occur.

If the assessment of an option to renew, terminate or purchase the underlying asset changes, the lease liability is remeasured by the revised lease payments using a revised discount rate and the carrying amount of right-of-use asset is revised accordingly. When there is a change in the in-substance fixed payment, the amount expected to be payable under a residual value guarantee, or the variable lease payment that depends on an index or a rate, the lease liability is remeasured by the revised lease payments using an unchanged discount rate and the carrying amount of right-of-use asset is revised accordingly.

#### 3.27.2 The accounting treatment for lessor

##### 3.27.2.1 The accounting treatment for operating lease

The Company recognises lease payments for operating leases in profit or loss applying a straight-line basis in each period over the lease term. The Company capitalized the initial direct expenses incurred which are amortizes in profit or loss over the lease term on the same recognition basis as the lease income.

##### 3.27.2.2 The accounting treatment for finance lease

The Company recognises the unearned finance income by the difference between the sum of finance lease receivable and unguaranteed residual value, and their present value at the commencement date, which will be recognised as lease income in the periods to collect lease payment. The initial direct expenses incurred relating to the lease transaction will be included in the initial carrying amount of finance lease receivable.

### 3.28 Special reserve

The Company withdraws 1.5% of the actual operation revenue of the previous year as the safety production cost according to the provisions of Finance and Enterprise (2012) No. 16 Document issued by the Ministry of Finance, National Development and Reform Commission (NDRC), State Administration of Work Safety, and State Administration of Coal Mine Safety. The safety production cost used for withdrawal will be reckoned in the operating costs and the subject of “special reserve”.

When the safety production cost withdrawn is used according to the prescribed limit, if it belongs to expenses incurred, directly write down the special reserve.

The expenses occurred through collection of “project under construction” will be recognized as fixed assets after the safety projects complete and reach the serviceable condition; meanwhile, write down the special reserve according to the cost of forming fixed assets, and recognize the accumulated depreciation of the same amount. The depreciation of fixed assets will not be calculated in the future.

### 3.29 Held-for-sale and Discontinued Operations

Non-current assets or disposal groups are classified as assets held for sale when all the following conditions are met:

- (i) The asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups);
- (ii) The sale must be highly probable, i.e. the company has signed an irrevocable transfer agreement with the transferee and the transfer is expected to be completed within one year. If related regulations require pre-approval for the sale, the sale transaction has been approved.

When non-current asset (or disposal group) classified as held for sale is initially measured or remeasured at each balance sheet date, if the book value of the non-current asset (or disposal group) is higher than its fair value, the difference will be deducted from the book value and recognised as impairment provision of held for sale in profit or loss of current period.

Non-current asset (or disposal group) classified as held-for-sale asset will be presented as assets held for sale and the liabilities in the disposal group will be presented as liabilities held for sale in the balance sheet.

A discontinued operation is a clearly distinguished component of an entity, that either has been disposed of, or is classified as held for sale, and meets any of the following criteria: (i) represents a separate major line of business or geographical area of operations; (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (iii) is a subsidiary acquired exclusively with a view to resale.

### 3.30 Changes of significant accounting policies and accounting estimates

#### 3.30.1 The changes of accounting policies and reason for change

3.30.1.1 The Ministry of Finance revised the Accounting Standards for Business Enterprises No.22- Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No.23- Transfer of Financial Assets, the Accounting Standards for Business Enterprises No. 24- Hedge Accounting and the Accounting Standards for Business Enterprises No. 37- Presentation of Financial Instruments (hereafter referred to as "new financial instruments standards") in 2017 which will be in effect from January 1, 2021.

The New Financial Instruments Standards divide financial assets into three categories: (i) financial assets measured at amortised cost; (ii) financial assets measured at fair value through other comprehensive income; (iii) financial assets measured at fair value through profit or loss; Under the new standard on financial instruments, the classification of financial assets is based on the Company's business model for managing financial assets and the contractual cash flow characteristics of those assets. The New Financial Instruments Standards eliminate the three categories of held-to-maturity investments, loans and receivables and available-for-sale financial assets stipulated in the previous financial instruments standards. The New Financial Instruments Standards replaced the "Loss-incurred Model" in the previous financial instruments standards with the "Expected Credit Loss Model". Under the New Financial Instruments Standards, the specific accounting policies is set out in note 3.10&3.11.

3.30.1.2 The Ministry of Finance revised the Accounting Standards for Business Enterprises No.14- Revenue (hereafter referred to as "new revenue standard") in 2017 which will be in effect from January 1, 2021.

The new revenue standard replaces the Accounting Standards for Business Enterprises

No.-14 Revenue and the Accounting Standards for Business Enterprises No.-15 Construction Contracts issued by the Ministry of Finance in 2006 (collectively referred to as the "previous revenue standards"). Under the previous revenue standards, the Company used the transfer of risk and reward as the criteria for determining the point of revenue recognition. Under the new revenue standard, which introduces the "five-step approach" to revenue recognition and provides more guidance on specific transactions or events, the Company uses the transfer of control as the criterion for determining the point of revenue recognition. The specific accounting policies for revenue recognition and measurement is set out in note 3.23.

The Company adjusts the amount of retained earnings and related items in the financial statements as of January 1, 2021 based on the cumulative effect of the first-time implementation of the new revenue standard, without adjusting the information for comparable periods, and the Company only adjusts the cumulative effect of contracts that have not been completed as of the date of first-time implementation.

3.30.1.3 The Ministry of Finance revised the Accounting Standards for Business Enterprises No.21-Leases in December of year 2018 which will be in effect from January 1, 2021. The Company selects not to reassess whether a contract that has existed before the date of the initial application is, or contains, a lease at the date of the initial application. The Company revises the beginning balances of retained earnings and other related items in the financial statements for the first application year and the comparative information is not restated.

### 3.30.2 The impact of accounting policies change

#### 3.30.2.1 Impact of the implementation of the new financial instruments standards

Items in consolidated financial statements	As at 31/12/2020	The amount affected	As at 01/01/2021
<b>Assets:</b>			
Available-for-sale financial assets	5,000,000.00	-5,000,000.00	
Other equity instrument investments		5,000,000.00	5,000,000.00
<b>Liabilities:</b>			
Other payables	306,094,619.83	-53,177,956.12	252,916,663.71
Non-current assets due within one year	4,559,296,005.95	21,379,345.01	4,580,675,350.96
Other current assets	2,500,000,000.00	31,798,611.11	2,531,798,611.11

Items in the Company's financial statements	As at 31/12/2020	The amount affected	As at 01/01/2021
<b>Assets:</b>			



Items in the Company's financial statements	As at 31/12/2020	The amount affected	As at 01/01/2021
Available-for-sale financial assets	5,000,000.00	-5,000,000.00	
Other equity instrument investments		5,000,000.00	5,000,000.00
Liabilities:			
Other payables	317,751,799.22	-53,177,956.12	264,573,843.10
Non-current assets due within one year	4,559,296,005.95	21,379,345.01	4,580,675,350.96
Other current assets	2,500,000,000.00	31,798,611.11	2,531,798,611.11

The Company adjusted the classification of financial instruments on the effective date of the new financial instruments standard (i.e., January 1, 2021) in accordance with the new financial instruments standard, and didn't adjusted the original carrying value of financial instruments.

3.30.2.2 The implementation of the new revenue standard had no impact on the consolidated and parent company balance sheets as of January 1, 2021.

3.30.2.3 The implementation of the new lease standard had no impact on the consolidated and parent company financial statements as of January 1, 2021.

3.30.3 Description of changes in critical accounting estimates

None.

## 4 Taxes

### 4.1 Major taxes and tax rates

Tax	Tax base	Tax rate
Value added tax (VAT)	The output tax shall be calculated according to the taxable income, and the VAT shall be calculated and paid according to the difference after deducting the input tax that is allowed to be deducted in the current period; In advance of commercial housing payment in accordance with the levy rate of 3% prepaid. Before April 30, 2016, the project is calculated on the basis of sales volume and 5% tax rate.	13%、9%、6%、5%、3%
Land VAT	When paying in advance, the tax will be paid in advance at a pre-levy rate of 6%, and when the real estate is transferred, the value-added amount obtained and the tax rate will be used.	6% 30-60%
City construction Tax	According to the actual turnover tax paid	7%
Enterprise income tax	Taxable income.	25%、20%

### 4.2 Significant tax incentives and approval documents

4.2.1 According to the "Notice of the Ministry of Finance and the State Administration of Taxation on Continuing the Preferential Policy for Urban Rail Transit Systems to Reduce and Exempt Urban Land Use Taxes for Urban Bus Stations and Road Passenger

Stations" (Caishui [2019] No. 11) Article 1: For urban bus stations , Road passenger station, urban rail transit system operation land, and urban land use tax exemption, the reduction and exemption period is from January 1, 2019 to December 31, 2021.

4.2.2 According to the "Zhengzhou Municipal People's Government's Reply on Zhengzhou Rail Transit Co., Ltd. Rail Transit Real Estate Tax Relevant Situation" Zheng Han [2018] No. 183: According to the "Zhengzhou Municipal Government's Implementation Opinions on Priority Development of Urban Public Transport" Notice (Zheng Zhengwen [2007] No. 163) in the spirit of applying the "tax and fee reduction policy for urban public transport enterprises" clauses to rail transit, combining the characteristics of large scale investment, long construction period, and serious operating losses in the rail transit industry, agreeing Zhengzhou Rail Transit Co., Ltd. is exempt from real estate tax for taxable real estate since the construction of Rail Transit Line 1 and subsequent lines (only for own use).

4.2.3 According to the "Notice of the Ministry of Finance and the State Administration of Taxation on the Implementation of Inclusive Tax Relief and Exemption Policies for Small and Micro Enterprises" (Caishui [2019] No. 13), the state provides that the annual taxable income of small and low-profit enterprises does not exceed 1 million yuan, A reduction of 25% is included in the taxable income, and the corporate income tax is paid at a tax rate of 20%; for the portion of the annual taxable income exceeding 1 million yuan but not exceeding 3 million yuan, a 50% reduction is included in the taxable income. Pay corporate income tax at a tax rate of 20%.

Zhengzhou Railway Transportation Design and Research Institute Company Limited, a subsidiary of the Company, is entitled to the above-mentioned income tax reduction policy for small and medium-sized enterprises by completing the relevant contents of the Tax Declaration Form in accordance with the provisions of the Announcement of the State Administration of Taxation on Issues Relating to the Implementation of the Preferential Income Tax Reduction Policy for small and medium-sized enterprises (Announcement No. 2 of 2019 of the State Administration of Taxation).

## 5 Notes to the Consolidated Financial Statements

### 5.1 Cash at Bank and On Hand

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Cash on hand	28,127.09	30,125.09
Bank deposits	9,005,192,006.06	7,009,895,892.14

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Other cash balances	3,981,379.64	4,765,117.02
Total	9,009,201,512.79	7,014,691,134.25

## 5.2 Notes Receivable

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Bank acceptance bills	400,000.00	
Trade acceptance bills	500,000.00	
Less: Allowance for credit losses		
Total	900,000.00	

## 5.3 Trade Receivables

### 5.3.1 Trade receivables classified disclosure

Classification	Balance as at 30/06/2021			
	Gross carrying amount		Allowance for credit losses	
	Amount	Proportion (%)	Amount	Allowance rate (%)
Trade receivables that are individually significant and individually assessed for impairment				
Trade receivables that are collectively assessed for impairment as in a group of receivables	77,552,260.49	100.00	4,349,976.46	5.61
Including: Aging portfolio	33,785,333.12	43.56	4,349,976.46	12.88
Other portfolios	43,766,927.37	56.44		
Total	77,552,260.49	100.00	4,349,976.46	5.61

(Continued)

Classification	Balance as at 31/12/2020			
	Gross carrying amount		Allowance for credit losses	
	Amount	Proportion (%)	Amount	Allowance rate (%)
Trade receivables that are individually significant and individually assessed for impairment				
Trade receivables that are collectively assessed for impairment as in a group of receivables	74,199,275.51	100.00	4,289,538.91	5.78
Including: Aging portfolio	40,258,716.22	54.26	4,289,538.91	10.65
Other portfolios	33,940,559.29	45.74		
Total	74,199,275.51	100.00	4,289,538.91	5.78

5.3.1.1 Trade receivables that are collectively assessed for impairment as in a group of receivables

A. Using aging analysis method

Aging	Balance as at 30/06/2021			Balance as at 31/12/2020		
	Gross carrying amount		Allowance for credit losses	Gross carrying amount		Allowance for credit losses
	Amount	ECL rate(%)		Amount	ECL rate(%)	
Within 1 year	23,855,137.04	5.00	1,192,756.85	37,710,654.22	5.00	1,885,532.71
1-2 years	7,392,196.08	10.00	739,219.61	160,062.00	10.00	16,006.20
2-3 years	150,000.00	20.00	30,000.00			
Over 3 years	2,388,000.00	100.00	2,388,000.00	2,388,000.00	100.00	2,388,000.00
Total	33,785,333.12	12.88	4,349,976.46	40,258,716.22	10.65	4,289,538.91

#### B. Using other portfolio methods

Portfolio name	Balance as at 30/06/2021			Balance as at 31/12/2020		
	Gross carrying amount	ECL rate(%)	Allowance for credit losses	Gross carrying amount	ECL rate(%)	Allowance for credit losses
Within 1 year	43,766,927.37			33,940,559.29		
Total	43,766,927.37			33,940,559.29		

#### 5.3.2 Top five debtors according to closing balances

Debtor name	Gross carrying amount	Proportion of total trade receivables (%)	Balance of allowance for credit losses
Zhengzhou City One-Card Co., Ltd.	29,563,783.28	38.12	
Henan Daily Press Group Co., Ltd.	19,146,907.93	24.69	556,097.40
Zhengzhou TV station	3,538,000.00	4.56	2,445,500.00
China Railway Eryuan Engineering Group Co., Ltd.	2,750,000.00	3.55	137,500.00
Beijing Taihe Ruitong Commercial Service Co., Ltd.	2,640,840.15	3.41	132,042.01
Total	57,639,531.36	74.33	3,271,139.41

#### 5.4 Advances to Suppliers

##### 5.4.1 Aging analysis

Aging	Balance as at 30/06/2021		Balance as at 31/12/2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	24,028,506.27	80.05	49,323,311.77	88.83
1-2 years	4,746,902.73	15.81	5,521,855.55	9.95
2-3 years	670,678.91	2.23	654,920.95	1.18
Over 3 years	569,675.47	1.91	22,000.00	0.04
Total	30,015,763.38	100.00	55,522,088.27	100.00

##### 5.4.2 The top five prepayments are as follow

Debtor name	Balance as at 30/06/2021	Proportion of total advances to suppliers (%)
-------------	--------------------------	---

Zhengzhou Metro Group Co., Ltd.  
Notes to the Financial Statements  
For the six-month period ended 30 June 2021

Debtor name	Balance as at 30/06/2021	Proportion of total advances to suppliers (%)
Shenzhen ZTE System Integration Solution Co., Ltd.	4,095,418.80	13.64
The 6th Engineering Co.,Ltd Of China Railway 11bureau Group	3,721,612.40	12.40
Zhuhai Unitech Power Technology Co., Ltd.	3,283,444.50	10.94
Rail Transit Branch Of The Third Engineering Co., Ltd. Of China Railway Electrification Bureau Group	2,640,042.46	8.80
Hand Enterprise Solutions Co., Ltd.	2,567,660.00	8.55
Total	16,308,178.16	54.33

### 5.5 Other Receivables

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Interest receivable		
Dividends receivable		
Other receivables	8,544,137,323.85	7,091,642,882.20
Less: Allowance for credit losses	1,019,994.26	983,006.43
Total	8,543,117,329.59	7,090,659,875.77

#### 5.5.1 Other receivables

##### 5.5.1.1 Other receivables presented by nature

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Subsidies	7,389,402,276.48	6,434,810,233.44
Current accounts	1,056,302,627.37	570,611,438.76
Security deposit	98,432,420.00	86,221,210.00
Less: Allowance for credit losses	1,019,994.26	983,006.43
合 计	8,543,117,329.59	7,090,659,875.77

##### 5.5.1.2 Using aging analysis method

Aging	Balance as at 30/06/2021		Balance as at 31/12/2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	4,518,529,648.48	52.88	3,066,066,551.83	43.23
1-2 years	1,260,802,932.72	14.76	1,260,660,476.72	17.78
2-3 years	1,224,998,333.73	14.34	1,225,109,444.73	17.28
Over 3 years	1,539,806,408.92	18.02	1,539,806,408.92	21.71
Total	8,544,137,323.85	100.00	7,091,642,882.20	100.00

##### 5.5.1.3 The provision of allowance for credit losses

The allowance for credit losses	Stage one	Stage two	Stage three	Total
	12-month ECL	Lifetime ECL (credit-unimpaired)	Lifetime ECL (credit-impaired)	
Beginning balance	420,732.11	562,274.32		983,006.43
Provision	36,987.83			36,987.83

Zhengzhou Metro Group Co., Ltd.  
Notes to the Financial Statements  
For the six-month period ended 30 June 2021

The allowance for credit losses	Stage one	Stage two	Stage three	Total
Reversal				
Write-off				
Other changes				
Ending balance	457,719.94	562,274.32		1,019,994.26

#### 5.5.1.4 Top five debtors according to closing balances

Debtor name	Nature of balance	Gross carrying amount	Aging	Proportion of total other receivables (%)	Balance of allowance for credit losses
The Finance Bureau of Zhengzhou	Subsidies	7,389,402,276.48	Within 1 year 3,445,035,532.66	86.49	
			1-2 years 1,260,369,312.72		
			2-3 years 1,224,782,205.30		
			Over 3 years 1,459,215,225.80		
Zhengzhou Development investment Group Co. Ltd	Current accounts	800,000,000.00	Within 1 year	9.36	
ICBC Financial Leasing Co.,Ltd.	Security deposit	50,000,000.00	Over 3 years	0.59	
Bank of Communications Financial Leasing Co., Ltd.	Security deposit	30,000,000.00	Over 3 years	0.35	
Zhengzhou Leading Group for Settling Payment Arrears in Construction Work	Security deposit	3,000,000.00	Within 1 year	0.04	
Total		8,272,402,276.48	—	96.83	

#### 5.6 Inventories

Items	Balance as at 30/06/2021			Balance as at 31/12/2020		
	Gross carrying amount	Write-down	Carrying amount	Gross carrying amount	Write-down	Carrying amount
Raw materials	140,070,173.80		140,070,173.80	132,190,628.59		132,190,628.59
Development costs	999,518,319.59		999,518,319.59	592,923,729.42		592,923,729.42
Merchandise (Finished goods)	99,385,203.91		99,385,203.91	98,773,243.01		98,773,243.01
Reusable materials	5,282,701.56		5,282,701.56	6,007,322.15		6,007,322.15
Total	1,244,256,398.86		1,244,256,398.86	829,894,923.17		829,894,923.17

#### 5.7 Other Current Assets

Items	Carrying amount as at 30/06/2021	Carrying amount as at 31/12/2020
Input VAT(to be deductible)	6,458,227,177.07	5,684,328,224.20

Zhengzhou Metro Group Co., Ltd.  
Notes to the Financial Statements  
For the six-month period ended 30 June 2021

Items	Carrying amount as at 30/06/2021	Carrying amount as at 31/12/2020
Prepaid tax	9,287,597.11	8,998,869.32
Total	6,467,514,774.18	5,693,327,093.52

### 5.8 Long-term Equity Investments

Investee	Balance as at 31/12/2020	Changes during the financial year								Balance as at 30/06/2021	Impairment loss as at 30/06/2021	Note	
		Increase in investments	Decrease in investments	Investment gain or loss recognised under the equity method	Adjustment in other comprehensive income	Other changes in equity	Cash dividend declared and profits to be distributed	Impairment loss	Others				
I. Associates													
Zhengzhou China Construction Shenzhen Railway Rail Transit Co., Ltd.	166,258,521.78											166,258,521.78	
Zhengzhou Times Transportation Electrical Equipment Co., Ltd.	4,073,295.39											4,073,295.39	
Zhengzhou Zhonglian Yijia Material Co., Ltd.	2,027,118.17											2,027,118.17	
II. Other enterprises													
Henan Railway Investment Co., Ltd.	4,863,875,000.00											4,863,875,000.00	
Henan Zhengzhou Airport Intercity Railway Co., Ltd.	2,340,980,000.00											2,340,980,000.00	
<b>Total</b>	<b>7,377,213,935.34</b>											<b>7,377,213,935.34</b>	

Note: With the approval of the People's Government of Zhengzhou, from November 6, 2015, all new intercity railway, trunk railway and other similar businesses shall be performed by the company on behalf of the People's Government of Zhengzhou.



## 5.9 Other equity instrument investments

Items	Investment cost	Balance as at 30/06/2021	Balance as at 31/12/2020
Zhengzhou City One-Card Co., Ltd.	5,000,000.00	5,000,000.00	
Total	5,000,000.00	5,000,000.00	

## 5.10 Investment Properties

### 5.10.1 Investment property measured by cost

Items	Balance as at 01/01/2020	Increase	Decrease	Balance as at 30/06/2021
I. Total gross carrying amount	151,910,337.64	21,017.80		151,931,355.44
Including: Buildings	151,910,337.64	21,017.80		151,931,355.44
II. Accumulated depreciation	8,149,190.23	1,106,727.72		9,255,917.95
Including: Buildings	8,149,190.23	1,106,727.72		9,255,917.95
III. Total carrying amount before impairment	143,761,147.41			142,675,437.49
Including: Buildings	143,761,147.41			142,675,437.49
IV. Cumulative amount of impairment loss				
Including: Buildings				
V. Total carrying amount	143,761,147.41			142,675,437.49
Including: Buildings	143,761,147.41			142,675,437.49

### 5.10.2 Investment Properties Without Certificates of Ownership

Items	Carrying amount	Reason for not obtaining certificates of ownership
Rongbang City Public Rental Housing and Underground Garage	140,956,536.94	Under processing
Huanghe Road No. 10 Yard	1,718,900.55	Under processing

## 5.11 Fixed Assets

Items	as at 30/06/2021	as at 31/12/2020
Fixed assets	71,850,049,079.96	70,909,096,451.86
Disposal of fixed assets	2,370.00	2,370.00
Less: Provision for impairment		
Total	71,850,051,449.96	70,909,098,821.86

### 5.11.1 Fixed assets

Items	Balance as at 01/01/2021	Additions	Reductions	Balance as at 30/06/2021
I. Total gross carrying amount	70,992,078,907.67	952,512,102.83	3,340,719.37	71,941,250,291.13

Items	Balance as at 01/01/2021	Additions	Reductions	Balance as at 30/06/2021
Including: Subway line	70,783,043,597.16	934,648,070.57		71,717,691,667.73
Buildings	4,033,349.69			4,033,349.69
Machinery Equipment	52,347,357.43	13,538,149.34		65,885,506.77
Transportation equipment	57,655,748.64	1,095,016.28	3,340,719.37	55,410,045.55
Office equipment and Others	94,998,854.75	3,230,866.64		98,229,721.39
II. Accumulated depreciation	82,982,455.81	11,244,805.47	3,026,050.11	91,201,211.17
Including: Subway line				
Buildings	434,035.59	49,927.26		483,962.85
Machinery Equipment	26,226,800.29	4,523,501.88		30,750,302.17
Transportation equipment	17,087,845.98	1,449,170.97	3,026,050.11	15,510,966.84
Office equipment and Others	39,233,773.95	5,222,205.36		44,455,979.31
III. Total carrying amount before impairment	70,909,096,451.86			71,850,049,079.96
Including: Subway line	70,783,043,597.16			71,717,691,667.73
Buildings	3,599,314.10			3,549,386.84
Machinery Equipment	26,120,557.14			35,135,204.60
Transportation equipment	40,567,902.66			39,899,078.71
Office equipment and Others	55,765,080.80			53,773,742.08
IV. Total carrying amount	70,909,096,451.86			71,850,049,079.96
Including: Subway line	70,783,043,597.16			71,717,691,667.73
Buildings	3,599,314.10			3,549,386.84
Machinery Equipment	26,120,557.14			35,135,204.60
Transportation equipment	40,567,902.66			39,899,078.71
Office equipment and Others	55,765,080.80			53,773,742.08

#### 5.11.2 Disposal of fixed assets

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Office equipment and Others	2,370.00	2,370.00
Total	2,370.00	2,370.00

#### 5.12 Construction in Progress

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Construction in progress	69,591,442,613.37	60,199,422,097.84
Construction materials	44,715,203.16	1,333,034.21
Less: Provision for impairment		
Total	69,636,157,816.53	60,200,755,132.05

## 5.12.1 Construction in progress

### 5.12.1.1 Basic situation of construction projects in progress

Project name	Balance as at 30/06/2021			Balance as at 31/12/2020		
	Gross carrying amount	Impairment loss	Carrying amount	Gross carrying amount	Impairment loss	Carrying amount
Phase II of suburb line	2,718,157,574.22		2,718,157,574.22	2,491,378,238.27		2,491,378,238.27
Phase I of line 3	13,717,737,103.28		13,717,737,103.28	13,212,207,489.27		13,212,207,489.27
Phase II of line 3	1,000,830,425.98		1,000,830,425.98	620,920,086.44		620,920,086.44
Phase I of line 4	14,889,036,766.97		14,889,036,766.97	13,513,399,921.59		13,513,399,921.59
Line 6	5,264,660,474.64		5,264,660,474.64	3,644,664,732.69		3,644,664,732.69
Phase I of line 7	4,649,504,830.31		4,649,504,830.31	3,439,026,780.56		3,439,026,780.56
Phase I of line 8	3,655,104,652.74		3,655,104,652.74	2,266,158,262.40		2,266,158,262.40
Phase II of line 9	93,298,355.33		93,298,355.33	91,486,202.72		91,486,202.72
Line10	5,301,516,320.95		5,301,516,320.95	4,457,662,085.05		4,457,662,085.05
Line11	71,622,556.03		71,622,556.03	70,267,415.49		70,267,415.49
Line12	1,815,398,838.20		1,815,398,838.20	1,173,967,798.84		1,173,967,798.84
Line14				79,245.28		79,245.28
Zhengzhou section of railway from Harbour Zone to Xuchang City	6,495,669,025.76		6,495,669,025.76	5,555,687,576.32		5,555,687,576.32
Underground traffic engineering in civil culture service area				544,815,923.79		544,815,923.79
Municipal controlled node engineering	9,016,738,342.75		9,016,738,342.75	8,358,419,920.90		8,358,419,920.90
Dispatch Centre II	66,205,527.68		66,205,527.68	14,879,715.62		14,879,715.62
Zhengzhou - Jinan Railway (Zhengzhou - Puyang Section) Yellow River Bridge Project	733,257,170.27		733,257,170.27	733,257,170.27		733,257,170.27
Others	102,704,648.26		102,704,648.26	11,143,532.34		11,143,532.34
<b>Total</b>	<b>69,591,442,613.37</b>		<b>69,591,442,613.37</b>	<b>60,199,422,097.84</b>		<b>60,199,422,097.84</b>

5.12.1.2 Changes of significant construction in progress

Project name	Balance as at 01/01/2020	Increase	Amount transferred to fixed assets	Other decrease	Balance as at 30/06/2021	Cumulative amount of capitalized interests	Including: Capitalized interest in current period	Sources of funds
Phase II of suburb line	2,491,378,238.27	226,779,335.95			2,718,157,574.22	356,927,559.74	67,331,881.78	Financial allocation and self-financing
Phase I of line 3	13,212,207,489.27	505,529,614.01			13,717,737,103.28	1,334,159,402.20	184,557,758.61	Financial allocation and self-financing
Phase II of line 3	620,920,086.44	379,910,339.54			1,000,830,425.98	36,767,369.59	17,423,143.16	Financial allocation and self-financing
line 4	13,513,399,921.59	1,375,636,845.38			14,889,036,766.97	1,302,735,259.59	288,633,608.71	Financial allocation and self-financing
line 6	3,644,664,732.69	1,619,995,741.95			5,264,660,474.64	338,077,703.50	133,597,825.81	Financial allocation and self-financing
Phase I of line 7	3,439,026,780.56	1,210,478,049.75			4,649,504,830.31	238,806,397.29	130,080,407.92	Financial allocation and self-financing
Phase I of line 8	2,266,158,262.40	1,388,946,390.34			3,655,104,652.74	202,614,064.88	87,269,898.53	Financial allocation and self-financing
Phase II of line 9	91,486,202.72	1,812,152.61			93,298,355.33	11,419,531.74	1,134,748.42	Financial allocation and self-financing
line 10	4,457,662,085.05	843,854,235.90			5,301,516,320.95	403,581,745.71	110,808,409.81	Financial allocation and self-financing
Line 11	70,267,415.49	1,355,140.54			71,622,556.03	8,865,068.28	856,058.54	Financial allocation and self-financing
Line 12	1,173,967,798.84	641,431,039.36			1,815,398,838.20	77,132,913.54	40,480,609.97	Financial allocation and self-financing
Line 14	79,245.28		79,245.28					Financial allocation and self-financing
Zhengzhou section of railway from Zhengzhou Airport Economy Zone to Xuchang City	5,555,687,576.32	939,981,449.44			6,495,669,025.76	438,118,653.72	87,267,458.74	Financial allocation and self-financing
Underground traffic engineering in civil culture service area	544,815,923.79	108,145,090.20	652,961,013.99			370,146,851.28	-991,205.32	Financial allocation and self-financing
Municipal controlled node	8,358,419,920.90	658,318,421.85			9,016,738,342.75	1,004,365,161.43	112,307,262.51	Financial allocation and self-financing

Zhengzhou Metro Group Co., Ltd.  
Notes to the Financial Statements  
For the six-month period ended 30 June 2021

Project name	Balance as at 01/01/2020	Increase	Amount transferred to fixed assets	Other decrease	Balance as at 30/06/2021	Cumulative amount of capitalized interests	Including: Capitalized interest in current period	Sources of funds
Dispatch Centre II	14,879,715.62	51,325,812.06			66,205,527.68	1,787,641.47	1,096,529.69	Financial allocation and self-financing
Zhengzhou - Jinan Railway (Zhengzhou - Puyang Section) Yellow River Bridge Project	733,257,170.27				733,257,170.27			Financial allocation and self-financing
Others	11,143,532.34	91,561,115.92			102,704,648.26	37,150.37	37,150.37	Financial allocation and self-financing
Total	60,199,422,097.84	10,045,060,774.80	653,040,259.27		69,591,442,613.37	6,125,542,474.33	1,261,891,547.25	

### 5.12.2 Construction materials

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Advertising light box materials	1,969.83	1,969.83
Line construction materials	44,713,233.33	1,331,064.38
Less: Provision for impairment		
Total	44,715,203.16	1,333,034.21

### 5.13 Right-of-use Assets

Items	Machinery & equipment	Total
<b>I. Cost</b>		
1. Balance as at 01/01/2021		
2. Additions	7,699,403.71	7,699,403.71
3. Reductions		
4. Balance as at 30/06/2021	7,699,403.71	7,699,403.71
<b>II. Accumulated depreciation</b>		
1. Balance as at 01/01/2021		
2. Additions		
3. Reductions		
4. Balance as at 30/06/2021		
<b>III. Provision for impairment</b>		
<b>IV. Carrying amount</b>		
1. Balance as at 30/06/2021	7,699,403.71	7,699,403.71
2. Balance as at 01/01/2021		

### 5.14 Intangible Assets

Items	Balance as at 01/01/2021	Increase	Decrease	Balance as at 30/06/2021
<b>I. Total gross carrying amount</b>	88,590,478.46	429,925.22		89,020,403.68
Including: Software	15,712,415.69	429,925.22		16,142,340.91
Land use rights	72,724,617.23			72,724,617.23
Patents	147,445.54			147,445.54
Copyrights	6,000.00			6,000.00
<b>II. Accumulated amortisation</b>	4,920,547.48	750,973.87		5,671,521.35
Including: Software	4,896,389.09	743,301.61		5,639,690.70
Land use rights				
Patents	23,158.39	7,372.26		30,530.65
Copyrights	1,000.00	300.00		1,300.00
<b>III. Total impairment loss</b>				
<b>IV. Total carrying amount</b>	83,669,930.98			83,348,882.33

Zhengzhou Metro Group Co., Ltd.  
Notes to the Financial Statements  
For the six-month period ended 30 June 2021

Items	Balance as at 01/01/2021	Increase	Decrease	Balance as at 30/06/2021
Including: Software	10,816,026.60			10,502,650.21
Land use rights	72,724,617.23			72,724,617.23
Patents	124,287.15			116,914.89
Copyrights	5,000.00			4,700.00

Note: The land use rights of RMB 72,724,617.23 for Phase 1 of Line 1 were not amortized by reference to the Company's depreciation policy for fixed assets

#### 5.15 Long-term Prepaid Expenses

Items	Balance as at 01/01/2021	Increase	Amortisation	Decrease	Balance as at 30/06/2021
Dispatch center waterproof maintenance and theme exhibition hall	816,687.35				816,687.35
Expenses of Hongda Automobile Park	2,940,501.50	996,685.68	1,454,590.44		2,482,596.74
Expenditures for Songnan and Chedagou Disposal Field	581,646.58	785,260.58	578,773.58		788,133.58
Others	539,281.91	30,796.46	340,737.25		229,341.12
<b>Total</b>	<b>4,878,117.34</b>	<b>1,812,742.72</b>	<b>2,374,101.27</b>		<b>4,316,758.79</b>

#### 5.16 Deferred Tax Assets and Deferred Tax Liabilities

Items	Balance as at 30/06/2021		Balance as at 31/12/2020	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Deferred tax assets:				
Impairment loss for assets	23,866.85	238,668.37	17,486.28	174,862.76
<b>Total</b>	<b>23,866.85</b>	<b>238,668.37</b>	<b>17,486.28</b>	<b>174,862.76</b>

#### 5.17 Other Non-current Assets

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Prepaid project payments	6,927,261,199.17	5,006,368,868.32
Other prepayments that form long-term assets	2,698,716,478.40	2,697,086,428.87
<b>Total</b>	<b>9,625,977,677.57</b>	<b>7,703,455,297.19</b>

#### 5.18 Short-term Borrowings

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Credit loans	200,000,000.00	
<b>Total</b>	<b>200,000,000.00</b>	

#### 5.19 Trade Payables

##### 5.19.1 Trade payables by aging

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
-------	--------------------------	--------------------------

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Within 1 year	5,225,538,921.27	5,718,780,906.54
1-2 years	1,210,899,460.85	1,329,599,328.26
2-3 years	374,643,213.17	411,368,062.07
Over 3 years	309,625,189.43	339,976,568.82
Total	7,120,706,784.72	7,799,724,865.69

#### 5.19.2 Significant trade payables aged over 1 year

Creditor	Balance as at 30/06/2021	Reasons for outstanding
China State Construction Engineering Co., Ltd.,	113,805,637.79	Unsettled
China Railway Fourth Group Co., Ltd.	69,767,704.43	Unsettled
China Railway Eleventh Group Co., Ltd.	68,218,648.35	Unsettled
China Railway First Group Co., Ltd.	67,245,927.42	Unsettled
China Railway tunnel stock Co.,Ltd.	50,958,199.08	Unsettled
Total	369,996,117.07	—

#### 5.20 Advances from Customers

Aging	Balance as at 30/06/2021	Balance as at 31/12/2020
Within 1 year	108,007,457.01	112,843,127.76
Over 1 year	50,000.00	50,000.00
Total	108,057,457.01	112,893,127.76

#### 5.21 Contract Liabilities

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Advance receipts	344,125.19	
Garbage disposal service fees	674,433.96	
Total	1,018,559.15	

#### 5.22 Employee Benefits Payable

##### 5.22.1 Employee benefits payable

Items	Balance as at 01/01/2021	Increase	Decrease	Balance as at 30/06/2021
I. Short-term employee benefits	266,622,734.07	767,039,164.99	920,410,769.47	113,251,129.59
II. Post-employment Benefits-defined contribution plans	336,015.23	128,740,266.30	128,229,528.00	846,753.53
III. Termination benefits		99,793.59	99,793.59	
Total	266,958,749.30	895,879,224.88	1,048,740,091.06	114,097,883.12

##### 5.22.2 Short-term employee benefits



Zhengzhou Metro Group Co., Ltd.  
Notes to the Financial Statements  
For the six-month period ended 30 June 2021

Items	Balance as at 01/01/2021	Increase	Decrease	Balance as at 30/06/2021
I. Salaries, bonuses, allowances and subsidies	180,808,388.01	561,920,310.95	731,944,109.67	10,784,589.29
II. Welfare	30,560.00	67,990,243.54	68,020,803.54	
III. Social Insurance	101,986.99	46,173,700.99	45,973,876.71	301,811.27
Including: Medical insurance	1,394.97	38,344,651.48	38,182,716.58	163,329.87
Work injury insurance	100,592.02	3,080,973.57	3,071,726.34	109,839.25
Maternity insurance		4,748,075.94	4,719,433.79	28,642.15
IV. Housing funds	49,673.00	58,323,955.00	57,886,229.50	487,398.50
V. Labor union funds and employee education funds	85,632,126.07	32,630,954.51	16,585,750.05	101,677,330.53
Total	266,622,734.07	767,039,164.99	920,410,769.47	113,251,129.59

### 5.22.3 Defined contribution plan

Items	Balance as at 01/01/2021	Increase	Decrease	Balance as at 30/06/2021
I. Basic Pensions	321,587.63	76,599,897.42	76,158,590.38	762,894.67
II. Unemployment insurance	14,427.60	3,438,879.34	3,370,111.68	83,195.26
III. Enterprise annuity contribution		48,701,489.54	48,700,825.94	663.60
Total	336,015.23	128,740,266.30	128,229,528.00	846,753.53

### 5.23 Taxes and Surcharges Payable

Category	Balance as at 30/06/2021	Balance as at 31/12/2021
Value added taxes	480,055.59	
Resource taxes		74,954.44
Corporate income taxes	55,453.36	
Property taxes	14,124.10	14,130.73
Land use taxes	301,446.32	199,026.44
Individual income taxes	113,341.71	2,783,374.30
City construction taxes	32,577.52	
Education surcharges(including local education surcharges)	23,269.66	
Others	377.20	12,780.01
Total	1,020,645.46	3,084,265.92

### 5.24 Other Payables

Items	Balance as at 30/06/2021	Balance as at 31/12/2021
Interest payable		53,177,956.12
Dividends payable		
Other payables	240,955,064.57	252,916,663.71
Total	240,955,064.57	306,094,619.83

#### 5.24.1 Interest payable

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Interests of long-term borrowings with interests payable by installment and principal payable upon maturity		6,990,579.69
Bond interests		37,236,027.76
Finance lease interest		8,951,348.67
Total		53,177,956.12

#### 5.24.2 Other payables

##### 5.24.2.1 Other payables presented by nature

Nature	Balance as at 30/06/2021	Balance as at 31/12/2020
Guarantee deposit	131,453,006.61	124,198,579.99
Preliminary work fee	100,000,000.00	100,000,000.00
Unpaid expenses	4,399,143.19	26,219,739.33
Withholdings	276,500.36	102,414.76
Insurance indemnity	4,826,414.41	2,395,929.63
Total	240,955,064.57	252,916,663.71

##### 5.24.2.2 Significant other payables aged over 1 year

Creditor	Balance as at 30/06/2021	Reason for unpaid
Zhengzhou Metro Project Jinshui District Project Coordination Command	100,000,000.00	Unsettled
Henan Branch of PICC	6,491,462.06	Unsettled
Henan Branch of China Pacific Property Insurance Co., Ltd.	6,350,891.50	Unsettled
Ping An Property & Casualty Insurance Company of China Henan Branch	6,236,376.27	Unsettled
Henan Wuyou Business Service Co., Ltd.	5,200,000.00	Unsettled
Total	124,278,729.83	—

#### 5.25 Non-current Liabilities Due Within One Year

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Long-term borrowings due within one year	966,670,004.90	964,802,582.00
Bonds payable due within one year	3,253,134,932.71	3,245,200,852.92
Long-term payables due within one year	356,540,329.40	349,292,571.03
Total	4,576,345,267.01	4,559,296,005.95

#### 5.26 Other Current Liabilities

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Short-term bonds payable		2,500,000,000.00

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Output VAT (to be transferred)	40,466.04	
Total	40,466.04	2,500,000,000.00

#### 5.27 Long-term Borrowings

Items	Balance as at 30/06/2021	Balance as at 31/12/2020	Interest range at year end
Credit loans	17,044,000,000.00	17,044,000,000.00	4.165-4.900
Pledged loans	94,824,102,018.58	78,423,209,019.76	2.500-4.900
Total	111,868,102,018.58	95,467,209,019.76	

#### 5.28 Bonds Payable

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Senior Unsecured Fixed Rate Notes	3,253,134,932.71	3,245,200,852.92
Less: Bonds payable due within one year	3,253,134,932.71	3,245,200,852.92
Total		

#### 5.29 Lease Liabilities

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Lease payments	7,270,095.00	
Less: Unrealized finance expense	568,367.26	
Total	6,701,727.74	

#### 5.30 Long-term Payables

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Finance lease payments	1,263,758,439.80	637,689,622.41
Earmarking Bonds	360,000,000.00	
Total	1,623,758,439.80	637,689,622.41

#### 5.31 Deferred Income

##### 5.31.1 Deferred income by category

Items	Balance as at 01/01/2021	Increase	Decrease	Balance as at 30/06/2021	Reason for the deferred income
Government grants	680,227,061.31		271,414.26	679,955,647.05	
Total	680,227,061.31		271,414.26	679,955,647.05	

##### 5.31.2 Deferred income from government grants

Items	Balance as at 01/01/2021	Increase	Recorded in profit or loss for current period	Other movement	Balance as at 30/06/2021	Related to assets/income
ZZhengzhou -	677,675,300.00				677,675,300.00	Related to

Jinan Railway (Zhengzhou - Puyang Section) Yellow River Bridge Project						assets
Municipal high-skilled personnel training base	2,551,761.31		271,414.26		2,280,347.05	Related to assets
Total	680,227,061.31		271,414.26		679,955,647.05	

### 5.32 Other Non-current Liabilities

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Allocated funds for the railway project from the finance bureau of zhengzhou	2,293,960,000.00	2,293,960,000.00
Total	2,293,960,000.00	2,293,960,000.00

### 5.33 Paid-in Capital

Investor	Balance as at 01/01/2021		Increase	Decrease	Balance as at 30/06/2021	
	Amount invested	Proportion (%)			Amount invested	Proportion (%)
Zhengzhou Development Investment Group Co., Ltd.	1,857,250,000.00	66.83	26,000,000.00		1,883,250,000.00	67.77
Zhengzhou Budget Performance Evaluation Center	646,000,000.00	23.25			620,000,000.00	23.25
China Development Fund Co., Ltd.	275,750,000.00	9.92		26,000,000.00	275,750,000.00	8.98
合计	2,779,000,000.00	100	26,000,000.00	26,000,000.00	2,779,000,000.00	100

### 5.34 Capital Reserve

Items	Balance as at 01/01/2021	Increase	Decrease	Balance as at 30/06/2021
I. Capital premiums	2,922,585,016.84		10,000,000.00	2,912,585,016.84
II. Other capital reserve	41,377,675,488.58	3,100,000,000.00		44,477,675,488.58
Total	44,300,260,505.42	3,100,000,000.00	10,000,000.00	47,390,260,505.42

Note: The increase of this period is received funds for transportation construction projects.

### 5.35 Special Reserve

Items	Balance as at 01/01/2021	Increase	Decrease	Balance as at 30/06/2021
Production safety reserve	28,816,796.07	5,468,088.15	3,303,704.53	30,981,179.69
Total	28,816,796.07	5,468,088.15	3,303,704.53	30,981,179.69

### 5.36 Surplus Reserve

Items	Balance as at 01/01/2021	Increase	Decrease	Balance as at 30/06/2021
-------	--------------------------	----------	----------	--------------------------

Zhengzhou Metro Group Co., Ltd.  
Notes to the Financial Statements  
For the six-month period ended 30 June 2021

Items	Balance as at 01/01/2021	Increase	Decrease	Balance as at 30/06/2021
Statutory surplus reserve	535,513,250.09			535,513,250.09
Total	535,513,250.09			535,513,250.09

### 5.37 Undistributed Profits

Items	as at 30/06/2021	
	Amount	Appropriation proportion
Undistributed profits as at 01/01/2021 before adjustments	4,890,768,774.83	
Adjustments to opening undistributed profits		
Undistributed profits as at 01/01/2021 after adjustments	4,890,768,774.83	
Add: Net profit attributable to owners of the Company during the period	-388,992,475.78	
Undistributed profits as at 30/06/2021	4,501,776,299.05	

### 5.38 Operating Revenue and Operating Costs

Items	For the six-month period ended 30 June 2021		For the six-month period ended 30 June 2020	
	Income	Costs	Income	Costs
I. Principal operating activities	525,292,964.44	896,999,114.73	229,473,427.13	533,916,563.59
Ticket service	447,993,110.89	876,355,567.05	174,323,999.89	525,458,551.61
Leasing service	35,515,456.39	5,246,392.24	26,504,257.62	1,774,901.66
Design service	11,585,159.81	8,977,427.84	4,488,100.43	3,351,317.54
Other business	30,199,237.35	6,419,727.60	24,157,069.19	3,331,792.78
II. Other operating activities	18,707,690.87	1,294,667.53	10,097,636.70	857,626.53
Commercial electricity revenue	99,546.96	131,043.10	1,822,340.49	5,877.06
Rental	2,205,476.95	1,106,727.72	2,366,755.07	516,721.68
Other business	16,402,666.96	56,896.71	5,908,541.14	335,027.79
Total	544,000,655.31	898,293,782.26	239,571,063.83	534,774,190.12

### 5.39 Taxes and Surcharges

Items	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
City construction taxes	54,038.64	22,831.94
Extra charges of education funds	41,034.42	16,308.52
Stamp tax	480,677.11	183,373.34
House tax	108,242.11	114,802.92
Vehicle and vessel use tax	20,139.54	19,659.54
Land use tax	498,777.67	401,443.42
Total	1,202,909.49	758,419.68

#### 5.40 Administrative Expenses

Items	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
Employee's salary	28,550,500.62	26,233,292.05
Depreciation and amortization	3,157,887.85	3,605,288.13
Promotion fee	97,170.15	84,934.81
Office expenses	689,134.12	499,408.49
Agency fee	591,350.98	747,922.91
Rental fee	823,681.87	693,903.59
Others	1,178,916.41	5,932,649.77
Total	35,088,642.00	37,797,399.75

#### 5.41 Financial Expenses

Items	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
Interest expenses	24,482,674.65	106,005,007.61
Less: Interest income	10,205,563.42	54,279,449.89
Expenses for handling fees	520,621.17	8,354.68
Others	2,705.05	
Total	14,800,437.45	51,733,912.40

#### 5.42 Other Income

Items	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020	Related to assets/Related to income
Stable position subsidy		92,385,600.00	Related to income
Refunded withholding tax handling fee	187,437.78	241,754.60	Related to income
Zhengzhou Green Transportation City Construction		1,230,508.96	Related to income
Municipal high-skilled talent demonstration base	271,414.26		Related to assets
Work-for-work backpayments	14,365,600.24		Related to income
Patent Subsidy	3,800.00		Related to income
Value-added tax credit	3,119.87		Related to income
Total	14,831,372.15	93,857,863.56	

#### 5.43 Investment Income

Sources for investment income	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
Income from available-for-sale financial assets		266,978.34
Total		266,978.34

#### 5.44 Credit Impairment Losses

Items	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
Allowance for credit losses of trade receivables	-60,437.55	
Allowance for credit losses of other receivables	-36,987.83	
Total	-97,425.38	

#### 5.45 Non-operating Income

##### 5.45.1 Non-operating income by category

Items	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
Government grants unrelated to daily operation of the Company		140,425,000.00
Default and penalty income	818,034.48	855,292.97
Gains on retirement of non-current assets	121,402.19	14,572.48
Others	11,090.81	323,568.17
Total	950,527.48	141,618,433.62

##### 5.45.2 Government grants included in non-operating income for the current period

Items	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020	Descriptions
Intercity railroad funding grant funds		140,425,000.00	
Total		140,425,000.00	

#### 5.46 Non-operating Expenses

Items	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
Liquidated damages	1,675.66	
Others	150,995.31	1,176,418.57
Total	152,670.97	1,176,418.57

#### 5.47 Income Tax Expenses

Items	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
Income tax expenses in current period	56,300.85	7,053.26
Adjustment of deferred income taxes	-6,380.57	
Total	49,920.28	7,053.26

## 5.48 Consolidated Statement of Cash Flows

### 5.48.1 Supplement to statement of cash flows

Supplementary information	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
1. To reconcile net profit to cash flows from operating activities:		
Net profit	-389,928,434.57	-151,941,235.38
Add: Impairment losses		
Credit impairment losses	97,425.38	
Depreciations of fixed assets, oil and gas assets, and bearer biological assets	12,351,533.19	10,132,805.47
Amortisation of intangible assets	750,973.87	735,654.87
Amortisation of long-term prepaid expenses	2,374,101.27	613,201.38
Losses on disposal of fixed assets, intangible assets and other long-term assets (gain expressed with "-")		
Losses on retirement of fixed assets (gain expressed with "-")	-121,402.19	
Losses on changes in fair value (gain expressed with "-")		
Financial expenses (gain expressed with "-")	24,482,674.65	106,005,007.61
Investment losses (gain expressed with "-")		
Decreases in deferred tax assets (increase expressed with "-")	-6,380.57	-2,783.63
Increases in deferred tax liabilities (decrease expressed with "-")		
Decreases in inventories (increase expressed with "-")	-414,361,475.69	-24,716,556.90
Decrease in receivables in operating activities (increase expressed with "-")	-1,828,224,960.69	-558,627,803.42
Increase in payables in operating activities (decrease expressed with "-")	1,713,004,203.80	481,421,385.28
Others		
Net cash flows from operating activities	-879,581,741.55	-136,380,324.72
2. Significant investing and financing activities that do not involve cash receipts or payments		
Debts converted to capital		
Convertible debts due within one year		
Fixed assets leased under financial lease		
3. Net change in cash and cash equivalents		
Closing balance of cash	9,009,201,512.79	16,457,053,869.20
Less: Opening balance of cash	7,014,691,134.25	16,119,736,894.69
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	1,994,510,378.54	337,316,974.51

### 5.48.2 Composition of Cash and Cash Equivalents



Items	Balance as at 30/06/2021	Balance as at 01/01/2021
I. Cash	9,009,201,512.79	7,014,691,134.25
Including: Cash on hand	28,127.09	30,125.09
Demand deposits	9,005,192,006.06	7,009,895,892.14
Demand other cash balances	3,981,379.64	4,765,117.02
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	9,009,201,512.79	7,014,691,134.25

## 6 Changes in consolidation scope

On March 16, 2021, the Company's subsidiary, Zhengzhou Rail Transit Real Estate Co., Ltd., invested in the establishment of Zhengzhou Hanzheng Real Estate Co., Ltd. The company has a registered capital of 10 million and is 100% owned by Zhengzhou Rail Transit Real Estate Co., Ltd. The company was included in the scope of consolidation of Zhengzhou Metro Group Co., Ltd. from the date of its establishment.

## 7 Interest in other entities

### 7.1 Interest in subsidiaries

#### 7.1.1 Constitution of the Group

No.	Enterprise name	Abbreviation	Level	Registered address	Registered address	Shareholding (%)		Investment	Acquisition method
						Direct	Direct		
1	Zhengzhou Rail Transit Real Estate Co., Ltd.	RTRE	2	Zheng zhou	Real estate development and management	100	100	1,000,000,000.00	Investment establishment
2	Zhengzhou Hanzheng Real Estate Co., Ltd.	Han Zheng Real Estate	3	Zheng zhou	Real estate development and management		100	5,000,000.00	Investment establishment
3	Henan Luji Holdings Co., Ltd.	Lu Ji holdings	3	Zheng zhou	Holding company services		60	9,000,000.00	Business combination not under common control
4	Henan Lutu Real Estate Co., Ltd.	Lu Tu Real Estate	4	Zheng zhou	Real estate development and operation		100	4,000,000.00	Investment establishment
5	Henan Lurong Construction Group Co., Ltd.	Lu Rong Construction	4	Zheng zhou	Real estate development and operation		100	4,700,000.00	Investment establishment
6	Zhengzhou Rail Transit Design and Research Institute Co., Ltd.	Design Institute	2	Zheng zhou	Design and consulting for municipal, construction and other related industries	51		2,550,000.00	Investment establishment
7	Zhengzhou Metro Group Yijia Industrial Co., Ltd.	Yijia Industry	2	Zheng zhou	Business Service Industry	100		14,800,000.00	Investment establishment
8	Zhengzhou Yijia Technology Industrial Co., Ltd.	Yijia Technology	3	Zheng zhou	Solid waste treatment, R&D and sales of building materials		40	12,000,000.00	Investment establishment

## 8 Relationships and Transactions with Related Parties

### 8.1 Basic Information of the Parent

Name of the parent	Registered address	Business nature	Registered capital	Proportion of shares held by the parent (%)	Proportion of voting rights held by the parent (%)
Zhengzhou Development Investment Group Co., Ltd.	Zhengzhou China	Public utility investment	1,000,000,000.00	66.83	66.83

Note: the ultimate controller of the company is the finance bureau of zhengzhou.

### 8.2 Subsidiaries of the Company

It is shown in Note 7. Interest in other entities.

### 8.3 Joint Ventures and Associates of the Company

Investee	Relationship	Unified social credit code
Zhengzhou Zhongjian Shenzhen Railway Transit Co., Ltd.	Joint venture	91410100MA46741B5N
Zhengzhou Zhonglian Yijia Material Co., Ltd.	Joint venture	91410122MA47Y4YU9Q
Zhengzhou Times Transportation Electrical Equipment Co., Ltd.	Joint venture	91410182MA9G327A6Y

### 8.4 Other Related Parties

Name of related parties	Relationship with the Group	Unified social credit code
Zhengzhou City One-Card Co., Ltd.	Controlled by the parent company	914101000768031765

### 8.5 Receivables from or Payables to Related Parties

#### 8.5.1 Receivables from related parties

Items	Name of related parties	As at 30/06/2021		As at 01/01/2021	
		Book Balance	Allowance for credit losses	Book Balance	Allowance for credit losses
Trade Receivables	Zhengzhou City One-Card Co., Ltd.	29,563,783.28		31,415,742.90	
Trade Receivables	Zhengzhou Development Investment Group Co., Ltd.	818,680.39		818,680.39	
Other Receivables	Zhengzhou Development Investment Group Co., Ltd.	800,000,000.00		550,000,000.00	

## 9 Events after the Reporting Period

None.

## 10 Other significant events

None.

## 11 Notes to Major Items in Financial Statements of the Company

### 11.1 Trade Receivables

#### 11.1.1 Trade receivables classified disclosure

Classification	Balance as at 30/06/2021			
	Gross carrying amount		Allowance for credit losses	
	Amount	Proportion (%)	Amount	Allowance rate (%)
Trade receivables that are individually significant and individually assessed for impairment				
Trade receivables that are collectively assessed for impairment as in a group of receivables	65,872,138.74	100.00	4,036,860.86	6.13
Including: Aging portfolio	28,106,582.12	42.67	4,036,860.86	14.36
Other portfolios	37,765,556.62	57.33		
Total	65,872,138.74	100.00	4,036,860.86	6.13

(Continued)

Classification	Balance as at 31/12/2020			
	Gross carrying amount		Allowance for credit losses	
	Amount	Proportion (%)	Amount	Allowance rate (%)
Trade receivables that are individually significant and individually assessed for impairment				
Trade receivables that are collectively assessed for impairment as in a group of receivables	84,898,010.29	100.00	4,036,860.86	4.76
Including: Aging portfolio	35,355,155.22	41.64	4,036,860.86	11.42
Other portfolios	49,542,855.07	58.36		
Total	84,898,010.29	100.00	4,036,860.86	4.76

11.1.1.1 Trade receivables that are collectively assessed for impairment as in a group of receivables

#### A. Using aging analysis method

Aging	Balance as at 30/06/2021			Balance as at 31/12/2020		
	Gross carrying amount		Allowance for credit losses	Gross carrying amount		Allowance for credit losses
	Amount	ECL rate(%)		Amount	ECL rate(%)	
Within 1 year	18,759,947.04	5.00	937,997.35	32,957,093.22	5.00	1,647,854.66

Aging	Balance as at 30/06/2021			Balance as at 31/12/2020		
	Gross carrying amount		Allowance for credit losses	Gross carrying amount		Allowance for credit losses
	Amount	ECL rate(%)		Amount	ECL rate(%)	
1-2 years	6,808,635.08	10.00	680,863.51	10,062.00	10.00	1,006.20
2-3 years	150,000.00	20.00	30,000.00			
Over 3 years	2,388,000.00	100.00	2,388,000.00	2,388,000.00	100.00	2,388,000.00
Total	28,106,582.12	14.36	4,036,860.86	35,355,155.22	11.42	4,036,860.86

#### B. Using other portfolio methods

Portfolio name	Balance as at 30/06/2021			Balance as at 31/12/2020		
	Gross carrying amount	ECL rate(%)	Allowance for credit losses	Gross carrying amount	ECL rate(%)	Allowance for credit losses
Within 1 year	37,765,556.62			49,542,855.07		
Total	37,765,556.62			49,542,855.07		

#### 11.1.2 Top five debtors according to closing balances

Debtor name	Gross carrying amount	Proportion of total trade receivables (%)	Balance of allowance for credit losses
Zhengzhou City One-Card Co., Ltd.	29,563,783.28	44.88	
Henan Daily Press Group Co., Ltd.	19,146,907.93	29.07	556,097.40
Zhengzhou TV station	3,538,000.00	5.37	2,445,500.00
China Railway Eryuan Engineering Group Co., Ltd.	2,750,000.00	4.17	137,500.00
Beijing Taihe Ruitong Commercial Service Co., Ltd.	2,640,840.15	4.01	132,042.01
Total	57,639,531.36	87.50	3,271,139.41

#### 11.2 Other Receivables

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Interest receivable		
Dividends receivable		
Other receivables	8,286,370,489.27	7,092,430,333.16
Total	8,286,370,489.27	7,092,430,333.16

#### 11.2.1 Other receivables

##### 11.2.1.1 Other receivables presented by nature

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
Subsidies	7,389,402,276.48	6,434,810,233.44
Current accounts	811,209,747.91	570,772,745.84
Security deposit	86,366,488.00	87,455,377.00
Less: Allowance for credit losses	608,023.12	608,023.12

Items	Balance as at 30/06/2021	Balance as at 31/12/2020
合 计	8,286,370,489.27	7,092,430,333.16

#### 11.2.1.2 Using aging analysis method

Aging	Balance as at 30/06/2021		Balance as at 31/12/2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	4,261,791,841.45	51.43	3,067,851,685.34	43.25
1-2 years	1,260,369,312.72	15.21	1,340,369,312.72	18.90
2-3 years	1,225,010,949.30	14.78	1,225,010,949.30	17.27
Over 3 years	1,539,806,408.92	18.58	1,459,806,408.92	20.58
Total	8,286,978,512.39	100.00	7,093,038,356.28	100.00

#### 11.2.1.3 The provision of allowance for credit losses

The allowance for credit losses	Stage one	Stage two	Stage three	Total
	12-month ECL	Lifetime ECL (credit-unimpaired)	Lifetime ECL (credit-impaired)	
Beginning balance	45,748.80	562,274.32		608,023.12
Provision				
Reversal				
Write-off				
Other changes				
Ending balance	45,748.80	562,274.32		608,023.12

#### 11.2.1.4 Top five debtors according to closing balances

Debtor name	Nature of balance	Gross carrying amount	Aging	Proportion of total other receivables (%)	Balance of allowance for credit losse
The Finance Bureau of Zhengzhou	Subsidies	7,389,402,276.48	Within 1 year 3,445,035,532.66	89.17	
			1-2 years 1,260,369,312.72		
			2-3 years 1,224,782,205.30		
			Over 3 years 1,459,215,225.80		
Zhengzhou Development investment Group Co. Ltd	Current accounts	800,000,000.00	Within 1 year	9.65	
ICBC Financial Leasing Co.,Ltd.	Security deposit	50,000,000.00	Over 3 years	0.60	
Bank of Communications Financial Leasing Co., Ltd.	Security deposit	30,000,000.00	Over 3 years	0.36	
Zhengzhou Rail Transit Real Estate Co., Ltd.	Current accounts	9,657,997.12	Within 1 year	0.12	
Total		8,279,060,273.60	—	99.90	

### 11.3 Long-term Equity Investments

Items	As at 30/06/2021			As at 31/12/2020		
	Balance	Provision for impairment	Carrying amount	Balance	Provision for impairment	Carrying amount
Investments in subsidiaries	1,017,350,000.00		1,017,350,000.00	1,017,350,000.00		1,017,350,000.00
Investments in associates	170,331,817.17		170,331,817.17	170,331,817.17		170,331,817.17
Investments in other enterprises	7,204,855,000.00		7,204,855,000.00	7,204,855,000.00		7,204,855,000.00
Total	8,392,536,817.17		8,392,536,817.17	8,392,536,817.17		8,392,536,817.17

#### 11.3.1 Investments in subsidiaries

Investee	Balance as at 01/01/2021	Additions	Reductions	Balance as at 30/06/2021	Provision for impairment in current period	Balance of provision for impairment as at 30/06/2021
Zhengzhou Rail Transit Design and Research Institute Co., Ltd.	2,550,000.00			2,550,000.00		
Zhengzhou Rail Transit Real Estate Co., Ltd.	1,000,000,000.00			1,000,000,000.00		
Zhengzhou Metro Group Yijia Industrial Co., Ltd.	14,800,000.00			14,800,000.00		
Total	1,017,350,000.00			1,017,350,000.00		

### 11.3.2 Investments in associates and other enterprises

Investee	Balance as at 01/01/2021	Movement of the current period							Balance as at 30/06/2021	Provision for impairment as at 30/06/2021
		Addition of investment	Reduction of investment	Investment income/loss recognised under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash dividend or profit announced to be issued	Provision for impairment		
1. Associates										
Zhengzhou Zhongjian Shenzhen Railway Transit Co., Ltd.	166,258,521.78									166,258,521.78
Zhengzhou Times Transportation Electrical Equipment Co., Ltd.	4,073,295.39									4,073,295.39
Sub-total	170,331,817.17									170,331,817.17
2. Other enterprises										
Henan Railway Investment Co., Ltd.	4,863,875,000.00									4,863,875,000.00
Henan Xinzheng International Airport Inter-city Railway Co., Ltd.	2,340,980,000.00									2,340,980,000.00
Sub-total	7,204,855,000.00									7,204,855,000.00
Total	7,375,186,817.17									7,375,186,817.17



#### 11.4 Operating Revenue and Operating Costs

Items	For the six-month period ended 30 June 2021		For the six-month period ended 30 June 2020	
	Income	Costs	Income	Costs
I. Principal operating activities	507,157,053.68	882,801,859.39	224,985,326.70	530,565,246.05
Ticket service	447,993,110.89	876,355,567.05	174,323,999.89	525,458,551.61
Leasing service	35,515,456.39	5,246,392.24	26,504,257.62	1,774,901.66
Other business	23,648,486.40	1,199,900.10	24,157,069.19	3,331,792.78
II. Other operating activities	16,515,247.18	211,176.31	10,244,299.78	516,894.32
Commercial electricity revenue	99,546.96	131,043.10	1,822,340.49	5,877.06
Rental	17,064.22	23,236.50	2,513,418.15	175,989.47
Other business	16,398,636.00	56,896.71	5,908,541.14	335,027.79
Total	523,672,300.86	883,013,035.70	235,229,626.48	531,082,140.37



The notes to the financial statements from page 15 to page 76 were approved by the following representatives:

Legal representative

Signature:

Date:


Chief financial officer

Signature:

Date:


Head of accounting department

Signature:

Date:


**Zhengzhou Metro Group  
Company Limited**

**Auditor's Report**

DAXIN SHEN ZI [2021] No. 16-00046

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and financial statements prepared in accordance with Accounting Standards for Business Enterprises of China. Should there be inconsistency between the Chinese and English versions, the Chinese version shall prevail.



立信会计师事务所  
北京市海淀区知春路1号  
学院国际大厦15层  
邮编 100083

WUYIGE Certified Public Accountants.LLP  
15/F, Xueyuan International Tower  
No. 1 Zhichun Road, Haidian Dist.  
Beijing, China, 100083

电话 Telephone: +86 (10) 82339588  
传真 Fax: +86 (10) 82327058  
网址 Internet: www.daxincpa.com.cn

## Auditor's Report

DAXIN SHEN ZI [2021] No. 16-00046

**To Zhengzhou Metro Group Co., Ltd:**

### **I. Opinion**

We have audited the financial statements of Zhengzhou Metro Group Co., Ltd (hereafter referred to as "the Company"), which comprise the consolidated and the Company's balance sheets as at December 31, 2020, the consolidated and the Company's statements of income, the consolidated and the Company's statements of cash flows and the consolidated and the Company's statements of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

### **II. Basis for Opinion**

We conducted our audit in accordance with Chinese Certified Public Accountants Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants and have fulfilled our other ethical responsibilities in accordance with the Code.



大信会计师事务所  
北京市海淀区知春路1号  
学院国际大厦15层  
邮编 100083

WUYIGE Certified Public Accountants, LLP  
15/F, Xuesyuan International Tower  
No. 1 Zhichun Road, Haidian Dist.  
Beijing, China, 100083

电话 Telephone: +86 (10) 82330558  
传真 Fax: +86 (10) 82327668  
网站 Internet: www.daxincpa.com.cn

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **III. Responsibilities of the Directors and Those Charged with Governance for the Financial Statements**

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **IV. Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,



天信会计师事务所  
北京市海淀区知春路1号  
学院国际大厦15层  
邮编 100083

WUYIGE Certified Public Accountants LLP  
15/F, Xueyuan International Tower  
No. 1 Zhichun Road, Haidian Dist.  
Beijing, China, 100083

电话 Telephone: +86 (10) 82330558  
传真 Fax: +86 (10) 82327659  
网址 Internet: www.daxincoo.com.cn

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

D. Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



大信会计师事务所  
北京市海定区知春路1号  
学苑国际大厦15层  
邮编 100083

WUYIGE Certified Public Accountants LLP  
15/F, Xueyuan International Tower  
No. 1 Zhichun Road, Haidian Dist.  
Beijing, China, 100083

电话 Telephone: +86 (10) 62330558  
传真 Fax: +86 (10) 82327668  
网站 Internet: www.daxin CPA.com.cn

E. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.



Certified Public Accountant of China  
(Engagement partner)



Certified Public Accountant of China



Beijing, China

March 31, 2021



# Consolidated Balance Sheet

For the year ended 31 December 2020

Prepared by: Zhengzhou Metro Group Co., Ltd.

Currency: RMB Yuan

Items	Notes	As at 31/12/2020	As at 01/01/2020
<b>Current assets:</b>			
Cash at bank and on hand	8.1	7,014,691,134.25	16,119,736,894.69
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	8.2		1,260,000.00
Trade receivables	8.3	69,909,736.60	168,893,283.97
Advances to suppliers	8.4	55,522,088.27	46,528,464.51
Other receivables	8.5	7,090,659,875.77	4,471,774,431.42
Including: Interest receivable			
Dividends receivable			
Inventories	8.6	829,894,923.17	805,178,366.27
Assets held for sale			
Non-current assets due within one year			
Other current assets	8.7	5,693,327,093.52	4,258,985,797.77
<b>Total current assets</b>		<b>20,754,004,851.58</b>	<b>25,872,357,238.63</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets	8.8	5,000,000.00	5,000,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	8.9	7,377,213,935.34	6,275,900,000.00
Investment properties	8.10	143,761,147.41	144,114,013.42
Fixed assets	8.11	70,909,098,821.86	37,353,153,635.52
Construction in progress	8.12	60,200,755,132.05	70,283,816,046.12
Bearer biological assets			
Oil and gas assets			
Intangible assets	8.13	83,669,930.98	78,018,799.40
Development expenditures			
Goodwill			
Long-term prepaid expenses	8.14	4,878,117.34	
Deferred tax assets	8.15	17,486.28	14,702.65
Other non-current assets	8.16	7,703,455,297.19	3,363,789,093.95
<b>Total non-current assets</b>		<b>146,427,849,868.45</b>	<b>117,503,806,291.06</b>
<b>Total assets</b>		<b>167,181,854,720.03</b>	<b>143,376,163,529.69</b>

Legal representative:



Chief Financial Officer:



Head of Accounting Department:



# Consolidated Balance Sheet (Continued)

For the year ended 31 December 2020

Prepared by: Zhengzhou Metro Group Co., Ltd.

Currency: RMB Yuan

Items	Notes	As at 31/12/2020	As at 01/01/2020
<b>Current liabilities:</b>			
Short-term borrowings	8.17		2,000,000,000.00
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Trade payables	8.18	7,799,724,865.69	7,020,708,910.59
Advances from customers	8.19	112,893,127.76	77,595,207.51
Employee benefits payable	8.20	266,958,749.30	390,037,430.24
Taxes and surcharges payable	8.21	3,084,265.92	714,174.03
Other payables	8.22	306,094,619.83	286,806,461.73
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year	8.23	4,559,296,005.95	4,445,844,466.84
Other current liabilities	8.24	2,500,000,000.00	
<b>Total current liabilities</b>		<b>15,548,051,634.45</b>	<b>14,221,706,650.94</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	8.25	95,467,209,019.76	75,195,628,232.50
Bonds payable	8.26		3,451,670,024.74
Long-term payables	8.27	637,689,622.41	986,982,193.44
Long-term employee benefits payable			
Provisions			
Deferred income	8.28	680,227,061.31	556,771,508.96
Deferred tax liabilities			
Other non-current liabilities	8.29	2,293,960,000.00	2,293,960,000.00
<b>Total non-current liabilities</b>		<b>99,079,085,703.48</b>	<b>82,485,011,959.64</b>
<b>Total liabilities</b>		<b>114,627,137,337.93</b>	<b>96,706,718,610.58</b>
<b>Owners' equity:</b>			
Paid-in capital	8.30	2,779,000,000.00	2,779,000,000.00
Other equity instruments			
Capital reserve	8.31	44,300,260,505.42	38,524,440,505.42
Other comprehensive income			
Special reserve	8.32	28,816,796.07	24,083,446.44
Surplus reserve	8.33	535,513,250.09	521,830,816.09
Undistributed profits	8.34	4,890,768,774.83	4,810,918,030.98
<b>Total owners' equity attributable to parent</b>		<b>52,534,359,326.41</b>	<b>46,660,272,798.93</b>
*Non-controlling interests		20,358,055.69	9,172,120.18
<b>Total owners' equity</b>		<b>52,554,717,382.10</b>	<b>46,669,444,919.11</b>
<b>Total liabilities and owners' equity</b>		<b>167,181,854,720.03</b>	<b>143,376,163,529.69</b>

Legal representative:

张洲  
440105618A114

Chief Financial Officer:

6

高林

Head of Accounting Department:

强杨  
印运





## Balance Sheet

For the year ended 31 December 2020

Prepared by: Zhengzhou Metro Group Co., Ltd.

Currency: RMB Yuan

Items	Notes	As at 31/12/2020	As at 01/01/2020
<b>Current assets:</b>			
Cash at bank and on hand		6,259,714,136.30	12,795,242,617.39
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Trade receivables	13.1	80,861,149.43	175,292,220.16
Advances to suppliers		21,868,327.27	43,344,408.71
Other receivables	13.2	7,092,430,333.16	4,498,606,098.30
Including: Interest receivable			
Dividends receivable			
Inventories		132,858,820.36	98,315,536.27
Assets held for sale			
Non-current assets due within one year			
Other current assets		5,968,281,938.48	7,021,364,620.43
<b>Total current assets</b>		<b>19,556,014,705.00</b>	<b>24,632,165,501.26</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets		5,000,000.00	5,000,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	13.3	8,392,536,817.17	7,271,450,600.00
Investment properties		1,742,137.05	1,788,610.02
Fixed assets		70,909,043,266.90	37,352,564,930.32
Construction in progress		60,208,573,393.30	70,298,018,841.22
Bearer biological assets			
Oil and gas assets			
Intangible assets		83,304,334.73	77,768,894.37
Development expenditures			
Goodwill			
Long-term prepaid expenses		816,687.35	
Deferred tax assets			
Other non-current assets		7,801,822,297.19	3,428,412,605.49
<b>Total non-current assets</b>		<b>147,402,838,933.69</b>	<b>118,435,003,881.42</b>
<b>Total assets</b>		<b>166,958,853,638.69</b>	<b>143,067,169,382.68</b>

Legal representative:



Chief Financial Officer:



Head of Accounting Department:





## Balance Sheet (Continued)

For the year ended 31 December 2020

Prepared by: Zhengzhou Metro Group Co., Ltd.

Currency: RMB Yuan

Items	Notes	As at 31/12/2020	As at 01/01/2020
<b>Current liabilities:</b>			
Short-term borrowings			2,000,000,000.00
Financial assets at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Trade payables		7,718,426,522.20	6,924,267,167.74
Advances from customers		47,646,131.68	13,431,706.51
Employee benefits payable		262,654,604.40	384,687,946.99
Taxes and surcharges payable		2,716,728.50	472,691.24
Other payables		317,751,799.22	259,554,990.09
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year		4,559,296,005.95	4,445,844,466.84
Other current liabilities		2,500,000,000.00	
<b>Total current liabilities</b>		<b>15,408,491,791.95</b>	<b>14,028,258,969.41</b>
<b>Non-current liabilities:</b>			
Long-term borrowings		95,467,209,019.76	75,195,628,232.50
Bonds payable			3,451,670,024.74
Long-term payables		637,689,622.41	986,982,193.44
Long-term employee benefits payable			
Provisions			
Deferred income		680,227,061.31	556,771,508.96
Deferred tax liabilities			
Other non-current liabilities		2,293,960,000.00	2,293,960,000.00
<b>Total non-current liabilities</b>		<b>99,079,085,703.48</b>	<b>82,485,011,959.64</b>
<b>Total liabilities</b>		<b>114,487,577,495.43</b>	<b>96,513,270,929.05</b>
<b>Owners' equity:</b>			
Paid-in capital		2,779,000,000.00	2,779,000,000.00
Other equity instruments			
Capital reserve		44,300,260,505.42	38,524,440,505.42
Other comprehensive income			
Special reserve		28,816,796.07	24,083,446.44
Surplus reserve		535,513,250.09	521,830,816.09
Undistributed profits		4,827,685,591.68	4,704,543,685.68
<b>Total owners' equity</b>		<b>52,471,276,143.26</b>	<b>46,553,898,453.63</b>
<b>Total liabilities and owners' equity</b>		<b>166,958,853,638.69</b>	<b>143,067,169,382.68</b>

Legal representative:

张洲  
4101025194118

Chief Financial Officer:

高林

Head of Accounting Department:

强杨  
印远



# Consolidated Statement of Income

For the year ended 31 December 2020

Prepared by: Zhengzhou Metro Group Co., Ltd.

Currency: RMB Yuan

Items	Notes	Year ended 31 December 2020	Year ended 31 December 2019
<b>1. Total operating revenue</b>		<b>946,787,897.77</b>	<b>849,264,529.35</b>
Including: Operating revenue	8.35	946,787,897.77	849,264,529.35
<b>2.Total operating costs</b>		<b>3,519,984,072.82</b>	<b>1,600,900,498.61</b>
Including: Operating costs	8.35	1,686,232,827.86	1,311,245,275.74
Taxes and surcharges	8.36	28,349,384.92	3,629,949.51
Selling expenses	8.37	1,505,060.69	5,709,521.45
Administrative expenses	8.38	71,173,686.40	94,938,394.79
Research and development expenses	8.39	1,038,448.50	
Financial expenses	8.40	1,731,684,664.45	185,377,357.12
Including: Interest expenses		1,828,686,716.23	400,295,462.88
Interest income		97,486,829.38	278,613,180.56
Others			
Add: Other income	8.41	2,532,345,317.74	2,886,567.57
Investment income (losses expressed with "-")	8.42	-5,384,086.32	
Including: Investment income from associates and joint ventures		-5,651,064.66	
Gains on changes in fair value (losses expressed with "-")			
Assets impairment losses (losses expressed with "-")	8.43	-2,029,550.16	650,051.30
Gains on disposal of assets (losses expressed with "-")	8.44		23,605,883.59
<b>3. Operating profit (loss expressed with "-")</b>		<b>-48,264,493.79</b>	<b>-724,493,466.80</b>
Add: Non-operating income	8.45	141,887,698.90	1,693,835,940.05
Less: Non-operating expenses	8.46	773,147.87	804,022.62
<b>4.Total profit (loss expressed with "-")</b>		<b>92,850,057.24</b>	<b>968,538,450.63</b>
Less: Income tax expenses	8.47	79,224.06	198,791.01
<b>5. Net profit (net loss expressed with "-")</b>		<b>92,770,833.18</b>	<b>968,339,659.62</b>
A. Attributable to		92,770,833.18	968,339,659.62
Owners of the Company		93,533,177.85	967,209,643.08
*Non-controlling interests		-762,344.67	1,130,016.54
B. Classified by continuing and discontinued operations		92,770,833.18	968,339,659.62
Net profit from continuing operations		92,770,833.18	968,339,659.62
Net profit from discontinued operations			
<b>6. Other comprehensive income, net of income tax</b>			
A. Items that will not be reclassified subsequently to profit or loss			
B. Items that may be reclassified subsequently to profit or loss			
<b>7. Total comprehensive income</b>		<b>92,770,833.18</b>	<b>968,339,659.62</b>
Attributable to owners of the Company		93,533,177.85	967,209,643.08
*Attributable to non-controlling interests		-762,344.67	1,130,016.54

Legal representative:



Chief Financial Officer:



Head of Accounting Department:





# Statement of Income

For the year ended 31 December 2020

Prepared by: Zhengzhou Metro Group Co., Ltd.

Currency: RMB Yuan

Items	Notes	Year ended 31 December 2020	Year ended 31 December 2019
1. Operating revenue	13.4	766,746,770.50	801,659,039.13
Less: Operating costs	13.4	1,533,137,608.74	1,277,243,568.83
Taxes and surcharges		371,023.35	376,752.49
Selling expenses			
Administrative expenses		59,537,427.91	77,584,602.80
Research and development expenses		1,038,448.50	
Financial expenses		1,701,777,802.13	77,833,632.29
Including: Interest expenses		1,828,686,716.23	208,380,612.63
Interest income		127,387,684.80	194,234,354.95
Add: Other income		2,532,050,601.11	2,828,490.71
Investment income (losses expressed with "-")		-4,911,204.49	
Including: Investment income from associates and joint ventures		-5,178,182.83	
Gains from net position hedging ("-" for loss)			
Gains on changes in fair value (losses expressed with "-")			
Assets impairment losses (losses expressed with "-")		-2,083,503.13	1,255,923.78
Gains on disposal of assets (losses expressed with "-")			
2. Operating profit (losses expressed with "-")		-4,059,646.64	-627,295,002.39
Add: Non-operating income		140,983,632.47	1,693,795,990.05
Less: Non-operating expenses		99,645.83	26,957.05
3. Total profit (loss expressed with "-")		136,824,340.00	1,066,474,030.61
Less: Income tax expenses			
4. Net profit (losses expressed with "-")		136,824,340.00	1,066,474,030.61
A. Net profit from continuing operations		136,824,340.00	1,066,474,030.61
B. Net profit from discontinued operations			
5. Other comprehensive income, net of income tax			
A. Items that will not be reclassified subsequently to profit or loss			
B. Items that may be reclassified subsequently to profit or loss			
6. Total comprehensive income		136,824,340.00	1,066,474,030.61

Legal representative

张洲  
4101055194114

Chief Financial Officer

高林

Head of Accounting Department:

强杨  
印运

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

Prepared by: Zhengzhou Metro Group Co., Ltd.

Currency: RMB Yuan

Items	Notes	Year ended 31 December 2020	Year ended 31 December 2019
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		1,105,667,379.25	1,029,012,001.24
Refunds of taxes and surcharges		925,974.56	915,856,196.75
Cash received relating to other operating activities		1,637,822,977.04	1,425,069,604.60
<b>Sub-total of cash inflows from operating activities</b>		<b>2,744,216,330.85</b>	<b>3,369,937,802.79</b>
Cash paid for goods and services		917,164,957.37	427,775,453.18
Cash paid to and on behalf of employees		1,013,216,570.33	666,076,644.05
Cash paid for taxes and surcharges		19,036,198.64	158,001,709.90
Cash paid relating to other operating activities		1,757,097,036.37	1,912,352,025.04
<b>Sub-total of cash outflows from operating activities</b>		<b>3,706,516,764.71</b>	<b>3,166,205,832.17</b>
<b>Net cash flows from operating activities</b>		<b>-962,300,433.86</b>	<b>203,731,970.62</b>
<b>2. Cash flows from investing activities:</b>			
Cash received from disposal of investments			
Cash received from investment income		266,978.34	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities		12,489,770.21	
<b>Sub-total of cash inflows from investing activities</b>		<b>12,756,748.55</b>	
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		25,785,678,531.96	17,919,721,224.77
Cash paid for acquisition of investments		124,700,000.00	
Cash paid for obtaining subsidiaries and other business units			
Cash paid relating to other investing activities		989,255,000.00	
<b>Sub-total of cash outflows from investing activities</b>		<b>26,899,643,531.96</b>	<b>17,919,721,224.77</b>
<b>Net cash flows from investing activities</b>		<b>-26,886,886,783.41</b>	<b>-17,913,721,224.77</b>
<b>3. Cash flows from financing activities:</b>			
Cash received from capital contributions		5,781,820,000.00	4,890,800,000.00
Including: Cash received from non-controlling shareholders' capital contributions to subsidiaries		6,000,000.00	
Cash received from borrowings		30,295,993,584.00	21,740,000,000.00
Cash received relating to other financing activities			2,833,712,407.87
<b>Sub-total of cash inflows from financing activities</b>		<b>36,077,813,584.00</b>	<b>29,264,512,407.87</b>
Cash repayments for borrowings		12,598,410,690.33	3,618,057,475.99
Cash payments for distribution of dividends, profits, or for interest expenses		4,330,917,095.83	4,189,477,567.71
Including: Subsidiaries' cash payments for distribution of dividends or profits to non-controlling shareholders			
Cash paid relating to other financing activities		404,344,341.21	
<b>Sub-total of cash outflows from financing activities</b>		<b>17,333,672,127.17</b>	<b>8,007,535,043.70</b>
<b>Net cash flows from financing activities</b>		<b>18,744,141,456.83</b>	<b>21,256,977,364.17</b>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>5. Net increase/ (decrease) in cash and cash equivalents</b>		<b>-9,105,045,760.44</b>	<b>3,546,988,110.02</b>
Add: Opening balance of cash and cash equivalents		16,119,736,694.69	12,572,748,784.67
<b>6. Closing balance of cash and cash equivalents</b>		<b>7,014,691,134.25</b>	<b>16,119,736,694.69</b>

Legal representative:

张洲  
41D1C68194114

Chief Financial Officer:

高林

Head of Accounting Department:

强杨  
印运



# Statement of Cash Flows

For the year ended 31 December 2020

Prepared by: Zhongzhou Melco Group Co., Ltd.

Currency: RMB Yuan

Items	Notes	Year ended 31 December 2020	Year ended 31 December 2019
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		907,905,064.46	1,081,938,657.23
Refunds of taxes and surcharges			315,856,196.75
Cash received relating to other operating activities		452,005,852.71	318,474,081.89
<b>Sub-total of cash inflows from operating activities</b>		<b>1,359,910,917.17</b>	<b>2,316,268,935.97</b>
Cash paid for goods and services		635,736,016.95	379,634,307.51
Cash paid to and on behalf of employees		994,640,706.96	653,670,221.90
Cash paid for taxes and surcharges		371,023.35	
Cash paid relating to other operating activities		740,540,378.06	770,571,581.04
<b>Sub-total of cash outflows from operating activities</b>		<b>2,371,290,125.32</b>	<b>1,803,876,110.45</b>
<b>Net cash flows from operating activities</b>		<b>-1,011,379,208.15</b>	<b>512,392,825.52</b>
<b>2. Cash flows from investing activities:</b>			
Cash received from disposal of investments		2,643,603,527.39	
Cash received from investment income		266,978.34	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Cash received related to other investing activities			
<b>Sub-total of cash outflows from investing activities</b>		<b>2,643,870,505.73</b>	
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		25,779,886,235.50	17,648,471,377.97
Cash paid for acquisition of investments		137,000,000.00	2,800,000,000.00
Cash paid for obtaining subsidiaries and other business units			
Cash paid relating to other investing activities		989,265,000.00	
<b>Sub-total of cash outflows from investing activities</b>		<b>26,906,161,235.50</b>	<b>20,448,471,377.97</b>
<b>Net cash flows from investing activities</b>		<b>-24,262,290,729.77</b>	<b>-20,448,471,377.97</b>
<b>3. Cash flows from financing activities:</b>			
Cash received from capital contributions		5,775,820,000.00	4,690,800,000.00
Cash received from borrowings		30,295,993,584.00	21,540,000,000.00
Cash received relating to other financing activities			2,625,610,441.44
<b>Sub-total of cash inflows from financing activities</b>		<b>36,071,813,584.00</b>	<b>29,056,410,441.44</b>
Cash repayments for borrowings		12,598,410,690.33	3,618,057,475.99
Cash payments for distribution of dividends, profits, or for interest expenses		4,330,917,095.63	3,965,487,567.71
Cash paid relating to other financing activities		404,344,341.21	
<b>Sub-total of cash outflows from financing activities</b>		<b>17,333,672,127.17</b>	<b>7,604,545,043.70</b>
<b>Net cash flows from financing activities</b>		<b>18,738,141,456.83</b>	<b>21,451,865,397.74</b>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>5. Net increase/ (decrease) in cash and cash equivalents</b>		<b>-6,535,528,481.09</b>	<b>1,515,786,845.29</b>
Add: Opening balance of cash and cash equivalents		12,795,242,617.39	11,279,455,772.10
<b>6. Closing balance of cash and cash equivalents</b>		<b>6,259,714,136.30</b>	<b>12,795,242,617.39</b>

Legal representative:

张洲  
4101055194114

Chief Financial Officer:

高林

Head of Accounting Department:

强杨  
印运

# Consolidated Statement of Changes in Equity

Currency: RMB Yuan

		For the year ended 31 December 2020									
		Owners' equity attributable to the parent									
		Paid-in capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Sub-total	Non-controlling interests	Total owners' equity
I.	Opening balance of current year	2,779,000,000.00		38,524,440,505.42	24,093,446.44	521,830,819.09	4,810,918,030.98	46,890,272,798.93	46,890,272,798.93	3,172,120.18	49,668,444,819.11
II.	Changes in current year (decrease expressed with "-")			30,524,440,505.42		24,093,446.44	13,682,434.00	75,860,743.95	5,874,086,527.48	11,165,945.51	92,770,933.18
(i)	Total comprehensive income for the year			5,775,820,000.00		4,733,349.83		93,533,177.85	5,775,820,000.00		92,770,933.18
(ii)	Contributions by and distributions to owners										
1.	Capital contributions from owners										
2.	Capital contributions from other equity instruments holders										
3.	Share-based payments recognized in shareholders' equity										
4.	Others										
(iii)	Profits distribution										
1.	Appropriation to surplus reserve						13,682,434.00	-13,682,434.00			
2.	Appropriation to general risk reserve						13,682,434.00	-13,682,434.00			
3.	Distribution to owners										
4.	Others										
(iv)	Internal transfer of owners' equity										
1.	Capitalization of capital reserve										
2.	Capitalization of surplus reserve										
3.	Making up losses from surplus reserve										
4.	Transfer of changes in defined benefit plans to retained earnings										
4-5.	Transfer of other comprehensive income to retained earnings										
5.	Others										
(v)	Special reserve										
1.	Appropriation to special reserve					4,733,349.83			4,733,349.83		4,733,349.83
2.	Use of special reserve					12,064,151.19			12,064,151.19		12,064,151.19
(vi)	Others					7,320,801.56			7,320,801.56		7,320,801.56
III.	Closing balance of current year	2,779,000,000.00		44,300,260,505.42		28,816,796.07	838,813,253.09	4,890,768,774.83	62,554,393,328.41	20,358,065.89	92,554,717,382.10

Prepared by: Zhangzhou Meiyao Group Co., Ltd.  
  
 Add: Zhangzhou (Accounting) Office  
 Connection: Zhangzhou, Fujian, PRC  
 Business combination subject to government control  
 Others:

Legal representative: 

Chief Financial Officer: 

Head of Accounting Department: 

# Consolidated Statement of Changes in Equity (Continued)

Currency: RMB Yuan

Items	Owners' equity attributable to the parent							Non-controlling interests	Sub-total	Total owners' equity
	Paid-in capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits			
I. Closing balance of prior year	2,779,000,000.00		32,633,640,505.42	16,077,166.18	415,183,413.03	3,950,355,790.06	40,794,256,875.69	40,794,256,875.69		
II. Opening balance of current year	2,779,000,000.00		32,633,640,505.42	16,077,166.18	415,183,413.03	3,950,355,790.06	40,794,256,875.69	40,794,256,875.69		
III. Changes in current year (decrease expressed with "-")			4,890,800,000.00	8,006,280.25	106,647,403.06	890,862,240.02	5,866,015,923.34	5,866,015,923.34	5,866,015,923.34	
(I) Total comprehensive income for the year			4,890,800,000.00			890,862,240.02	5,866,015,923.34	5,866,015,923.34	5,866,015,923.34	
(II) Contributions by and distributions to owners			4,890,800,000.00			890,862,240.02	5,866,015,923.34	5,866,015,923.34	5,866,015,923.34	
1. Capital contributions from owners			4,890,800,000.00			890,862,240.02	5,866,015,923.34	5,866,015,923.34	5,866,015,923.34	
2. Capital contributions from other equity instruments holders										
3. Share-based payments recognized in shareholders' equity										
4. Others										
(III) Profits distribution										
1. Appropriation to surplus reserve										
2. Appropriation to general risk reserve										
3. Distribution to owners										
4. Others										
(IV) Internal transfer of owners' equity										
1. Capitalization of capital reserve										
2. Capitalization of surplus reserve										
3. Making up losses from surplus reserve										
4. Transfer of changes in defined benefit plans to retained earnings										
5. Transfer of other comprehensive income to retained earnings										
B. Others										
(V) Special reserve										
1. Appropriation to special reserve										
2. Use of special reserve										
(VI) Others										
IV. Closing balance of current year	2,779,000,000.00		38,524,440,505.42	24,083,446.44	521,830,816.09	4,841,218,030.08	46,660,272,798.93	46,660,272,798.93	46,660,272,798.93	

For the year ended 31 December 2018



Prepared by: Zhengzhou Metro Group Co., Ltd.

张洲  
4101253134114

高林

Person in charge of accounting (function):

强杨  
印运

Person in charge of accounting department:



# Statement of Changes in Equity

Currency: RMB Yuan

		For the year ended 31 December 2020							
		Paid-in capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
I.	Closing balance of prior year	2,779,000,000.00		30,524,440,505.42		34,083,446.44	521,830,816.09	4,704,543,885.66	46,553,888,453.63
	Add: Changes in accounting policies								
	Corrections of prior periods								
	Others								
II.	Opening balance of current year	2,779,000,000.00		30,524,440,505.42		34,083,446.44	521,830,816.09	4,704,543,885.66	46,553,888,453.63
III.	Changes in current year (decrease expressed with "-")			5,775,820,000.00		4,733,349.63	13,662,434.00	123,141,905.00	5,917,377,698.63
(I)	Total comprehensive income for the year			5,775,820,000.00				136,624,340.00	136,624,340.00
(II)	Contributions by and distributions to owners								
1.	Capital contributions from owners								
2.	Capital contributions from other equity instruments holders								
3.	Share-based payments recognized in shareholders' equity								
4.	Others			5,775,820,000.00					5,775,820,000.00
(III)	Profits distribution								
1.	Appropriation to surplus reserve						13,662,434.00	13,662,434.00	
2.	Appropriation to general risk reserve								
3.	Distribution to owners							-13,662,434.00	
4.	Others								
(IV)	Internal transfer of owners' equity								
1.	Capitalization of capital reserve								
2.	Capitalization of surplus reserve								
3.	Making up losses from surplus reserve								
4.	Transfer of changes in defined benefit plans to retained earnings								
5.	Transfer of other comprehensive income to retained earnings								
6.	Others								
(V)	Special reserve					4,733,349.63			4,733,349.63
1.	Appropriation to special reserve					12,054,151.19			12,054,151.19
2.	Use of special reserve					7,320,801.56			7,320,801.56
(VI)	Others								
IV.	Closing balance of current year	2,779,000,000.00		44,300,260,505.42		26,816,796.07	535,513,250.09	4,827,685,591.66	52,471,278,143.25

Prepared by: Zhenyuan Group Co., Ltd.



Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

# Statement of Changes in Equity (Continued)

Currency: RMB Yuan

		For the six-month period ended 30 June 2019						
	Paid-in capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
I. Closing balance of prior year	2,779,000,000.00		33,833,840,505.42		16,077,166.18	415,183,413.03	-3,744,717,098.13	40,508,616,142.78
Add: Changes in accounting policies								
Correction of prior period errors								
Others								
II. Opening balance of current year	2,779,000,000.00		-33,833,840,505.42		16,077,166.18	415,183,413.03	3,744,717,098.13	40,508,616,142.78
III. Changes in current year (decrease expressed with "-")			4,890,800,000.00		8,006,280.26	106,647,403.06	959,826,627.95	5,965,280,310.00
(i) Total comprehensive income for the year			4,890,800,000.00				1,066,474,000.61	1,066,474,000.61
(ii) Contributions by and distributions to owners								4,890,800,000.00
1. Capital contributions from owners								
2. Capital contributions from other equity instruments holders								
3. Share-based payments recognized in shareholders' equity								
4. Others			4,890,800,000.00					4,890,800,000.00
(iii) Profit distribution								-4,890,800,000.00
1. Appropriation to surplus reserve						106,647,403.06	-106,647,403.06	
2. Appropriation to general risk reserve								
3. Distribution to owners								
4. Others								
(iv) Internal transfer of owners' equity								
1. Capitalization of capital reserve								
2. Capitalization of surplus reserve								
3. Making up losses from surplus reserve								
4. Transfer of changes in defined benefit plans to retained earnings								
5. Transfer of other comprehensive income to retained earnings								
6. Others								
(v) Social reserve					8,006,280.26			8,006,280.26
1. Appropriation to special reserve					11,005,487.03			11,005,487.03
2. Use of special reserve					-2,997,206.77			-2,997,206.77
(vi) Other								
IV. Closing balance of current year	2,779,000,000.00		29,943,440,505.42		24,083,446.44	521,830,816.09	4,704,543,695.68	46,553,890,453.63

Prepared by: Zhengzhou Yuhong Group Co., Ltd.



Legal representative(s)



Person in charge of accounting function:



Person in charge of accounting department:



# Zhengzhou Metro Group Company Limited

## Notes to the Financial Statements

(All amounts in Chinese Renminbi Yuan unless otherwise stated)

### 1. Company Profile

#### 1.1 The Company's registered place, organization structure and the address of head quarter

Zhengzhou Metro Group Co., Ltd. (Hereinafter referred to as "The Company" or "Company") was registered in Zhengzhou Administration for Industry and Commerce and founded on Mar. 6, 2008 by approval of the Notice of the People's Government of Zhengzhou on Establishing Zhengzhou Rail Transit (Zhengzhou Government Document [2008] No. 36). The registered office of the Company is located at No. 100, Kangning Street, Zhengzhou Area (Zhengdong), Henan Pilot Free Trade Zone. The unified social credit code of the Company is 914101006728529431, and the legal representative of the Company is Zhang Zhou.

As of July 31, 2020, the company has a registered capital of 2,779 million yuan and a paid-in capital of 2,779 million yuan. Including Zhengzhou Development Investment Group Co., Ltd. contributed RMB 1.8 billion, with a 64.77% shareholding ratio; Zhengzhou Budget Performance Evaluation Center (formerly known as Zhengzhou Non-tax Revenue Management Bureau, renamed Zhengzhou Budget Performance Evaluation Center in 2019) contributed RMB 646 million with a shareholding ratio of 23.25%; China Development Fund Co., Ltd. contributed RMB 333 million. The shareholding ratio is 11.98%.

From August to September 2020, Zhengzhou Development Investment Group Co., Ltd. acquired 2.06% of the company's equity held by China Development Fund Co., Ltd. After this equity change, Zhengzhou Development Investment Co., Ltd.'s shareholding ratio is 66.83%, and China Development Fund Co., Ltd.'s shareholding ratio is 9.92%. Until March 31, 2021, The procedures for the change of this equity have not been completed. The details can refer to the descriptions in Note 8.30 Capital-in Paid.

#### 1.2 The Company's business nature and main operation activities

The company belongs to the rail transit industry and its operating scopes are as follows: project investment for rail transit projects; construction and operation of track project (with qualification certificate, business license); commercial housing lease; property services; communication equipment leasing; construction machinery equipment, building materials sales; design, production, agency, and release of domestic advertising; engagement in the

import and export of goods and technology(excluding goods and technologies that are subject to approval by the state's laws and regulations to operate or prohibit import and export) .

### **1.3 Consolidated statements scope**

The scope of the consolidated financial statements for the 2020 includes 7 subsidiaries. Compared with the previous year, five new subsidiaries have been added to the consolidation scope of the current period. The details can refer to the Note 7.1 Subsidiaries and Note 7.2 Entities that are Newly Consolidated in Current Year.

## **2. Basis of Preparation of Financial Statements**

On the basis of going concern and transactions and events actually occurred, the Company prepares its financial statements with the following accounting policies and accounting estimates in accordance with the Accounting Standards for Business Enterprises – basic Standards, specific accounting standards and other relevant provisions (hereinafter collectively known as "Accounting Standards for Business Enterprises" or "CAS")

## **3. Declaration on compliance with the Accounting Standards for Business Enterprises**

The financial statements have been prepared in compliance with the Accounting Standards for Business Enterprises to truly and completely reflect the Company's financial position as of 31 December 2020 and its operating results, cash flows and other relevant information for the year ended 31 December 2020.

## **4. Significant Accounting Policies and Accounting Estimates**

### **4.1 Accounting Period**

The financial year of the Group is calendar year from 1 January to 31 December.

### **4.2 Functional Currency**

The Company's functional currency is Chinese Renminbi (hereafter referred to as "RMB").

### **4.3 Basis of Accounting and Principle of Measurement**

The Group's accounting is based on the accrual basis, except for financial assets/liabilities at fair value through profit or loss, derivative financial instruments, available-for-sale financial assets, and cash-settled share-based payments that are measured at fair value, others are measured at historical cost. If an asset is impaired, the Group recognizes an impairment loss according to relevant accounting standards.

### **4.4 Business Combination**

#### **4.4.1 Business Combinations Under Common Control**

In a business combination involving enterprises under common control, if the acquirer pays for the business combination in cash, by transferring of non-cash assets or assuming liabilities, the initial investment cost is the holding share of the acquiree's equity in the ultimate controlling party's consolidated financial statements measured at the carrying amounts at the acquisition date. If the acquirer issues equity instruments for the business combination, the acquirer measures the share capital by the par value of the shares issued. The difference between the original investment cost and the carrying amount (or the total par value of shares issued) will be adjusted to the capital reserve. If the capital reserve is insufficient to absorb the difference, the remaining amount shall be deducted from the undistributed profits.

#### 4.4.2 Business Combination Not Under Common Control

In a business combination involving enterprises not under common control, the combination costs are the aggregate of the fair values of the assets paid, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for control over the acquiree at the acquisition date. At the acquisition date, the acquired assets, liabilities and contingent liabilities of the acquiree that meet the recognition criteria are measured at their fair value. The Company recognizes the difference of the combination costs in excess of its interest portion in the fair value of the net identifiable assets acquired from the acquiree as goodwill. The Company recognizes the difference of the combination costs less than its interest portion in the fair value of the net identifiable assets acquired from the acquiree in the non-operating income for current period after reassessment.

### 4.5 Preparation Method of Consolidated Financial Statements

#### 4.5.1 The scope of consolidated financial statements

The Company incorporates all its subsidiaries (including individual entities under its control) into the scope of the consolidated financial statements, including the enterprises controlled by the Company, divisible part in the investees and structured entities.

#### 4.5.2 Uniform accounting policies, balance sheet date and accounting period

Uniform If the subsidiaries adopt different accounting policies or accounting periods compared with those of the Company, the Company makes necessary adjustments on the subsidiaries' financial statements according to its accounting policies or accounting period when the consolidated financial statements are prepared.

#### 4.5.3 The elimination in the preparation of consolidated financial statements

The consolidated financial statements are prepared based on the individual financial statements of the Company and its subsidiaries, after elimination of the transactions incurred among the Company and the subsidiaries. The portion of a subsidiary's equity that is not attributable to the Company is treated as minority interests and presented in the consolidated

balance sheet within equity. The equity investment of the Company held by one subsidiary is treated as the Company's treasury shares and a deduction of the shareholders' equity which is presented as "less: treasury shares" in the consolidated balance sheet within equity.

#### 4.5.4 The accounting treatment for obtaining subsidiaries through a business combination

Where a subsidiary or business has been acquired through a business combination involving enterprises under common control in the reporting period, the obtained subsidiary or business is deemed to be included in the consolidated financial statements from the date they are controlled by the ultimate controlling party. Their assets, liabilities, operating results and cash flows are included in the consolidated financial statements from the beginning of the accounting period in which the acquisition occurred. Where a subsidiary or business has been acquired through a business combination not involving enterprises under common control, their individual financial statements are adjusted based on the fair value of identifiable net assets at the acquisition date when preparing the consolidated financial statements.

#### 4.5.5 The accounting treatment for disposal of equity investment in a subsidiary

In the consolidated financial statements, when the Company partly disposes its investment in a subsidiary without losing its control on the subsidiary, the difference between the consideration received and its corresponding portion of the net asset continually calculated from the purchase date or combination date should be adjusted to the capital reserve and if the capital reserve is insufficient to absorb the difference, the remaining amount will be deducted from the retained earnings.

If the Company loses its control on an investee because of disposing some portion of its equity investment in the investee, when it prepares its consolidated financial statements, the remaining balance of its equity investment will be remeasured at the fair value of the date at which it loses its control. The difference between the sum of the consideration received and the fair value of the remaining equity investment, and its corresponding interest portion of the net asset continually calculated from the purchase date or the combination date should be recorded in the investment income of the current period, and be deducted to goodwill simultaneously. Other comprehensive income (OCI) etc. relating to the investment in the former subsidiary will be transferred to the investment income in the same period in which it loses its control.

### 4.6 Joint arrangement classification and accounting treatments

#### 4.6.1 The classification of joint arrangement

Joint arrangements are classified as joint operations or joint ventures. A joint arrangement will be classified as joint operation when the joint arrangement achieves not through an individual

entity. Individual entity is an entity with individual identifiable finance structure, including single legal entity and entity unqualified as legal entity but qualified as lawful entity. A joint arrangement is usually be classified as joint venture when the joint arrangement achieves through incorporating an individual entity. When changes arising from relevant events or environment cause changes of the cooperative parties' rights and obligations in the joint arrangements, the cooperative parties shall reassess the classification of the joint arrangements.

#### 4.6.2 The accounting treatment of joint operations

The Company acted as a party participating in joint operations, recognizes the following items relating to its interests in the joint operations and accounts for them in accordance with related requirements of Accounting Standards for Business Enterprises: (a) Its solely-held assets and solely-assumed liabilities, and its share of any assets and liabilities held jointly; (b) Its revenue from the sale of its share of the output arising from the joint operation; (c) Its share of the revenue from the sale of the output by the joint operation; (d) Its own expenses and its share of any expenses incurred jointly.

The Company acted as a party involving in joint operations without common control power, accounts for its investments referring to the treatment method of joint operation participants if it is entitled to relevant assets and undertake relevant liabilities of the joint operations, otherwise, it accounts for its investments according to related requirements of Accounting Standards for Business Enterprises.

#### 4.6.3 The accounting treatment of joint ventures

The Company accounts for its investments in accordance with Accounting Standards for Business Enterprises No.2 - Long-term Equity Investment if it is one of the participating parties with common control power in joint ventures. And the Company accounts for its investments according to its influence extent on the joint ventures if it is not one of the participating parties with common control power involved in the joint ventures.

### 4.7 Cash and Cash Equivalents

The cash in the Company's statement of cash flows is cash on hand and deposits that can be readily drawn on demand. Cash equivalents in the statement of cash flows are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### 4.8 Translation of foreign currency transactions

The Company records foreign currency transactions in RMB for accounting purpose using the spot exchange rate prevailing at the date when the transactions occurs. At the balance sheet date, monetary items denominated in foreign currency are translated to RMB by adopting the

prevailing exchange rate on that date. Foreign exchange difference between the prevailing exchange rate on that date and the prevailing exchange rate on initial recognition or on the previous balance sheet date are recognized in profit or loss for the current period, except the foreign exchange arising from specific loan denominated in foreign currency qualified as capital expenditure and included in the cost of related assets. Non-monetary items denominated in foreign currency that are measured at historical cost are still translated at amount in functional currency exchanged at the prevailing exchange rate at the transaction date. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the exchange rate at the date when fair value was determined and the difference between the translated functional currency amount and the prior translated amount on initial recognition or on the previous balance sheet date are recorded in profit or loss for the current period or other comprehensive income.

#### **4.9 Financial Instruments**

##### **4.9.1 Recognition and Classification of Financial Instruments**

Financial instruments include financial assets, financial liabilities and equity instruments. A financial asset, financial liability or equity instrument is recognized when the Company becomes one party of financial instrument contracts.

The financial assets are classified into the following four categories upon initial recognition: financial assets at fair value through profit or loss ("FVTPL" financial assets), held-to-maturity investments, receivables, and available-for-sale financial assets ("AFS" financial assets). The classification of financial assets depends on the holding intention and capability of the Company except for receivables. The financial liabilities are classified into financial liabilities at fair value through profit or loss ("FVTPL" financial liabilities) and other financial liabilities upon initial recognition.

Financial assets at fair value through profit or loss include financial assets held for trading in the short term and those upon initial recognition designated as at fair value through profit or loss. Receivables are non-derivative financial assets with fixed or determinable amounts that are not quoted in an active market. AFS financial assets are those non-derivative financial assets that are designated as available for sale and financial assets other than those above mentioned. Held-to-maturity investments are non-derivative financial assets with fixed or determinable amounts and fixed maturity dates that the Company has the positive intention and capability to hold to maturity.

##### **4.9.2 Measurement of financial instruments**

The Company measures the financial instruments at fair value upon initial recognition. The subsequent measurement includes: a) FVTPL financial assets, AFS financial assets and



FVTPL financial liabilities are measured at fair value; b) Held-to-maturity investments, receivables, and other financial liabilities are subsequently measured at amortized cost; c) Equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, and derivative financial assets or derivative financial liabilities linked to the equity instruments that will be settled by delivering the equity instruments are subsequently measured at cost. The gains or losses of fair value changes arising from subsequent measurement of financial assets and liabilities shall be accounted for according to the following methods except hedging instrument involving in: a) The gains or losses arising from fair value changes of FVTPL financial assets and FVTPL financial liabilities are recognized in the profit or loss for current period; b) The gains or losses arising from fair value changes of AFS financial assets are recognized in other comprehensive income.

#### 4.9.3 Recognition method of financial instruments' fair value

For financial assets or financial liabilities in active markets, the Company uses the quoted prices in active markets to determine their fair value. If there is no active market, the Company uses valuation techniques to determine their fair value. The valuation techniques mainly include market approach, income approach and cost approach.

#### 4.9.4 Recognition and measurement of transfer of financial assets

The Company derecognizes a financial asset if it transfers substantially all the risks and rewards of the financial asset or it does not transfer or maintain substantially all the risks and rewards of ownership of the financial asset, but surrender control on the financial asset. If a financial asset meets the derecognition criteria, the difference between the transfer consideration received and the sum of transferred financial asset's carrying amount and the accumulated change amount on fair value which has been recognized in other comprehensive income shall be charged to profit or loss for current period. If the partial transfer of financial asset meets the derecognition criteria, the entire carrying amount of the transferred financial asset shall be split into the derecognized portion and retained portion according to their respective fair value.

A financial liability shall be entirely or partially derecognized if its present obligations are wholly or partly dissolved.

#### 4.9.5 Impairment of Financial Assets

If the financial assets measured at amortized costs are impaired, the impairment provision shall be recognized at the difference of the carrying amount of financial assets and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized,

the previously recognized impairment loss is reversed through profit or loss for current period. If the financial assets measured at cost are impaired, the impairment provision shall be recognized at the difference of the carrying amount of financial assets and the present value of estimated future cash flows. And the impairment loss shall not be reversed after recognition.

If there is objective evidence that AFS financial assets are impaired, accumulated losses due to decreases in fair value previously recognized directly in the shareholders' equity are transferred to profit or loss for the current period. In the subsequent periods, if the fair value of AFS debt instruments increases and the increase can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed and charged to profit or loss for the current period. For AFS equity instruments, the increase of fair value in the subsequent periods shall be accounted for in the shareholders' equity.

For investments of equity instruments, the Company determines the following specific criteria for their fair value decline "seriously" or "non-temporarily", calculation of cost, fair value determination at period end and continuous decline periods:

Specific quantitative criteria for fair value decline "seriously"	Decrease in closing fair value relative to the cost has reached or exceeded 50%
Specific quantitative criteria for fair value decline "non-temporarily"	Fall for 12 consecutive months
Calculation of cost	Consideration of payment at acquisition (net of cash dividends declared but not yet paid or due but unpaid interest on bonds) and the relevant transaction cost are recognized as the investment cost.
Fair value determination at period end	As for a financial instrument for which there is an active market, the quoted prices in the active market shall be used to recognize the fair values thereof. Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques to determine its fair value.
Definition of continuous decline periods	The rebound in the continuous fall or the period with the trend of fall is less than 20% margin. Rebound duration not more than six months is treated as continuous decrease period.

#### 4.10 Receivables

Receivables include accounts receivable, long-term receivables and other receivables. If there are objective evidence that the receivables are impaired, the Company recognizes the doubtful debts allowance on the shortfall between the present value of future cash flows and the carrying amount of the receivables.

##### 4.10.1 Provision of doubtful debts allowance for individually significant receivables

Criteria of individually significant receivables	The account balance of receivables is more than 5 million yuan.
Method of provision for doubtful debts allowance of individually significant receivables	Recognized by the shortfall between the present value of future cash flows and the carrying amount of the receivables.

#### 4.10.2 Receivables that are provided for doubtful debts allowance on portfolio basis

Items	Basis for determining portfolios
Account receivable age portfolio	For receivables with significant single amounts on the balance sheet day, they are grouped into portfolios together with receivables that have been individually tested and not impaired according to their account receivable ages which are taken as similar credit risk characteristics. According to the certain proportion of these combinations in the ending balance, the impairment losses shall be calculated and provision for bad debts shall be made.
Other portfolio	The related parties and government departments within the scope are merged and provision for doubtful debts are not made.
Calculation method of doubtful debts allowance on portfolio basis	
Account receivable age portfolio	Aging Combination Analysis Method for Accounts Receivable
Individual Recognition of Accounts Receivable	Individual Recognition of Accounts Receivable

#### Portfolios that aging analysis is used for calculation of the doubtful debts allowance:

Aging	Allowance percentage for accounts receivable (%)	Allowance percentage for other receivables (%)
Within 1 year (including 1 year)	5.00	5.00
1-2 years	10.00	10.00
2-3 years	20.00	20.00
3-4 years	50.00	50.00
4-5 years	80.00	80.00
More than 5 years	100.00	100.00

#### 4.10.3 Provision of doubtful debts allowance for individually insignificant receivables

Criteria of individually insignificant receivables	The Company conducts separate impairment test for receivables that are not significant in individual amounts but have the following characteristics. If there is objective evidence showing that the receivables are impaired, according to the difference between the present value of their future cash flows and their book value, impairment losses are confirmed and provision for bad debts are made. Such as: receivables about which both parties are controversial or involving litigation and arbitration; receivables that the debtor is likely to be unable to repay according to obvious signs; etc.
Method of provision for doubtful debts allowance of individually insignificant receivables	Recognized by the shortfall between the present value of future cash flows and the carrying amount of the receivables

### 4.11 Inventories

#### 4.11.1 Classification of Inventories

Inventories are the finished goods or commodities that the Company holds to sell, the work in progress in production process, and the material and goods consumed during the production

process or service rendering process in daily operation. Inventories include raw materials, revolving materials, low-cost consumables and packaging materials development costs and development products, etc.

#### 4.11.2 Cost Measurement for Inventories

When acquired, the cost of inventories shall be measured at the actual costs. Weighted average method is used to measure the actual costs of dispatched inventories. At each balance sheet date, inventories are measured at the lower of cost and net realisable value, Reusable materials are amortized by using one-off amortization method.

#### 4.11.3 Provision for diminution in value of inventories

At each balance sheet date, inventories are measured at the lower of cost and net realisable value. When the cost of inventory exceeds its net realizable value, provision for diminution in value of inventories is recognized. The Company usually recognizes provision for diminution in value of inventories on the basis of a single inventory item. For the inventory items of large quantity and low price, the Company recognizes provision for diminution in value of inventories based on inventory categories.

#### 4.11.4 Inventory count system

The Company adopts the perpetual inventory system.

#### 4.11.5 Amortization methods of low-value consumables and packaging materials

Low-cost consumables and packaging materials are amortized by the once-off amortization method

### 4.12 Long-term Equity Investments

#### 4.12.1 Determination of initial investment cost

Long-term equity investment acquired through a business combination: For a business combination involving enterprises under common control, the initial investment cost of a long-term equity investment is the holding share of the acquiree's equity in the ultimate controlling party's consolidated financial statements measured at the carrying amounts at the acquisition date. For a business combination not involving enterprises under common control, the initial investment cost of a long-term equity investment is the cost of acquisition determined at the date of acquisition. For a long-term equity investment acquired in cash, the initial investment cost is the amount of cash paid. For a long-term equity investment acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued. For a long-term equity investment acquired by debt restructuring, the initial investment cost is determined according to related requirements of Accounting Standards for Business Enterprises No. 12- Debt Restructuring. For a long-term equity investment acquired by

exchange of non-cash assets, the initial investment cost is determined according to related requirements of Accounting Standards for Business Enterprises No. 7- Exchange of Non-monetary Assets .

#### 4.12.2 Subsequent measurement and recognition of profit or loss

Where the Company is able to exercise control over an investee, the long-term equity investment is accounted for using the cost method. Where the Company has investment in associates and joint ventures, the long-term equity investment is accounted for using the equity method. Where portion of the long-term equity investment in an associate is indirectly held through venture capital organizations, mutual funds, trust companies or similar entities including investment-linked insurance funds, regardless whether these entities can exercise significant influence on the investments, the Company treats the investment portion according to Accounting Standards for Business Enterprises No. 22- Financial Instrument Recognition and Measurement and accounts for the remaining portion using the equity method.

#### 4.12.3 Basis for recognition of joint control or significant influence over an investee

Joint control of an investee is that the decision of activities that can significantly affect the arrangement's return must require the unanimous consent of the parties sharing control, including sale and purchase of goods or services, financial assets management, purchase and disposal of assets, research and development activity and financing activities etc. The Company holding of 20%-50% voting capital of the investee presents it can exercise significant influence over the investee. The Company usually can exercise significant influence over the investee even its voting capital less than 20% if it can meet one of the following situations: a) Appointing representatives in the board of directors or similar governing body of the investee; b) Participating in the strategy and policy decision process; c) Delegating management personnel; d) The investee relying on the Company's technique or technical material; e) Significant transactions occur between the Company and the investee.

### 4.13 Investment Property

Investment property of the Company includes land use rights and buildings leased to other party, and land use rights held for resale after appreciation. Investment property is initially measured at acquisition cost, and is subsequently measured using the cost method.

The buildings leased to third parties are depreciated using the straight line method according to the same depreciation policy for fixed assets. The land use rights leased to third parties and land use rights held for resale after appreciation are amortized using the straight line method according to the same amortization policy for intangible assets.

### 4.14 Fixed Assets

#### 4.14.1 Recognition criteria for fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, services rendering, renting or business administration with useful lives exceeding one accounting year. Fixed assets can be recognized when the following criteria are met: a) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and b) The costs of the fixed assets can be measured reliably.

#### 4.14.2 Classification and depreciation method of fixed assets

The categories of fixed assets mainly include: subway lines, buildings, machinery & equipment, electronic equipment and transportation vehicles. The Company adopts the straight line method for depreciation. The useful life and residual value of an asset is assessed based on its nature and the manner of use. At the end of each financial year, the useful lives, residual values and the depreciation method are reviewed, and adjusted if there are variances with the original estimates.

Category	Depreciation period (years)	Residual rate (%)	Annual depreciation rate (%)
Buildings	20-40	3.00-5.00	2.38-4.85
Machinery & equipment	5-30	3.00-5.00	3.17-19.40
Transportation vehicles	3-5	3.00-5.00	19.00-32.33
Office equipment and Others	3-5	3.00-5.00	19.00-32.33

The company refers to the accounting policies adopted by the domestic subway counterparts. Underground buildings such as stations and tunnels are not depreciated. Before the subway line network is formed, assets such as vehicles and equipment directly related to the operation of the subway are not depreciated temporarily; Non-productive fixed assets are adopted straight-line depreciation. On January 12, 2016, the company reported to Zhengzhou Finance Bureau and State-owned Assets Supervision and Administrator Commission of Zhengzhou Municipal People's Government separately with [2016] No. 3 and [2016] No. 5 documents of Zhengzhou rail transit.

#### 4.14.3 Recognition and measurement of fixed assets leased in under finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. At the commencement of the lease term, the Company, as the lessees, recognizes finance leases as assets at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease. Property, plant and equipment leased in under financing lease are depreciated on a basis consistent with the depreciation policy adopted for property, plant and equipment that are self-owned. Subsequent measurement of fixed assets under finance lease should be in accordance with the accounting policies adopted for self-owned fixed assets in respect of provision of depreciation and impairment.

#### 4.15 Construction in Progress

The construction in progress of the Company includes self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when it has reached the working condition for its intended use. The recognition criteria of intended use include any of the followings: a) The tangible work of fixed assets (including installation) have been entirely or substantively completed; b) Trial production or trial operation has occurred whose outcome indicates the asset can be operated properly or manufacture quality product steadily; c) No expenditure or insignificant expenditure occur subsequently for the constructed asset; d) The constructed asset has achieved or substantively achieved the requirement of design or contract.

#### 4.16 Borrowing Costs

##### 4.16.1 Recognition criteria for capitalization of borrowing costs

Borrowing costs are capitalized when they are directly attributable to the acquisition, construction or production of a qualifying asset and included in the cost of related assets. Other borrowing costs are recognized as expenses and recorded in profit or loss for the current period when incurred. Qualifying assets that meet conditions for capitalization are fixed assets, investment property, inventory or other assets that take a substantial period of time for construction or production in order to get ready for their intended use or sale.

##### 4.16.2 Calculation of capitalization cost

Capitalization period refers to the period from commencement of capitalization of borrowing costs to its termination. The period during which capitalization is suspended is excluded. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months.

For designated borrowings, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing less any bank interest earned from unused funds of the designated borrowings or any investment income on the temporary investment of those funds. For funds borrowed for general purpose, the amount of interest to be capitalized on such borrowings is calculated by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of designated borrowings. Capitalization rate is determined by calculating weighted average interest rate of general borrowings. If there is any premium or discount of the borrowings, the interest cost shall be adjusted in every accounting period by the amortized amount of premium or discount calculating by effective interest method.

Effective interest method is the method to calculate the amortization amount of premium or

discount or interest expenses by the effective interest rate of the borrowings. The effective interest rate is the interest rate to discount the future cash flow of the borrowing during its expected duration to the present carrying amount of the borrowing.

#### 4.17 Intangible Assets

##### 4.17.1 The measurement of intangible assets

The intangible assets shall be initially measured according to its cost. Acquisition costs of intangible assets include purchase price and relevant expenditures. The invested cost of intangible assets contributed by investors shall be determined according to the conventional value in the investment contract or agreement, except for those of unfair value in the contract or agreement. If the conventional value in the investment contract or agreement is unfair, the costs of intangible assets shall be their fair value. The costs of internally generated intangible assets include the total development expenditures to bring the asset to its intended use.

The subsequent measurements for intangible assets are as follows: a) The intangible assets with definite useful life are amortized by straight line method and reviewed the useful life and amortization method at the end of each year. Any discrepancy between the review and initial estimates shall be adjusted accordingly. b) The intangible assets with indefinite useful life are not amortized, and reviewed for the useful life at the end of each year. If there are objective evidence indicating their useful life is definite, the Company shall estimate the useful life of the intangible assets and amortize them by straight line method.

##### 4.17.2 The assessment basis for indefinite useful life

Intangible assets without foreseeable period to bring economic benefits to the Company or with uncertain useful life are classified as intangible assets of indefinite life. The judgment basis for indefinite life includes: a) The legal rights are derived from contractual rights or other legal rights, however there is no explicit useful life indicated in the contracts or regulations; b) Although considering the industry practice or demonstration from related professionals comprehensively, the benefit period of the intangible assets still can't be decided.

At the end of each year, the Company reviews the intangible assets with indefinite useful life mainly using bottom-to-top approach. The related departments who use the intangible assets will perform a basic review and evaluate whether there are changes on the basis to determine indefinite useful life.

##### 4.17.3 The specific criteria for research phase and development phase of internally generated projects, and the specific criteria for capitalization of expenditure incurred during development phase

Expenditure in the research phase is recognized as an expense in profit or loss for current period when it is incurred. Expenditure in the development phase of internally generated



projects is capitalized if they meet the criteria of intangible assets.

#### **4.18 Impairment of long-term assets**

At each balance sheet date, if there are impairment indications for the long-term assets including long-term equity investments, investment property subsequently measured at cost model, fixed assets, construction in progress, productive biological assets measured at cost, oil and gas assets, and intangible assets etc., the Company performs impairment test. If the outcome of impairment test indicates the recoverable amount of the asset is lower than its carrying amount, the Company recognizes the provision for impairment based on the amount of the shortfall.

The recoverable amount of an asset is determined by the higher of the net amount after deducting the disposal costs from the asset's fair value and the present value of the asset's estimated future cash flow. The provision for impairment of asset is estimated and recognized on individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the asset group to which the asset belongs. The asset group is the minimum portfolio of assets that could generate cash inflow independently.

Impairment tests are conducted for goodwill presented in the financial statements separately at least at the end of every accounting year regardless whether there are impairment indications or not. The carrying amount of goodwill arising from business combinations is allocated to relevant asset groups or asset group portfolio. The related impairment loss is recognized if the impairment test indicates the recoverable amount of the asset groups or asset group portfolio embodied the goodwill is lower than their carrying amounts. The amount of impairment loss is firstly deducted from the carrying amount of goodwill embodied in the asset groups or asset group portfolio, then be deducted from the carrying amounts of other assets' based on the proportions of their carrying amounts in the asset group or asset groups portfolio.

The impairment losses of assets will not be reversed in subsequent periods once they are recognized.

#### **4.19 Long-term deferred expenses**

Long-term deferred expenses refer to expenses that have been paid but their benefit period is more than one year (excluding one year). Long-term deferred expenses will be amortized in the benefit periods. If one long-term deferred expense can't benefit the Company in the subsequent periods, the remaining balance of the long-term deferred expense shall be recognized as expense in profit or loss for the current period.

#### **4.20 Employee Benefits**

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

#### 4.20.1 Short-time employee benefits

In the accounting period in which employees have rendered services, the Company recognizes the employee benefits as liability, and charges to profit or loss for the current period, or includes in the cost of relevant assets in accordance with other accounting standards. Welfare benefit are charged to profit or loss for the current period or included in the cost of relevant assets when incurred. Welfare benefit in non-monetary forms is measured at fair value. In the accounting period in which employees have rendered services, the Company recognizes the social security contributions as liability according to regulations such as medical insurance, work injury insurance and maternity insurance as well as housing funds, and charges to profit or loss for the current period or includes in the cost of relevant assets.

#### 4.20.2 Post-employment benefits and Termination benefits

During the accounting period in which employees provide the service, the Company calculates the defined contribution plans payable according to the basis and percentage required by local government, recognized as the liability and charges to profit or loss for current period or includes in the cost of related assets. The Company attributes the obligation incurred by defined benefits plans using the projected accumulated benefit unit credit method to periods in which the employees rendered services and charges the obligation to profit or loss for the current period or includes in the cost of related assets.

Termination benefits provided by the Company to employees are recognized as an employee benefit liability and charged to profit or loss for the current period at the earlier of the following dates: a) The Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; and b) When the Company recognizes costs or expenses related to the restructuring that involves the payment of termination benefits.

#### 4.20.3 Other long-term employee benefits

If other long-term employee benefits provided by the Company to the employees meet the conditions for classifying as a defined contributions plan, those benefits are accounted for in accordance with the above requirements relating to defined contribution plan. Besides, net obligations or net assets of other long-term employee benefits are recognized and measured in accordance with the above requirements relating to defined benefits plan.

### 4.21 Bonds Payable

The Group accounts for its non-convertible corporate bond as liability at the amount actually received (less relevant transaction fees); the difference between the amount actually received from the issuance of the bond and total par value of the bond, as premium or discount of the bonds, shall be amortized at effective interest rate over the duration in accrued interest, and shall be accounted for in accordance with the same standards as borrowing costs.

#### 4.22 Provisions

A provision relating to contingency is recognized when: a) The obligation is a present obligation of the Company; b) It is probable that an outflow of economic benefits will be required to settle the obligation; c) The amount of the obligation can be measured reliably. Provisions are initially measured at the best estimate of the payment to settle the associated obligations. If there is a continuous range for the necessary expenses and probabilities of occurrence of all the outcomes within this range are equal, the best estimate is determined at the average amount of upper and lower limits within the range. If the contingency involves two or more items, the best estimate is determined according to all the possible outcomes with their relevant probabilities.

The Company reviews the carrying amounts of provisions at each balance sheet date, and if there are conclusive evidences that indicate the carrying amounts of provisions can't reflect the present best estimate of the payment, the carrying amounts of provisions will be adjusted to the present best estimate of the payment.

#### 4.23 Revenue

The company's income includes income from the sale of goods, income from the provision of labor services, income from construction contracts, income from the transfer of asset use rights, income from passenger transportation, etc.

##### 4.23.1 Revenues from merchandise sales

The main risk and remuneration on the property in the goods have been transferred to the buyer; the right to continue to manage related to the ownership hasn't been reserved, nor the goods that have been sold is effectively controlled. The relevant amount of revenue can be measured in a reliable way, and the relevant economic interest may flow in the enterprise, and the realization of sales profits can be confirmed when the relevant costs happened or to happen can be measured in a reliable way.

##### 4.23.1.1 Product exploitation

Bases on the completion and acceptance of real estate, and the sales contract has been signed and obligation specified by the contract has been implemented, that is, the main risk and remuneration of the ownership of developed products has been transferred to the buyer; the company no longer reserves the right of continuous management normally associated

with ownership, nor carries out effective control on the goods sold; the relevant amount of revenue can be measured in a reliable way, and the relevant economic interest may flow in the enterprise; the realization of sales profits can be confirmed when the relevant costs happened or to happen can be measured in a reliable way.

#### 4.23.2 Rending of service

Where the outcome of a transaction involving the providing of services can be estimated reliably, at the end of the period, revenue associated with the transaction is recognized using the percentage of completion method. The company determines the completion progress of the labor service transaction based on the measurement of the completed work. If the result of the labor service transaction cannot be reliably estimated on the balance sheet date, the following situations shall be dealt with respectively: ① If the labor cost incurred is expected to be compensated, it shall be dealt with as follows: The amount of labor service costs incurred shall be recognized as income from the provision of labor services, and the labor costs shall be carried forward at the same amount; ② If the labor costs incurred are not expected to be compensated, the labor costs incurred shall be included in the current profit and loss, and the provision of labor services shall not be recognized income.

#### 4.23.3 Houses and project business of agent construct

Houses and project business of agent construct has signed the irrevocable construction contract, and it shall adopt percentage of completion method to confirm the realization of operation income when the economic interest related to houses and project business of agent construct may flow in the enterprise and the schedule of completion related to houses and project business of agent construct can be confirmed in a reliable way, and the costs related to houses and project business of agent construct can be measured in a reliable way.

#### 4.23.4 Transfer of right to the use of assets

when the economic benefits related to the transfer of the right to the use of assets are likely to flow into the company and the amount of income can be measured reliably, the transfer of the right to the use of assets is recognized.

##### 4.23.4.1 Confirmation method of the income of the rental property

The income of the rental property is confirmed when the related rent has been received or the evidence of the receipts has been obtained in accordance with the accepting leases date (the rent-free period can be considered) and the rent stipulated in the lease contract and the agreement.

##### 4.23.5 Confirmation method of other business income

The company's subway passenger revenue is mainly divided into one-card income (all types of tickets issued by the company are collectively referred to as one-card) and one-ticket

income.

Passenger revenues is counted by the ANCC sorting system, and after checking and confirming the relevant data and sorting amount with the bank and the third-party collection agency, the passenger revenue is confirmed according to the daily income statement.

#### **4.24 Government Grants**

##### **4.24.1 Category and accounting treatment of government grants**

Government grants are the monetary assets and non-monetary assets received from the government without consideration to be paid which are not including the capital injected by the government acted as an owner role. Government grants in the form of monetary assets are measured for the received or receivable amount, while government grants in the form of non-monetary assets are measured at fair value. When the fair value of non-monetary assets can't be obtained reliably, the government grants are measured at nominal amount.

Government grants related to the Company's routine operation will be recorded in other income based on the nature of its economic substance and government grants not related to the Company's routine operation will be recorded in non-operating income or expenses.

If the government documents explicitly state that the government grants will be used to establish or form long-term assets, the government grants will be classified as government grants related to assets. If there is no explicit subsidy object in the government document, the portion related to long-term assets will be classified as government grants related to assets and the rest portion will be classified as government grants related to income. If the category of a government grant can't be distinguished reasonably, all the government grant will be classified as government grants related to income. Government grants related to assets are recognized as deferred income which are amortized in profit or loss for each period over the related assets' estimated useful period on a systematic basis.

Except those grants which are classified as government grants related to assets, other government grants are classified as government grants related to income. If the grant related to income is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and amortized in profit or loss over the periods in which the related costs are recognized. If the grant related to income is a compensation for related expenses or losses already incurred, the grant is recognized directly in profit or loss for the current period.

##### **4.24.2 The recognition timing for government grants**

The government grants will be recognized when the Company meets the accompanying conditions of the government grants which are entitled to be received. The receivable government grants will be recognized when there are conclusive evidence to indicate the

Company could meet all related requirements of the government grants and the Company expects to receive the government grants in the future. Other government grants will be recognized when the grant fund is received.

#### 4.25 Deferred tax asset and deferred tax liability

Temporary differences arising from the difference between the carrying amount of an asset or liability (asset or liability not recognized in balance sheet but the tax base is ascertained by the current tax laws and regulation, the tax base is the temporary difference) and its tax base are recognized as deferred tax calculating by the effective tax rate in the expected period to receive the asset or discharge the liability.

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized and should be recognized for deductible loss or tax reduction that could be carried forward in subsequent periods to the extent that it is probable that taxable income will be available against which deductible loss or tax reduction can be utilized. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced.

The taxable temporary differences associated with investments in subsidiaries and associates shall be recognized deferred tax liability; except the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The deductible temporary differences associated with investments in subsidiaries, associates, the corresponding deferred tax asset is recognized when it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable profits will be available in the future against which the temporary difference can be utilized.

#### 4.26 Leases

The company's leases are classified into financial leases and operating leases. The judgment standard for financial leasing is: a lease that has substantially transferred all the risks and rewards related to asset ownership is recognized as a financial lease. The specific determination is based on meeting one or more of the following conditions: at the expiration of the lease term, the ownership of the leased asset is transferred to the lessee; the lessee has the option to purchase the leased asset, and the contracted purchase price is expected to be much lower than the exercise option. The fair value of the leased asset is the fair value of the leased asset at the time of the lease, so it can be reasonably determined on the lease start date that the lessee will exercise this option; even if the ownership of the asset does not

transfer, the lease term accounts for most of the leased asset's useful life; the lessee is on the lease start date. The present value of the minimum lease payment is almost equivalent to the fair value of the leased asset on the lease start date; the leased asset is of a special nature and can only be used by the lessee if it is not remodeled. Leases that do not meet the above conditions are deemed to be operating leases.

#### **4.27 Special reserve**

The Company withdraws 1.5% of the actual operation revenue of the previous year as the safety production cost according to the provisions of Finance and Enterprise (2012) No. 16 Document issued by the Ministry of Finance, National Development and Reform Commission (NDRC), State Administration of Work Safety, and State Administration of Coal Mine Safety. The safety production cost used for withdrawal will be reckoned in the operating costs and the subject of "special reserve".

When the safety production cost withdrawn is used according to the prescribed limit, if it belongs to expenses incurred, directly write down the special reserve.

The expenses occurred through collection of "project under construction" will be recognized as fixed assets after the safety projects complete and reach the serviceable condition; meanwhile, write down the special reserve according to the cost of forming fixed assets, and recognize the accumulated depreciation of the same amount. The depreciation of fixed assets will not be calculated in the future.

#### **4.28 Held-for-sale operations**

Non-current assets or disposal groups are classified as held-for-sale assets when all the following conditions are met: a) the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups); b) the sale must be highly probable, i.e. the Company has signed an irrevocable transfer agreement with the transferee and the transfer is expected to be completed within one year. If related regulations require pre-approval for the sale, the sale transaction has been approved.

When non-current asset (or disposal group) classified as held for sale is initially measured or remeasured at each balance sheet date, if the book value of the non-current asset (or disposal group) is higher than its fair value, the difference will be deducted from the book value and recognized as impairment provision of held for sale in profit or loss of current period.

Non-current asset (or disposal group) classified as held-for-sale asset will be presented as held-for-sale assets and the liabilities in the disposal group will be presented as held-for-sale liabilities in the balance sheet.

#### 4.29 Discontinued operations

A discontinued operation is a clearly distinguished component of an entity, that either has been disposed of, or is classified as held for sale, and meets any of the following criteria:

- (a) represents a separate major line of business or geographical area of operations,
- (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- (c) is a subsidiary acquired exclusively with a view to resale.

### 5. Changes of significant accounting policies and accounting estimates

None.

### 6. Taxes

#### 6.1 Major Taxes and Tax Rates

Tax	Tax base	Tax rate
Value added tax (VAT)	The output tax shall be calculated according to the taxable income, and the VAT shall be calculated and paid according to the difference after deducting the input tax that is allowed to be deducted in the current period; In advance of commercial housing payment in accordance with the levy rate of 3% prepaid. Before April 30, 2016, the project is calculated on the basis of sales volume and 5% tax rate.	13%, 9%, 6%, 5%, 3%
Increment tax on land value	According to the actual turnover tax paid	30-60%, 6%,
City construction Tax	According to the actual turnover tax paid	7%
Extra-charge for education	According to the actual turnover tax paid	3%
Extra-charge for local education	The sales generated by providing advertising services	2%
Enterprise income tax	taxable income.	25%, 20%

#### 6.2 Significant tax incentives and approval documents

6.21 According to the "Notice of the Ministry of Finance and the State Administration of Taxation on Continuing the Preferential Policy for Urban Rail Transit Systems to Reduce and Exempt Urban Land Use Taxes for Urban Bus Stations and Road Passenger Stations" (Caishui [2019] No. 11) Article 1: For urban bus stations, Road passenger station, urban rail transit system operation land, and urban land use tax exemption, the reduction and exemption period is from January 1, 2019 to December 31, 2021.

6.22 According to the "Zhengzhou Municipal People's Government's Reply on Zhengzhou



Rail Transit Co., Ltd, Rail Transit Real Estate Tax Relevant Situation" Zheng Zheng Han [2018] No. 183: According to the "Zhengzhou Municipal Government's Implementation Opinions on Priority Development of Urban Public Transport" Notice (Zheng Zhengwen [2007] No. 163) in the spirit of applying the "tax and fee reduction policy for urban public transport enterprises" clauses to rail transit, combining the characteristics of large scale investment, long construction period, and serious operating losses in the rail transit industry, agreeing Zhengzhou Rail Transit Co., Ltd. is exempt from real estate tax for taxable real estate since the construction of Rail Transit Line 1 and subsequent lines (only for own use).

6.23 According to the Announcement of the Ministry of Finance and the State Administration of Taxation on the Tax Preferential Policies for Public Rental Housing (Cai Shui [2019] No. 61) Article 1: The land used during the construction of public rental housing and the land occupied after the completion of public rental housing are exempt from urban land use tax. . Article 2: The public rental housing business management units are exempted from stamp duty involved in the construction and management of public rental housing. Article 3: Purchase of housing by public rental housing management units as public rental housing is exempt from deed tax and stamp tax; both parties to public rental housing are exempt from stamp tax involved in signing the lease agreement. Article 7: Public rental housing is exempt from property tax. The rental income obtained from operating public rental housing is exempt from VAT. Public rental housing operation and management units shall separately calculate the rental income of public rental housing. Those who do not separately calculate shall not enjoy the preferential policies of exemption from value-added tax and real estate tax. The implementation period is from January 1, 2019 to December 31, 2020. The company has filed tax reduction and exemption for value-added tax, land use tax, stamp duty, and real estate tax with the competent tax authority. The period of tax reduction and exemption is from January 1, 2019 to December 31, 2020.

6.24 According to the "Notice of the Ministry of Finance and the State Administration of Taxation on the Implementation of Inclusive Tax Relief and Exemption Policies for Small and Micro Enterprises" (Caishui [2019] No. 13), the state provides that the annual taxable income of small and low-profit enterprises does not exceed 1 million yuan, A reduction of 25% is included in the taxable income, and the corporate income tax is paid at a tax rate of 20%; for the portion of the annual taxable income exceeding 1 million yuan but not exceeding 3 million yuan, a 50% reduction is included in the taxable income. Pay corporate income tax at a tax rate of 20%.

Zhengzhou Railway Transportation Design and Research Institute Company Limited, a subsidiary of the Company, is entitled to the above-mentioned income tax reduction policy for

small and medium-sized enterprises by completing the relevant contents of the Tax Declaration Form in accordance with the provisions of the Announcement of the State Administration of Taxation on Issues Relating to the Implementation of the Preferential Income Tax Reduction Policy for small and medium-sized enterprises (Announcement No. 2 of 2019 of the State Administration of Taxation).

## 7. Business Combination and Consolidated Financial Statements

### 7.1 Subsidiaries

No.	Enterprise name	Abbreviation	Level	Enterprise type	Registered address	Business nature	Paid-in capital	Proportion of shares (%)	Proportion of voting rights (%)	Investment	Acquisition method
1	Zhengzhou Rail Transit Real Estate Co., Ltd.	RTRE	2	Domestic non-financial subsidiaries	Zheng zhou	Real estate development and management	1,000,000,000.00	100.00	100.00	1,000,000,000.00	Investment establishment
2	Henan Luji Holdings Co., Ltd.	Lu Ji holdings	3	Domestic non-financial subsidiaries	Zheng zhou	Holding company services	15,000,000.00	60.00	80.00	9,000,000.00	Business combination not under common control
3	Henan Lutu Real Estate Co., Ltd.	Lu Tu Real Estate	4	Domestic non-financial subsidiaries	Zheng zhou	Real estate development and operation	4,000,000.00	100.00	100.00	4,000,000.00	Investment establishment
4	Henan Lurong Construction Group Co., Ltd.	Lu Rong Construction	4	Domestic non-financial subsidiaries	Zheng zhou	Real estate development and operation	4,700,000.00	100.00	100.00	4,700,000.00	Investment establishment
5	Zhengzhou Rail Transit Design and Research Institute Co., Ltd.	Design Institute	2	Domestic non-financial subsidiaries	Zheng zhou	Design and consulting for municipal, construction and other related industries	5,000,000.00	51.00	51.00	2,550,000.00	Investment establishment
6	Zhengzhou Metro Group Yijia Industrial Co., Ltd.	Yijia Industry	2	Domestic non-financial subsidiaries	Zheng zhou	Business Service Industry	14,800,000.00	100.00	100.00	14,800,000.00	Investment establishment
7	Zhengzhou Yijia Technology Industrial Co., Ltd.	Yijia Technology	3	Domestic non-financial subsidiaries	Zheng zhou	Solid waste treatment, R&D and sales of building materials	18,000,000.00	40.00	40.00	12,000,000.00	Investment establishment

### 7.2 Entities that are Newly Consolidated in Current Year

Enterprise name	Net assets at the end of the period	Net profit for the period
Henan Luji Holdings Co., Ltd.	14,379,182.11	-620,817.89
Henan Lutu Real Estate Co., Ltd.	4,016,949.94	16,949.94
Henan Lurong Construction Group Co., Ltd.	4,363,012.13	-336,987.87
Zhengzhou Metro Group Yijia Industrial Co., Ltd.	14,223,671.68	-576,328.32
Zhengzhou Yijia Technology Industrial Co., Ltd.	16,281,419.49	-1,718,580.51

### 7.3 Business Combinations Not Under Common Control in Current Year

Enterprise name	Acquisition date	Carrying amount of net assets	Fair value of net identifiable assets	
			Amount	Determining method
Henan Luji Holdings Co., Ltd.	2020/1/1	14,870,700.44	14,870,700.44	Book value

(Continued)

Enterprise name	Transaction consideration	Revenue of the acquiree from acquisition date to year end	Net profit of the acquiree from acquisition date to year end
Henan Luji Holdings Co., Ltd.	9,000,000.00		-811,558.26

Note: On August 16, 2018, the Company's subsidiary Zhengzhou Rail Transit Real Estate Co., Ltd., Henan Land Assets Operation Management Co., Ltd. (hereinafter referred to as "Land Assets") and Zhengzhou Yaxin Real Estate Development Co., Ltd. (hereinafter referred to as "Yaxin Real Estate") jointly established Henan Luji Holdings Co., Ltd. (hereinafter referred to as "Luji Holdings"). Luji Holdings has a registered capital of 100 million yuan, and the subscribed capital contributions of RTRE, Land Assets and Yaxin Real Estate account for 35%, 35%, and 30%, respectively. As of December 31, 2019, RTRE, Land Assets, and Yaxin Real Estate had paid in cash of RMB 7 million, RMB 7 million, and RMB 6.0 million, respectively.

In 2020, RTRE, Land Assets, and Yaxin Real Estate signed a supplementary agreement on Land Assets' withdrawal from Luji Holdings and the subsequent subscribed capital contribution ratio: Land Assets reduced its subscribed capital by 35 million yuan and withdrew from Luji Holdings. RTRE increase its subscribed capital by RMB 25 million, and Yaxin Real Estate increase its subscribed capital by RMB 10 million to Luji Holdings. After the change of subscribed capital, the three parties' capital contributions accounted for 60%, 0.00%, and 40%, respectively.

On January 14, 2020, RTRE made a paid-in capital increase of RMB 2 million to Luji Holdings in cash; on January 20, 2020, Luji Holdings returned the paid-in capital of RMB 7 million from Luji Assets and registered a change in equity on the same date. In view of the practicalities of accounting, the Company has determined January 1, 2020 as the date of consolidation.

#### 7.4 Changes In the Parent's Ownership Interest In A Subsidiary

Sub-company name	Total owner's equity of the subsidiary company (listed as "owner's equity attributable to the parent company")		
	Opening Balance	Changes in the current period	Closing Balance
Zhengzhou Rail Transit Real Estate Co., Ltd.	1,113,693,421.55	-41,412,595.34	1,072,280,826.21
Henan Luji Holdings Co., Ltd.	19,870,700.44	-5,811,556.26	14,059,144.18
Henan Lutu Real Estate Co., Ltd.		4,016,949.94	4,016,949.94
Henan Lurong Construction Group Co., Ltd.	-372.77	4,363,384.90	-4,363,012.13
Zhengzhou Rail Transit Design and Research Institute Co., Ltd.	18,718,612.61	1,211,073.75	19,929,686.36
Zhengzhou Metro Group Yijia Industrial Co., Ltd.		14,223,671.68	14,223,671.68
Zhengzhou Yijia Technology Industrial Co., Ltd.		16,281,419.49	16,281,419.49

(Continued)

Sub-company name	The parent company's share in the owner's equity of the subsidiary company		
	Opening Balance	Changes in the current period	Closing Balance
Zhengzhou Rail Transit Real Estate Co., Ltd.	1,113,693,421.55	-41,412,595.34	1,072,280,826.21
Henan Luji Holdings Co., Ltd.	11,922,420.26	-3,486,933.76	8,435,486.51
Henan Lutu Real Estate Co., Ltd.		2,410,169.96	2,410,169.96
Henan Lurong Construction Group Co., Ltd.	-223.66	2,617,937.75	2,617,807.28
Zhengzhou Metro Design and Research Institute Co., Ltd.	9,546,492.43	617,647.61	10,164,140.04
Zhengzhou Rail Transit Design and Research Institute Co., Ltd.		14,223,671.68	14,223,671.68
Zhengzhou Yijia Technology Industrial Co., Ltd.		6,512,567.80	6,512,567.80

### 8. Significant Items in Consolidated Financial Statements

#### 8.1 Cash at bank and on hand

Items	Closing balance	Opening balance
Cash on hand	30,125.09	61,966.07
Bank deposits	7,009,895,892.14	16,116,663,019.53
Other cash balances	4,765,117.02	3,011,909.09
<b>Total</b>	<b>7,014,691,134.25</b>	<b>16,119,736,894.69</b>

Note: Of the closing balance of other cash, RMB3,816,877.43 represented the balance of WeChat and Alipay accounts and RMB946,239.59 represented the bills in transit.

#### 8.2 Notes Receivable

Classification	Closing balance	Opening balance
Commercial acceptance draft		1,260,000.00
Less: Allowance for doubtful accounts		
Total		1,260,000.00

### 8.3 Trade Receivables

Classification	Closing balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
Trade receivables that are individually significant and individually assessed for impairment				
Trade receivables that are collectively assessed for impairment as in a group of receivables of shared credit risk characteristics	74,199,275.51	100.00	4,289,538.91	5.78
Including: Aging portfolio	40,258,716.22	54.26	4,289,538.91	10.65
Other portfolio	33,940,559.29	45.74		
Trade receivables that are individually not significant but are individually assessed for impairment				
Total	74,199,275.51	100.00	4,289,538.91	5.78

(Continued)

Classification	Opening balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
Trade receivables that are individually significant and individually assessed for impairment				
Trade receivables that are collectively assessed for impairment as in a group of receivables of shared credit risk characteristics	171,061,453.58	100.00	2,168,169.61	1.27
Including: Aging portfolio	7,525,642.20	4.40	2,168,169.61	28.81
Other portfolio	163,535,811.38	95.60		
Trade receivables that are individually not significant but are individually assessed for impairment				
Total	171,061,453.58	100.00	2,168,169.61	1.27

#### 8.3.1 Using Aging Analysis Method

Aging	Closing balance		Opening balance	
	Gross carrying amount	Allowance for	Gross carrying amount	Allowance for

	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	37,710,654.22	93.67	1,885,532.71	5,119,892.12	68.03	255,994.60
1-2 years	160,052.00	0.40	16,006.20	17,750.08	0.24	1,775.01
Over 3 year	2,388,000.00	5.93	2,388,000.00	2,388,000.00	31.73	1,910,400.00
Total	40,258,716.22	100.00	4,289,538.91	7,525,642.20	100.00	2,168,169.61

### 8.3.2 Using Percentage of Receivables Method or Other Portfolio Methods

Portfolio name	Closing balance			Opening balance		
	Amount	Proportion (%)	Allowance for doubtful accounts	Amount	Proportion (%)	Allowance for doubtful accounts
Other Portfolio	33,940,559.29	100.00		163,535,811.38	100.00	
Total	33,940,559.29	100.00		163,535,811.38	100.00	

### 8.3.3 Top Five Debtors According to Closing Balances

Debtor name	Gross carrying amount	Proportion of total trade receivables (%)	Allowance for doubtful accounts
Zhengzhou City One-card Co., Ltd.	31,415,742.90	42.34	
Henan Daily Press Group Co., Ltd.	21,846,763.60	29.44	1,092,338.18
Beijing Taihe Ruitong Commercial Service Co., Ltd.	5,303,983.86	7.15	265,199.19
Zhengzhou TV station	4,017,167.00	5.41	2,469,458.35
China Tower Co., Ltd.	2,994,556.83	4.04	149,727.84
Total	65,578,214.19	88.38	3,976,723.56

## 8.4 Advances to Suppliers

### 8.4.1 Aging Analysis

Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	49,323,311.77	88.83		28,130,472.48	60.46	

Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	
1-2 years	5,521,855.55	9.95		9,855,961.26	21.18	
2-3 years	654,920.95	1.18		7,193,010.77	15.46	
Over 3 years	22,000.00	0.04		1,349,020.00	2.90	
Total	55,522,088.27	100.00		46,528,464.51	100.00	

#### 8.4.2 Significant Advances to Suppliers Aged Over One Year

Creditor	Debtor	Closing balance	Aging	Reason for outstanding
Zhengzhou Metro Group Company Limited	Knorr-Bremse Systems For Rail Vehicles (Suzhou) Co., Ltd.	3,693,600.00	1-2 years	Unsettled
Zhengzhou Metro Group Company Limited	Shanghai Engineering Equipment Supervision Company	1,058,745.00	1-2 years	Unsettled
Zhengzhou Metro Group Company Limited	Zheng Zhou China Resources Gas Company Limited	769,510.55	1-2 years	Unsettled
Total		5,521,855.55	—	—

#### 8.4.3 Top Five Advances to Suppliers Classified by Debtors at Year End

Debtor name	Gross carrying amount	Proportion of total advances to suppliers (%)	Allowance for doubtful accounts
China Railway 12 Group Co., Ltd.	16,685,143.05	30.05	
Electric Power Company Zhengzhou Power company	4,337,040.00	7.81	
Knorr-Bremse Systems For Rail Vehicles (Suzhou) Co., Ltd.	3,693,600.00	6.65	
Hand Enterprise Solutions Co., Ltd.	3,365,960.00	6.06	
China Railway Electrification Bureau (Group) Co., Ltd	2,345,054.75	4.22	
Total	30,426,797.80	54.79	



### 8.5 Other Receivables

Items	Closing balance	Opening balance
Interests receivable		
Dividends receivable		
Other receivables	7,090,659,875.77	4,471,774,431.42
Total	7,090,659,875.77	4,471,774,431.42

#### 8.5.1 Other Receivables

Classification	Closing balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and individually assessed for impairment				
Other receivables that are collectively assessed for impairment as in a group of receivables of shared credit risk characteristics	7,091,642,882.20	100.00	983,006.43	0.01
Including: Aging portfolio	7,732,943.02	0.11	983,006.43	12.71
Other portfolio	7,083,909,939.18	99.89		
Other receivables that are individually not significant but are individually assessed for impairment				
Total	7,091,642,882.20	100.00	983,006.43	0.01

(Continued)

Classification	Opening balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and individually assessed for impairment				

Classification	Opening balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are collectively assessed for impairment as in a group of receivables of shared credit risk characteristics	4,472,849,256.99	100.00	1,074,825.57	0.02
Including: Aging portfolio	16,294,737.75	0.36	1,074,825.57	6.60
Other portfolio	4,456,554,519.24	99.64		
Other receivables that are individually not significant but are individually assessed for impairment				
Total	4,472,849,256.99	100.00	1,074,825.57	0.02

#### 8.5.1.1 Using Aging Analysis Method

Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	6,523,356.47	84.36	326,167.82	12,357,783.10	75.84	617,889.16
1-2 years	291,164.00	3.77	29,116.40	3,304,545.13	20.28	330,454.51
2-3 years	327,239.43	4.23	65,447.89	632,409.52	3.88	126,481.90
Over 3 years	591,183.12	7.64	562,274.32			
Total	7,732,943.02	100.00	983,006.43	16,294,737.75	100.00	1,074,825.57

#### 8.5.1.2 Using Percentage of Receivables Method or Other Portfolio Methods

Portfolio name	Closing balance			Opening balance		
	Amount	Proportion (%)	Allowance for doubtful accounts	Amount	Proportion (%)	Allowance for doubtful accounts
Other Portfolio	7,083,909,939.18	100.00		4,456,554,519.24	100.00	
Total	7,083,909,939.18	100.00		4,456,554,519.24	100.00	

#### 8.5.2 Top Five Debtors According to Closing Balances

Debtor name	Nature of receivables	Gross carrying amount	Aging	Proportion of total other receivables (%)	Allowance for doubtful accounts
Zhengzhou Finance Bureau	Operating subsidies/financial discount	6,434,810,233.44	Within 1 year 2,490,443,489.62; 1-2 years 1,260,369,312.72; 2-3 years 1,224,782,205.30; Over 3 years 1,459,215,225.80	90.74	
Zhengzhou Development Investment Group Co. Ltd	Current accounts	550,000,000.00	Within 1 year	7.76	
ICBC Financial Leasing Co.,Ltd.	Security deposit	50,000,000.00	Over 3 years	0.71	
Bank of Communications Financial Leasing Co., Ltd.	Security deposit	30,000,000.00	Over 3 years	0.42	
Zhengzhou Leading Group for Selling Payment Areas in Construction Work	Security deposit	3,000,000.00	Within 1 year	0.04	
Total	—	7,067,810,233.44	—	99.67	

## 8.6 Inventories

### 8.6.1 Classification of Inventories

Items	Closing balance		
	Gross carrying amount	Write-down	Carrying amount
Raw materials	132,190,628.59		132,190,628.59
Development costs	592,923,729.42		592,923,729.42
Merchandise (Finished goods)	98,773,243.01		98,773,243.01
Reusable materials (Packaging materials, Low-valued consumables etc.)	6,007,322.15		6,007,322.15
Total	829,894,923.17		829,894,923.17

(Continued)

Items	Opening balance		
	Gross carrying amount	Write-down	Carrying amount
Raw materials	97,986,041.53		97,986,041.53

Items	Opening balance		
	Gross carrying amount	Write-down	Carrying amount
Development costs	706,862,830.00		706,862,830.00
Merchandise (Finished goods)	138,370.83		138,370.83
Reusable materials (Packaging materials, Low-valued consumables etc.)	191,123.91		191,123.91
Total	805,178,366.27		805,178,366.27

#### 8.6.2 Details of development costs

Project name	Starting time	Estimated total investment	Closing Balance	Opening Balance
Jingwei Huayue Square Project		500,000,000.00	390,502,832.96	390,519,070.69
Huanghe Road Project	2018.03.16	709,880,000.00	58,483,487.69	108,356,243.56
Zhenggui Fengshang Xiyuan Project	2018.03.16	189,610,000.00	70,939,114.20	85,539,311.61
Yijia Jingwei Project	2020.06	637,900,000.00		7,637,612.42
Property development project			402,565.46	591,244.70
Tongbai Road Project			138,737.00	138,737.00
Yijiyuan Project	2016.04.29	1,807,800,000.00	186,396,092.69	
Others				141,509.44
Total			706,862,830.00	592,923,729.42

Note: Work on the Tong Pak Road project has been halted.

#### 8.7 Other Current Assets

Items	Closing balance	Opening balance
Input VAT to be deductible	5,684,328,224.20	4,229,864,270.17
Prepaid tax	8,998,869.32	29,121,527.60
Total	5,693,327,093.52	4,258,985,797.77

#### 8.8 Available-for-sale financial assets

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale equity instruments	5,000,000.00		5,000,000.00	5,000,000.00		5,000,000.00

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Measured at cost	5,000,000.00		5,000,000.00	5,000,000.00		5,000,000.00
Total	5,000,000.00		5,000,000.00	5,000,000.00		5,000,000.00

Note: The Company contributed RMB 5,000,000.00 to Zhengzhou City One-card Co., Ltd. on May 27, 2013, and accounting as available for sale financial assets.

## 8.9 Long-term Equity Investments

### 8.9.1 Classification of Long-term Equity Investments

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Investments in associates	60,310,000.00	124,700,000.00	12,651,064.66	172,358,935.34
Other enterprise	6,215,590,000.00	989,265,000.00		7,204,855,000.00
Total	6,275,900,000.00	1,113,965,000.00	12,651,064.66	7,377,213,935.34

### 8.9.2 Details of Long-term Equity Investments

Investee	Cost of investments	Opening balance	Increase/decrease in current year	
			Increase in investments	Decrease in investments
<b>I. Associates</b>				
Zhengzhou China Construction Shenzhen Railway Rail Transit Co., Ltd.	168,760,000.00	53,310,000.00	115,450,000.00	
Zhengzhou Times Transportation Electrical Equipment Co., Ltd.	6,750,000.00		6,750,000.00	
Zhengzhou Zhonglian Yijia Material Co., Ltd.	2,500,000.00		2,500,000.00	
Henan Land-based Holdings Co., Ltd.		7,000,000.00		7,000,000.00
<b>II. Other enterprises</b>				
Henan Railway Investment Co., Ltd.	4,863,875,000.00	4,655,590,000.00	208,285,000.00	
Henan Zhengzhou Airport Intercity Railway Co., Ltd.	2,340,980,000.00	1,560,000,000.00	780,980,000.00	
Total	7,382,865,000.00	6,275,900,000.00	1,113,965,000.00	7,000,000.00

(Continued)

Investee	Increase/decrease in current year	Closing balance	Closing balance of impairment loss	Note
	Investment gain or loss recognized under equity method			
I. Associates				
Zhengzhou China Construction Shenzhen Railway Rail Transit Co., Ltd.	-2,501,478.22	166,258,521.78		Note 1
Zhengzhou Times Transportation Electrical Equipment Co., Ltd.	-2,676,704.61	4,073,295.39		Note 2
Zhengzhou Zhonglian Yijia Material Co., Ltd.	-472,881.83	2,027,118.17		Note 3
Henan Land-based Holdings Co., Ltd.				Note 4
II. Other enterprise				
Henan Railway Investment Co., Ltd.		4,863,875,000.00		Note 5
Henan Zhengzhou Airport Intercity Railway Co., Ltd.		2,340,980,000.00		Note 6
Total	-5,651,064.66	7,377,213,935.34		

Note 1: On October 19, 2019, the company and China State Construction Engineering Co., Ltd., Shenzhen Metro Group Co., Ltd., and Shenzhen Qianhai Infrastructure Investment Fund Management Co., Ltd. signed the "Zhengzhou Rail Transit Engineering Phase I PPP Project Shareholder" "Conference Agreement" to establish Zhengzhou China Construction Shenzhen Railway Rail Transit Co., Ltd., with a registered capital of RMB100 million, and the company's shareholding ratio is 10%. As at 31 December 2020, the Company has paid up RMB168,760,000;

Note 2: Note 2: On 26 November 2020, the Company established Zhengzhou Times Traffic Electric Equipment Company Limited as a joint venture with Zhongxing Times Electric Company Limited and Xingyang City Investment and Development Company Limited, with a registered capital of RMB90,000,000, of which the Company holds 25%, and as at 31 December 2020, the Company had paid up RMB6,750,000;

Note 3: On 31 December 2019, Yijia Industry, a subsidiary of the Company, jointly established Zhengzhou Zhonglian Yijia Materials Co., Ltd. with China United Cement Group Co. and Henan Guojiang Guangde Network Technology Co. As at 31 December 2020, Yijia Industry has paid up RMB2.5 million;

Note 4: Refer to "7.3 Business Combinations Not Under Common Control in Current Year" Notes;

Note 5: With the approval of the People's Government of Zhengzhou, from November 6, 2015, all new intercity railway, trunk railway and other similar businesses shall be performed by the company on behalf of the People's Government of Zhengzhou;

Note 6: According to the Notice of Henan Provincial Development and Reform Commission on Issuing the Third Batch of Investment Plans for Railway Projects in Henan Province in 2019 (Zheng Development and Reform Investment [2019] No. 111), the Notice of Issuing the First Batch of Investment Plans for Railway Projects in Henan Province in 2020 (Zheng Development and Reform Investment [2020] No. 127), the Notice of Issuing the Second Batch of Government Investment Plans for Urban Construction Projects in Zhengzhou City in 2020 (Zheng

Development and Reform Investment [2020] No. 225), the Notice of Issuing the Second Batch of Government Investment Plans for Urban Construction Projects in Zhengzhou City in 2020 (Zheng Development and Reform Investment [2020] No. 225), the Notice on Issuing the Government Investment Plan for the Sixth Batch of Urban Construction Projects in Zhengzhou City in 2020 (Zheng Development and Reform Investment [2020] No. 585) and the Notice on Issuing the Government Investment Plan for the First Batch of Transportation Construction Projects in Zhengzhou City in 2020 (Zheng Development and Reform Investment [2020] No. 105), the Company issued to Henan Railway Investment Co., Ltd. and Henan Zhengzhou Airport Intercity Railway Co., Ltd. to allocate funds for the construction of railway projects.

## 8.10 Investment Properties

### 8.10.1 Investment Properties Measured by Cost

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
I. Total gross carrying amount	150,081,585.57	1,828,752.07		151,910,337.64
Including: Buildings	150,081,585.57	1,828,752.07		151,910,337.64
II. Accumulated depreciation (amortization)	5,967,572.15	2,181,618.08		8,149,190.23
Including: Buildings	5,967,572.15	2,181,618.08		8,149,190.23
III. Total carrying amount before impairment	144,114,013.42			143,761,147.41
Including: Buildings	144,114,013.42			143,761,147.41
IV. Cumulative amount of impairment loss				
Including: Buildings				
V. Total carrying amount	144,114,013.42			143,761,147.41
Including: Buildings	144,114,013.42			143,761,147.41

### 8.10.2 Investment Properties Without Certificates of Ownership

Items	Carrying amount	Reason for not obtaining certificates of ownership
Rongbang City Public Rental Housing and Underground Garage	142,019,010.38	Under processing
Huanghe Road No. 10 Yard	1,742,137.05	Not processed

## 8.11 Fixed Assets

Items	Carrying amount at year end	Carrying amount at year beginning
-------	-----------------------------	-----------------------------------

Items	Carrying amount at year end	Carrying amount at year beginning
Fixed assets	70,909,096,451.86	37,353,151,265.52
Disposal of fixed assets	2,370.00	2,370.00
Total	70,909,098,821.86	37,353,153,635.52

#### B.11.1 Fixed Assets

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
I. Total gross carrying amount	37,415,907,672.38	33,576,378,481.05	207,245.76	70,992,078,907.67
Including: Subway line	37,261,998,612.74	33,521,044,984.42		70,783,043,597.16
Buildings	429,224.39	3,604,125.30		4,033,349.69
Machinery Equipment	34,608,502.38	17,738,855.05		52,347,357.43
Transportation equipment	48,866,563.26	8,789,185.38		57,655,748.64
Office equipment and Others	70,004,769.61	25,201,330.90	207,245.76	94,998,854.75
II. Accumulated depreciation	62,756,406.86	20,394,540.64	168,491.69	82,982,455.81
Including: Subway line				
Buildings	416,347.63	17,687.96		434,035.59
Machinery Equipment	17,407,995.26	8,818,805.03		26,226,800.29
Transportation equipment	14,074,129.04	3,013,716.94		17,087,845.98
Office equipment and Others	30,857,934.93	8,544,330.71	168,491.69	39,233,773.95
III. Total carrying amount before impairment	37,353,151,265.52	33,555,983,940.41	38,754.07	70,909,096,451.86
Including: Subway line	37,261,998,612.74	33,521,044,984.42		70,783,043,597.16
Buildings	12,876.76	3,586,437.34		3,599,314.10
Machinery Equipment	17,200,507.12	8,920,050.02		26,120,557.14
Transportation equipment	34,792,434.22	5,775,468.44		40,567,902.66
Office equipment and Others	39,146,834.68	16,657,000.19	38,754.07	55,765,080.80
IV. Total impairment loss				



Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
V. Total carrying amount	37,353,151,265.52			70,909,096,451.86
Including: Subway line	37,261,998,612.74			70,783,043,597.16
Buildings	12,876.76			3,599,314.10
Machinery Equipment	17,200,507.12			26,120,557.14
Transportation equipment	34,792,434.22			40,567,902.66
Office equipment and Others	39,146,834.68			55,765,080.60

### 8.11.2 Financial lease of fixed assets formed through leaseback

8.11.2.1 In 2012, the Company signed the contract for financial lease with ICBC Financial Lease Co., Ltd. and conducted the leaseback on assets related to the Company's phase I project of line 1. In 2014 and 2015, the Company supplemented and adjusted the contract for financial lease twice, and the carrying value of lease after adjustment is RMB 2,011,102,600. In 2013, the first principal of financial lease of RMB 1 billion was received, with the annual lease rate of 7.205%, with the duration from Aug.23, 2012 to Aug.15, 2022. In 2014, the Company received the second capital of financial lease of RMB 1 billion, with the annual lease rate of 7.205%. The current principal balance is RMB 1 billion, with the duration from May 27, 2014 to May 27, 2024. In 2015, the supplemental agreement stipulated the lease rate shall be calculated through 3% of upward fluctuation of the benchmark interest rate for loan in RMB 5 years or above issued by the People's Bank of China.

Meanwhile, the Company has signed the pledge contract with Bank of Communications Financial Lease Co., Ltd. providing pledge guarantee for "income right of allocation for special account" of metro, which means Zhengzhou Finance Bureau allocates the metro construction funds to special account.

8.11.2.2 In 2014, the Company signed the contract for financial lease with Bank of Communications Financial Lease Co., Ltd., and leased back the assets related to the Company's phase I project of line 1. The carrying value of lease is RMB 1,114,072,400. In 2014, the principal of financial lease of RMB 1 billion was received, and the annual lease rate is the bank's benchmark interest rate in the same period, with the duration from Jan.27, 2014 to Aug.15, 2023.

### 8.11.3 Disposal of Fixed Assets

Items	Carrying amount at year end	Carrying amount at year beginning
Office equipment and Others	2,370.00	2,370.00
<b>Total</b>	<b>2,370.00</b>	<b>2,370.00</b>

### 8.12 Construction in Progress

Items	Closing balance	Opening balance
Construction projects in progress	60,199,422,097.84	70,281,467,773.89
Construction materials	1,333,034.21	2,348,272.23
Less: Provision for impairment		
<b>Total</b>	<b>60,200,755,132.05</b>	<b>70,283,816,046.12</b>

#### 8.12.1 Basic situation of construction projects in progress

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Phase II of suburb line	2,491,378,238.27		2,491,378,238.27	2,103,687,266.10		2,103,687,266.10
Phase II of line 2				4,201,391,824.97		4,201,391,824.97
Phase I of line 3	13,212,207,489.27		13,212,207,489.27	11,342,248,751.87		11,342,248,751.87
Phase II of line 3	620,920,086.44		620,920,086.44	97,684,583.08		97,684,583.08
Phase I of line 4	13,513,399,921.59		13,513,399,921.59	8,760,753,727.68		8,760,753,727.68
Line 5				22,916,896,047.22		22,916,896,047.22
Line 6	3,644,664,732.69		3,644,664,732.69	1,674,077,631.49		1,674,077,631.49
Phase I of line 7	3,439,026,780.56		3,439,026,780.56	244,725,330.17		244,725,330.17
Phase I of line 8	2,266,158,262.40		2,266,158,262.40	652,962,115.03		652,962,115.03
Phase II of line 9	91,486,202.72		91,486,202.72	86,539,051.05		86,539,051.05
Line10	4,457,662,085.05		4,457,662,085.05	2,818,039,122.20		2,818,039,122.20
Line11	70,267,415.49		70,267,415.49	65,702,937.06		65,702,937.06
Line12	1,173,967,798.84		1,173,967,798.84	53,186,684.47		53,186,684.47
Line14	79,245.28		79,245.28	152,321,917.94		152,321,917.94
Zhengzhou section of railway from Harbour Zone to Xuchang City	5,555,687,576.32		5,555,687,576.32	3,647,622,485.16		3,647,622,485.16
Underground traffic engineering in civil culture service area	544,815,923.79		544,815,923.79	3,653,761,197.84		3,653,761,197.84
Municipal controlled node engineering	8,358,419,920.90		8,358,419,920.90	7,124,188,233.08		7,124,188,233.08
Dispatch Centre II	14,879,715.62		14,879,715.62	9,649,738.85		9,649,738.85
Zhengzhou - Jinan	733,257,170.27		733,257,170.27	552,750,000.00		552,750,000.00

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Railway (Zhengzhou - Puyang Section) Yellow River Bridge Project						
Others	11,143,532.34		11,143,532.34	123,279,128.63		123,279,128.63
Total	60,199,422,097.84		60,199,422,097.84	70,281,467,773.89		70,281,467,773.89

### 8.12.2 Changes of Significant Construction in Progress in Current Year

Project name	Opening balance	Increase in current year	Amount transferred to fixed assets in current year	Other decrease in current year	Closing balance
Phase I of suburb line		201,222,942.24	201,222,942.24		
Phase II of suburb line	2,103,687,266.10	387,690,972.17			2,491,378,238.27
Phase II of line 1		111,540,623.60	111,540,623.60		
Phase I of line 2	4,201,391,824.97	601,160,643.61	4,802,552,468.58		
Phase I of line 3	11,342,248,751.87	1,869,958,737.40			13,212,207,489.27
Phase II of line 3	97,884,583.08	523,235,503.36			620,920,086.44
Phase I of line 4	8,760,753,727.68	4,752,646,193.91			13,513,399,921.59
Line 5	22,916,896,047.22	1,490,331,925.09	24,407,227,972.31		
Line 6	1,674,077,631.49	1,970,587,101.20			3,644,664,732.69
Phase I of line 7	244,725,330.17	3,194,301,450.39			3,439,026,780.56
Phase I of line 8	652,962,115.03	1,613,196,147.37			2,266,158,262.40
Phase II of line 9	86,539,051.05	4,947,151.67			91,486,202.72
Line10	2,818,039,122.20	1,639,622,962.85			4,457,662,085.05
Line11	65,702,937.06	4,564,478.43			70,267,415.49
Line12	53,186,684.47	1,120,781,114.37			1,173,967,798.84
Line14	152,321,917.94	90,343,294.88	242,585,967.54		79,245.28
Zhengzhou section of railway from Zhengzhou Airport	3,647,622,485.16	1,908,065,091.16			5,555,687,576.32

Project name	Opening balance	Increase in current year	Amount transferred to fixed assets in current year	Other decrease in current year	Closing balance
Economy Zone to Xuchang City					
Underground traffic engineering in civil culture service area	3,653,761,197.84	608,175,917.25	3,717,121,191.30		544,815,923.79
Municipal controlled node	7,124,188,233.08	1,234,231,687.82			8,358,419,920.90
Dispatch Centre II	9,649,738.85	5,229,976.77			14,879,715.62
Zhengzhou-Jinan Railway(Zhengzhou-Fuyang Section)Yellow River Bridge Project	552,750,000.00	180,507,170.27			733,257,170.27
Others	123,279,128.63			112,135,596.29	11,143,532.34
<b>Total</b>	<b>70,281,467,773.89</b>	<b>23,512,341,085.81</b>	<b>33,482,251,165.57</b>	<b>112,135,596.29</b>	<b>60,199,422,097.84</b>

(Continued)

Project name	Cumulative amount of capitalized interests	Including: Capitalized interests in current year	Sources of funds
Phase I of suburb line	281,893,155.53		Fiscal appropriation,self-raised
Phase II of suburb line	289,595,677.96	123,634,412.29	Fiscal appropriation,self-raised
Phase II of line 1	155,839,001.10		Fiscal appropriation,self-raised
Phase I of line 2	434,729,487.43	174,987,743.31	Fiscal appropriation,self-raised
Phase I of line 3	1,149,601,643.59	307,502,048.02	Fiscal appropriation,self-raised
Phase II of line 3	19,344,226.43	11,675,383.09	Fiscal appropriation,self-raised
Phase I of line 4	1,014,101,650.88	430,226,089.02	Fiscal appropriation,self-raised
Line 5	2,151,540,686.80	340,864,716.60	Fiscal appropriation,self-raised
Line 6	204,479,877.69	100,147,847.15	Fiscal appropriation,self-raised
Phase I of line 7	108,725,989.37	94,098,393.80	Fiscal appropriation,self-raised
Phase I of line 8	115,344,166.35	64,181,505.96	Fiscal appropriation,self-raised
Phase II of line 9	10,284,783.32	2,731,415.10	Fiscal appropriation,self-raised

Project name	Cumulative amount of capitalized interests	Including: Capitalized interests in current year	Sources of funds
Line10	292,773,335.90	127,987,507.71	Fiscal appropriation,self-raised
Line11	8,009,009.74	2,105,508.83	Fiscal appropriation,self-raised
Line12	36,652,303.57	33,183,879.77	Fiscal appropriation,self-raised
Line14	10,980,887.93	4,415,003.96	Fiscal appropriation,self-raised
Zhengzhou section of railway from Zhengzhou Airport Economy Zone to Xuchang City	350,851,194.98	161,755,506.43	Fiscal appropriation,self-raised
Underground traffic engineering in civil culture service area	371,138,056.60	130,094,999.46	Fiscal appropriation,self-raised
Municipal controlled node	892,057,898.92	251,205,886.82	Fiscal appropriation,self-raised
Dispatch Centre II	691,111.78	425,002.58	Fiscal appropriation,self-raised
Zhengzhou - Jinan Railway (Zhengzhou - Puyang Section) Yellow River Bridge Project			Fiscal appropriation
Others			Fiscal appropriation,self-raised
Total	7,898,634,145.87	2,361,222,849.90	

### 8.12.3 Construction Materials

Items	Closing balance	Opening balance
Advertising light box materials	1,969.83	
Line 4 construction materials	1,331,064.38	
Line 5 construction materials		2,348,272.23
Less: Provision for impairment		
Total	1,333,034.21	2,348,272.23

### 8.13 Intangible Assets

#### 8.13.1 Classification

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
I. Total gross carrying amount	80,884,155.16	7,706,323.30		88,590,478.46

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Including: Software	8,159,537.93	7,552,877.76		15,712,415.69
Land use rights	72,724,617.23			72,724,617.23
Patents		147,445.54		147,445.54
Copyrights		6,000.00		6,000.00
II. Accumulated amortization	2,865,355.76	2,055,191.72		4,920,547.48
Including: Software	2,865,355.76	2,031,033.33		4,896,389.09
Land use rights				
Patents		23,158.39		23,158.39
Copyrights		1,000.00		1,000.00
III. Total impairment loss				
IV. Total carrying amount	78,018,799.40			83,669,930.98
Including: Software	5,294,182.17			10,816,026.60
Land use rights	72,724,617.23			72,724,617.23
Patents				124,287.15
Copyrights				5,000.00

Note: The land use rights of RMB72,724,617.23 for Phase 1 of Line 1 were not amortized by reference to the Company's depreciation policy for fixed assets

#### 8.14 Long-term Prepaid Expenses

Items	Opening balance	Increase in current year	Amortization in current year	Other decrease	Closing balance
Dispatch center waterproof maintenance and theme exhibition hall		1,037,176.85	220,489.50		816,687.35
Expenses of Hongda Automobile Park		3,744,114.18	803,612.68		2,940,501.50
Expenditures for Songnan and Chedagou Disposal Field		675,294.23	93,647.65		581,646.58
Others		649,793.16	110,511.25		539,281.91

Items	Opening balance	Increase in current year	Amortization in current year	Other decrease	Closing balance
Total		6,106,378.42	1,228,261.08		4,878,117.34

#### 8.15 Deferred Tax Assets

Items	Closing balance		Opening balance	
	Deferred tax assets	Deductible temporary difference	Deferred tax assets	Deductible temporary difference
Impairment loss for assets	17,486.28	174,862.76	14,702.65	147,026.48
Total	17,486.28	174,862.76	14,702.65	147,026.48

#### 8.16 Other Non-current Assets

Items	Closing balance	Opening balance
Prepaid project payments	5,006,368,868.32	1,669,423,728.09
Other prepayments that form long-term assets	2,697,086,428.87	1,694,365,365.86
Total	7,703,455,297.19	3,363,789,093.95

#### 8.17 Short-term Borrowings

Items	Closing balance	Opening balance
Credit loans		2,000,000,000.00
Total		2,000,000,000.00

#### 8.18 Trade Payables

##### 8.18.1 Trade payables by aging

Aging	Closing balance	Opening balance
Within 1 year	5,718,780,906.54	6,155,273,245.02
1-2 years	1,329,599,328.26	495,239,151.60
2-3 years	411,368,062.07	334,168,609.81
Over 3 years	339,976,568.82	36,027,904.16
Total	7,799,724,865.69	7,020,708,910.59

##### 8.18.2 Significant Trade Payables Aged Over One Year

Creditor	Closing balance	Reason for unpaid
----------	-----------------	-------------------

Creditor	Closing balance	Reason for unpaid
China Railway Fourth Group Co., Ltd.	122,632,141.68	Unsettled
China Railway Eleventh Group Co., Ltd.	114,327,664.20	Unsettled
China Railway First Group Co., Ltd.	106,227,031.31	Unsettled
China State Construction Engineering Co., Ltd.,	38,735,203.14	Unsettled
Zhengzhou First Construction Engineering Group Co., Ltd.	28,739,349.09	Unsettled
Total	410,661,389.42	—

### 8.19 Advances from Customers

Aging	Closing balance	Opening balance
Within 1 year	112,843,127.76	42,676,509.51
Over 1 year	50,000.00	34,918,698.00
Total	112,893,127.76	77,595,207.51

### 8.20 Employee Benefits Payable

#### 8.20.1 Employee Benefits Payable

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
I. Short-term employee benefits	306,326,730.28	1,492,865,143.16	1,532,589,139.37	266,622,734.07
II. Post-employment benefits defined contribution plan	83,710,699.96	198,194,934.51	281,569,619.24	336,015.23
III. Termination benefits		271,538.06	271,538.06	
Total	390,037,430.24	1,691,331,615.73	1,814,410,296.67	266,958,749.30

#### 8.20.2 Short-term Employee Benefits

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
I. Salaries, bonuses, allowances and subsidies	244,835,853.67	1,150,126,979.00	1,214,154,444.66	180,808,388.01
II. Welfare		102,277,078.35	102,246,518.35	30,560.00
III. Social Insurance	100,902.04	77,836,683.87	77,835,598.92	101,986.99
Including: Health insurance	492.03	66,029,482.31	66,028,579.37	1,394.97



Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Work injury insurance	100,410.01	4,599,931.96	4,599,749.95	100,592.02
Maternity insurance		7,207,269.60	7,207,269.60	
IV. Housing funds	48,797.00	108,468,270.00	108,467,394.00	49,673.00
V. Labor union funds and employee education funds	61,341,177.57	54,156,131.94	29,865,183.44	85,632,126.07
Total	306,326,730.28	1,492,865,143.16	1,532,569,139.37	266,622,734.07

### 8.20.3 Defined Contribution Plan

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
I. Basic Pensions	315,995.15	113,335,180.11	113,329,587.63	321,587.63
II. Unemployment insurance	14,064.81	5,083,053.46	5,082,890.67	14,427.60
III. Enterprise annuity contribution	83,380,640.00	79,776,700.94	163,157,340.94	
Total	83,710,699.96	198,194,934.51	281,569,619.24	336,015.23

### 8.21 Taxes and Surcharges Payable

Items	Opening balance	Payable in current year	Paid in current year	Closing balance
VAT	43,767.09	9,761,818.40	9,805,585.49	
Resource taxes		6,080,523.07	6,080,523.07	
Corporate income taxes		82,007.70	7,053.26	74,954.44
City construction taxes	2,848.63	678,859.88	681,708.51	
Property taxes	21,200.52	332,667.76	339,737.55	14,130.73
Land use taxes	144,020.32	857,892.96	802,886.84	199,026.44
Individual income taxes	500,302.74	12,616,654.32	10,333,582.76	2,783,374.30
Education surcharges (including local education surcharges)	2,034.73	487,133.02	489,167.75	
Stamp tax		15,154,592.50	15,154,592.50	
Others		14,231.65	1,451.64	12,780.01
Total	714,174.03	46,066,381.26	43,696,289.37	3,084,265.92

### 8.22 Other Payables

Items	Closing balance	Opening balance
Interest payable	53,177,956.12	27,833,359.55
Dividend payable		
Others	252,916,663.71	258,973,102.18
Total	306,094,619.83	286,806,461.73

#### 8.22.1 Interest Payable

Items	Closing balance	Opening balance
Interests of long-term borrowings with interests payable by installment and principal payable upon maturity	6,990,579.69	16,063,096.14
Bond interests	37,236,027.76	
Finance lease interest	8,951,348.67	11,770,263.41
Total	53,177,956.12	27,833,359.55

#### 8.22.2 Others Payable

##### 8.22.2.1 Other Payables Presented by Nature

Items	Closing balance	Opening balance
Guarantee deposit	124,198,579.99	118,176,426.13
Preliminary work fee	100,000,000.00	100,000,000.00
Unpaid expenses	26,219,739.33	36,137,049.39
Withholdings	102,414.76	
Insurance indemnity	2,395,929.63	4,659,626.66
Total	252,916,663.71	258,973,102.18

##### 8.22.2.2 Significant Other Payables Aged Over One Year

Creditor	Closing balance	Reason for unpaid
Zhengzhou Metro Project Jinshui District Project Coordination Command	100,000,000.00	Unsettled
Henan Branch of China Pacific Property Insurance Co., Ltd.	8,465,059.39	Unsettled
Henan Branch of PICC	7,453,846.25	Unsettled
Henan Wuyou Business Service Co., Ltd.	5,200,000.00	Unsettled
Ping An Property & Casualty Insurance Company of China	4,719,620.85	Unsettled

Creditor	Closing balance	Reason for unpaid
Henan Branch		
Total	125,838,526.49	—

#### 8.23 Non-current Liabilities Due Within One Year

Items	Closing balance	Opening balance
Long-term borrowings due within one year	964,802,582.00	4,102,140,690.33
Bonds payable due within one year	3,245,200,852.92	
Long-term payables due within one year	349,292,571.03	343,703,776.51
Total	4,559,296,005.95	4,445,844,466.84

#### 8.24 Other Current Liabilities

Items	Closing balance	Opening balance
Short-term bonds payable	2,500,000,000.00	
Total	2,500,000,000.00	

#### Changes (increase/decrease) of short-term bonds payable

Bond name	Par value	Issue date	Bond term	Opening balance
20 Zhengzhou Metro SCP001	100.00	April 22, 2020	270 days	2,500,000,000.00
Total				2,500,000,000.00

(Continued)

Bond name	Opening balance	Issued in current year	Accrued interest at par value	Amortization of premiums/ discounts	Repayment in current year	Closing balance
20 Zhengzhou Metro SCP001		2,500,000,000.00	31,798,611.11			2,500,000,000.00
Total		2,500,000,000.00	31,798,611.11			2,500,000,000.00

#### 8.25 Long-term Borrowings

Items	Closing balance	Opening balance	Interest range at year end
Credit loans	78,423,209,019.76	57,580,628,232.50	2.500-4.900
Pledged loans	17,044,000,000.00	17,615,000,000.00	4.185-4.900
Total	95,467,209,019.76	75,195,628,232.50	—

### 8.26 Bonds Payable

Items	Closing balance	Opening balance
Senior Unsecured Fixed Rate Notes	3,245,200,852.92	3,451,670,024.74
Less: Bonds payable due within one year	3,245,200,852.92	
Total		3,451,670,024.74

### 8.27 Long-term Payables

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Long-term payables	986,982,193.44		349,292,571.03	637,689,622.41
Total	986,982,193.44		349,292,571.03	637,689,622.41

#### 8.27.1 Classification of Long-term Payables

Items	Closing balance	Opening balance
ICBC Financial Lease Co., Ltd.	603,750,001.29	831,250,001.05
Bank of Communications Financial Lease Co., Ltd.	383,232,192.15	499,435,968.90
Less: the part due within one year	349,292,571.03	343,703,776.51
Total	637,689,622.41	986,982,193.44

### 8.28 Deferred Income

#### 8.28.1 Deferred Income

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Government grants	556,771,508.96	124,925,300.00	1,469,747.65	680,227,061.31
Total	556,771,508.96	124,925,300.00	1,469,747.65	680,227,061.31

#### 8.28.2 Deferred income from government grants

Items	Opening balance	Increase	Recorded in profit or loss for current period	Other movement	Closing balance
ZZhengzhou - Jinan Railway (Zhengzhou - Puyang Section) Yellow River Bridge Project	552,750,000.00	124,925,300.00			677,675,300.00
Zhengzhou Green Transportation City Construction	1,230,508.96		1,230,508.96		

Items	Opening balance	Increase	Recorded in profit or loss for current period	Other movement	Closing balance
Municipal high-skilled personnel training base	2,791,000.00		239,238.69		2,551,761.31
Total	556,771,508.96	124,925,300.00	1,469,747.65		880,227,061.31

### 8.29 Other Non-current Liabilities

Items	Closing balance	Opening balance
The finance bureau of zhengzhou allocated funds for the railway project	2,293,960,000.00	2,293,960,000.00
Total	2,293,960,000.00	2,293,960,000.00

Note: According to the documents of Notice of the Henan province development and reform commission "on the Investment Plan for the First Batch of Railway Projects in Henan Province in 2018(No. 297 of Henan Development and Reform Investment (2018))," on the Investment Plan for the Second Batch of Railway Projects in Henan Province in 2018(No. 505 of Henan Development and Reform Investment (2018)), on the Investment Plan for the Third Batch of Railway Projects in Henan Province in 2019(No. 111 of Henan Development and Reform Investment (2019)),The company allocates railway project construction funds to Henan Railway Investment Co., Ltd and Henan Xinzheng Airport Intercity Railway Co., Ltd.,

### 8.30 Paid-in Capital

Name of Investors	Opening balance		Increase in current year	Decrease in current year	Closing balance	
	Amount invested	Proportion (%)			Amount invested	Proportion (%)
Zhengzhou Development Investment Group Co.,Ltd	1,800,000,000.00	64.77	57,250,000.00		1,957,250,000.00	66.83
Zhengzhou Budget Reference Evaluation Center	646,000,000.00	23.25			646,000,000.00	23.25
China Development Fund Co, Ltd	333,000,000.00	11.98		57,250,000.00	275,750,000.00	9.92
Total	2,779,000,000.00	100.00	57,250,000.00	57,250,000.00	2,779,000,000.00	100.00

Note: From August to September 2020, Zhengzhou Development Investment Group Co., Ltd. entrusted the Company to pay RMB 550 million to China Development Fund Co., Ltd. for the acquisition of 2.06% of the company's equity held by China Development Fund Co., Ltd (Paid-in capital of RMB57.25 million, Capital reserve of RMB492.75 million ). After this change of shareholding, the shareholding of Zhengzhou Development Investment Company Limited and China Development Fund in the Company is 66.83% and 9.92% respectively. As at the date of this report, the procedures for such change of shareholding has not been completed.

### 8.31 Capital Reserve

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
I. Capital (or share) premiums	2,922,585,016.84			2,922,585,016.84
II. Other capital reserve	35,601,855,488.58	5,775,820,000.00		41,377,675,488.58
Total	38,524,440,505.42	5,775,820,000.00		44,300,260,505.42

Note: The increase in capital reserves in this period is based on the Henan province development and reform commission "on the Investment Plan for the Third Batch of Railway Projects in Henan Province in 2019(No. 111 of Zhengzhou Development and Reform Investment (2019))," on the Investment Plan for the First Batch of Railway Projects in Henan Province in 2020(No. 127 of Zhengzhou Development and Reform Investment (2020)), on the Investment Plan for the Second Batch of Railway Projects in Henan Province in 2020(No. 225 of Zhengzhou Development and Reform Investment (2020)), on the Investment Plan for the Sixth Batch of Railway Projects in Henan Province in 2020(No. 585 of Zhengzhou Development and Reform Investment (2020)) received funding for transportation construction projects.

### 8.32 Special Reserve

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance	Notes
Production safety reserve	24,083,446.44	12,054,151.19	7,320,801.56	28,816,796.07	
Total	24,083,446.44	12,054,151.19	7,320,801.56	28,816,796.07	

### 8.33 Surplus Reserve

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Statutory surplus reserve	521,830,816.09	13,682,434.00		535,513,250.09
Total	521,830,816.09	13,682,434.00		535,513,250.09

### 8.34 Undistributed Profits

Items	Current year	Prior year
Opening balance	4,810,918,030.98	3,950,355,790.96
Increase in the year	93,533,177.85	967,209,643.08
Including: Amount transferred from net profit of the year	93,533,177.85	967,209,643.08
Decrease in the year	13,682,434.00	106,647,403.06
Including: Appropriation to surplus reserve	13,682,434.00	106,647,403.06
Closing balance	4,890,768,774.83	4,810,918,030.98

### 8.35 Operating Revenue and Operating Costs

Items	Current year		Prior year	
	Revenue	Costs	Revenue	Costs
Principal operating activities	898,630,689.68	1,656,177,935.42	782,487,022.66	1,244,826,538.43
Commercial housing sales	172,369,313.49	141,411,327.89	40,125,268.57	25,376,671.20
Ticket service	615,712,231.66	1,494,507,139.65	627,248,330.13	1,208,589,650.56
Leasing service	62,066,319.10	10,331,452.42	74,844,368.53	4,053,591.97
Design service	12,611,370.13	9,548,746.12	14,253,278.96	6,538,905.06
Other business	35,871,455.30	379,269.34	26,015,776.47	267,719.64
Other operating activities	48,157,208.09	30,054,892.44	66,777,506.69	66,418,737.31
Commercial electricity revenue	31,918,927.54	26,855,289.02	59,446,549.79	63,863,784.78
Rental income	4,106,358.70	2,135,145.11	4,231,909.51	2,086,130.85
Other business	12,129,921.85	1,064,458.31	3,099,047.39	468,821.68
Total	946,787,897.77	1,686,232,827.86	849,264,529.35	1,311,245,275.74

### 8.36 Taxes and surcharges

Items	Current year	Prior year
Increment tax on land value	25,805,582.73	
Urban maintenance and construction tax	508,336.89	1,102,471.72
Extra charges of education funds (including extra-charge for local education)	363,097.76	767,479.80
Stamp tax	446,974.82	1,041,792.33
House tax	332,667.76	193,406.93
Vehicle and vessel use tax	34,832.00	30,506.48
Land use tax	857,892.96	470,123.21
Construction fees for cultural undertakings		4,169.04
Total	28,349,384.92	3,629,949.51

### 8.37 Selling expenses

Items	Current year	Prior year
Property management fees	1,093,956.84	1,438,552.66
Agency service fee	186,909.00	4,180,363.00

Items	Current year	Prior year
Employee's salary	163,615.94	
Others	60,578.91	90,605.79
Total	1,505,060.69	5,709,521.45

### 8.38 Administrative Expenses

Items	Current year	Prior year
Employee's salary	45,162,490.08	71,866,254.85
Employment security fund for the disabled	9,358,528.76	5,496,333.30
Depreciation and amortization	4,309,073.57	4,207,219.81
Promotion fee	4,011,074.04	2,897,592.96
Office expenses	1,380,239.49	1,033,826.28
Agency fee	1,087,003.99	1,361,269.04
Cultural construction fee	89,373.50	2,924,189.67
Greening fees	1,432.00	1,699,541.29
Others	5,774,470.97	3,452,167.59
Total	71,173,686.40	94,938,394.79

### 8.39 Research and development expenses

Items	Current year	Prior year
Material fees	1,038,448.50	
Total	1,038,448.50	

### 8.40 Financial Expenses

Items	Current year	Prior year
Interest expenses	1,828,686,716.23	400,295,462.88
Less: Interest income	97,488,829.38	278,613,180.56
Losses from foreign exchange	2,184.77	63,683,558.58
Finance charges	482,692.48	
Others	1,900.35	11,516.22
Total	1,731,684,664.45	185,377,357.12



#### 8.41 Other Income

Items	Related to assets/Related to income	Current year	Prior year
Government subsidies related to the daily activities of the company	Related to income	2,532,345,317.74	2,886,567.57
Total	—	2,532,345,317.74	2,886,567.57

##### 8.41.1 the details of government subsidies

Item	Current year	Prior year	Related to assets/Related to income
Operating subsidy	2,437,946,493.62		Related to income
Stable position subsidy	92,420,031.00	2,519,400.00	Related to income
Refunded withholding tax handling fee	213,512.40	29,176.86	Related to income
Zhengzhou Green Transportation City Construction	1,230,508.96		Related to income
Municipal high-skilled talent demonstration base	239,238.69		Related to income
others	295,533.07	337,990.71	Related to income
Total	2,532,345,317.74	2,886,567.57	—

Note: On March 5, 2021, the General Office of Zhengzhou Municipal People's Government issued the "Notice on the Measures for the Regulation of Metro Operation Service Costs in Zhengzhou (for Trial Implementation)" (Zheng Government Office [2021] No. 18). Article 4 "Scope of Implementation and Objects of Benefits (1) The scope of cost regulation shall be all rail transit lines completed and operating with passengers, including subway systems..., the point of calculation of the subsidy for each line shall be the date when the operating cost is officially included in the calculation of the subsidy", the Company shall recognise the annual operating subsidy for 2020 for metro lines such as Line 1, Line 2 Phase I, Line 5, Suburban Railway Phase I and Line 14 Phase I, which are already operating with passengers and officially included in the calculation of the operating cost. The Company recognized an operating subsidy of RMB2,437,946,493.62 for the year 2020 for Line 1, Line 2 Phase I, Line 5, Suburban Railway Phase I and Line 14 Phase I, which have already been operating with passengers and have been formally charged to operating costs.

#### 8.42 Investment Income

Sources for investment income	Current year	Prior year
Income from long-term equity investments using equity method	-5,651,064.66	
Income from held-to-maturity investments during holding period	266,978.34	
Total	-5,384,086.32	

#### 8.43 Asset Impairment Losses

Items	Current year	Prior year
Provision for bad debts of accounts receivable	-2,121,369.30	650,051.30
Provision for bad debts of other receivables	91,819.14	
Total	-2,029,550.16	650,051.30

#### 8.44 Gains on Disposal of Assets

Items	Current year	Prior year	Amount recognized in non-recurring profit or loss
Gains from disposal of the underground space project of the West Square of Zhengzhou East Railway Station		23,605,883.59	
Total		23,605,883.59	

#### 8.45 Non-operating Income

##### 8.45.1 Classification of Non-operating Income

Items	Current year	Prior year	Amount recognized in non-recurring profit or loss
Government grants unrelated to daily operation of the Company	140,425,000.00	1,690,900,000.00	140,425,000.00
Default and fine income	946,230.83	558,659.11	946,230.83
Non-current assets damage and retirement gains	14,572.48		14,572.48
Others	501,895.59	2,377,280.94	501,895.59
Total	141,887,698.90	1,693,835,940.05	141,887,698.90

##### 8.45.2 Government Grants

Items	Current year	Prior year
Intercity funding subsidy fund	140,425,000.00	1,690,900,000.00
Total	140,425,000.00	1,690,900,000.00

#### 8.46 Non-operating Expenses

Items	Current year	Prior year	Amount recognized in non-recurring profit or loss
Donations	89,422.92		89,422.92

Items	Current year	Prior year	Amount recognized in non-recurring profit or loss
Liquidated damages	683,724.95	804,022.62	683,724.95
Total	773,147.87	804,022.62	773,147.87

#### 8.47 Income Tax Expenses

Items	Current year	Prior year
Income tax expenses in current period	82,007.69	213,493.66
Adjustment of deferred income taxes	-2,783.63	-14,702.65
Total	79,224.06	198,791.01

#### 8.48 Leases

##### Finance lease lessee

##### 8.48.1 Various types of leased fixed assets

It is shown in Note 8.11.2 Financial lease of fixed assets formed through leaseback.

##### 8.48.2 Minimum lease payments to be made for subsequent years

Items	Amount
Undiscounted lease payments to be connected in the remaining years	392,594,381.97
Within 1 year	353,452,985.77
1-2 years	262,835,377.06
2-3 years	59,878,389.95
Over 3 years	1,068,761,134.75

#### 8.49 Consolidated Statement of Cash Flows

##### 8.49.1 Using Indirect Method to Reconcile Net Profit to Cash Flows from Operating Activities

Supplementary information	Current year	Prior year
1. To reconcile net profit to cash flows from operating activities:	—	—
Net profit	92,770,833.18	968,339,659.62
Add: Impairment losses	2,029,550.16	-650,051.30
Depreciations of fixed assets, oil and gas assets, and bearer biological assets	22,576,158.72	25,228,480.99
Amortizations of intangible assets	2,055,191.72	744,419.37
Amortizations of long-term prepaid expenses	1,228,261.08	

Supplementary information	Current year	Prior year
Losses on disposal of fixed assets, intangible assets and other long-term assets (gain expressed with "-")		-23,605,883.59
Losses on retirement of fixed assets (gain expressed with "-")		
Losses on changes in fair value (gain expressed with "-")		
Financial expenses (gain expressed with "-")	1,828,686,716.23	407,479,021.46
Investment losses (gain expressed with "-")	5,384,086.32	
Decrease in deferred tax assets (increase expressed with "-")	-2,783.63	-14,702.65
Increase in deferred tax liabilities (decrease expressed with "-")		
Decrease in inventories (increase expressed with "-")	-24,716,556.90	-444,670,991.97
Decrease in receivables in operating activities (increase expressed with "-")	-2,848,542,926.22	-4,757,989,313.10
Increase in payables in operating activities (decrease expressed with "-")	-43,768,964.52	4,028,871,331.79
Others		
Net cash flows from operating activities	-962,300,433.86	203,731,970.62
2. Significant investing and financing activities that do not involve cash receipts or payments	—	—
Debts converted to capital		
Convertible debts due within one year		
Fixed assets leased in under finance leases		
3. Net changes of cash and cash equivalents	—	—
Closing balance of cash	7,014,691,134.25	16,119,736,894.69
Less: Opening balance of cash	16,119,736,894.69	12,572,748,784.67
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-9,105,045,760.44	3,546,988,110.02

#### 8.49.2 Composition of Cash and Cash Equivalents

Items	Current year	Prior year
I. Cash	7,014,691,134.25	16,119,736,894.69
Including: Cash on hand	30,125.09	61,966.07

Items	Current year	Prior year
Unrestricted bank deposits	7,009,895,892.14	16,116,663,019.53
Unrestricted other cash and cash equivalents	4,765,117.02	3,011,909.09
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	7,014,691,134.25	16,119,736,894.69

#### 8.50 Ownership or using rights of assets subject to restriction

Items	Closing Balance	Restriction reason
Fixed assets	3,125,175,000.00	Finance lease fixed assets formed by leaseback after sale
Total	3,125,175,000.00	—

### 9. Commitments and contingencies

None.

### 10. Events after the Reporting Period

In January 2021, the company redeemed the RMB250 million ultra-short-term financing bill 20 Zhengzhou Metro SCP001 issued in the inter-bank bond market in April 2020.

### 11. Relationships and Transactions with Related Parties

#### 11.1 Basic Information of the Parent

Name of the parent	Registered address	Business nature	Registered capital	Proportion of shares held by the parent (%)	Proportion of voting rights held by the parent (%)
Zhengzhou Development Investment Group Co., Ltd.	Zhengzhou China	Public utility investment	100,000.00	64.77	64.77

Note: the ultimate controller of the company is Zhengzhou finance bureau.

#### 11.2 Subsidiaries of the Company

It is shown in Note 7.1. Financial lease of fixed assets formed through leaseback.

#### 11.3 Joint Ventures and Associates of the Company

Investee	Relationship	Unified social credit code
Zhengzhou Zhongjian Shenzhen Railway Transit Co., Ltd.	Joint venture	91410100MA46741B5N

Investee	Relationship	Unified social credit code
Zhengzhou Zhonglian Yijia Material Co., Ltd.	Joint venture	91410122MA47Y4YU9Q
Zhengzhou Times Transportation Electrical Equipment Co., Ltd.	Joint venture	91410182MA9G327A6Y

#### 11.4 Other Related Parties

Name of related parties	Relationship with the Group	Unified social credit code
Zhengzhou City One-Card Co., Ltd.	Controlled by the same parent company	914101000768031765

#### 11.5 Transactions with related parties

##### Purchase of goods/receipt of services and sales of goods/rendering of services

Name	Type	Related transaction content	Current period		
			Amount	Pct. of the same type transactions (%)	Pricing mode and determination process
Zhengzhou Development Investment Group Co., Ltd.	Other	Management fee for agent-construction	138,301.38	100.00	Contract pricing
Total			138,301.38	100.00	

#### 11.6 Receivables from or Payables to Related Parties

Items	Related Parties	Closing balance		Opening balance	
		Amount	Allowance for doubtful accounts	Amount	Allowance for doubtful accounts
Trade receivables	Zhengzhou City One-Card Co., Ltd.	31,415,742.90		97,937,421.22	
Trade receivables	Zhengzhou Development Investment Group Co., Ltd.	818,680.39		56,649,219.11	
Other receivables	Zhengzhou Development Investment Group Co., Ltd.	550,000,000.00			
Total		582,234,423.29		154,586,640.33	

#### 12. Information that Helps Users of the Financial Statements to Assess the Company's Objectives, Policies and Processes for Managing Capital

None.

### 13. Notes to Major Items in Financial Statements of the Parent

#### 13.1 Trade Receivables

Classification	Closing balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
Trade receivables that are individually significant and individually assessed for impairment				
Trade receivables that are collectively assessed for impairment as in a group of receivables of shared credit risk characteristics	74,199,275.51	100.00	4,289,538.91	5.78
Including: Aging portfolio	40,258,716.22	54.26	4,289,538.91	10.65
Other portfolio	33,940,559.29	45.74		
Trade receivables that are individually not significant but are individually assessed for impairment				
<b>Total</b>	<b>74,199,275.51</b>	<b>100.00</b>	<b>4,289,538.91</b>	<b>5.78</b>

(Continued)

Classification	Opening balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
Trade receivables that are individually significant and individually assessed for impairment				
Trade receivables that are collectively assessed for impairment as in a group of receivables of shared credit risk characteristics	171,061,453.58	100.00	2,168,169.61	1.27
Including: Aging portfolio	7,525,642.20	4.40	2,168,169.61	28.81
Other portfolio	163,535,811.38	95.60		
Trade receivables that are individually not significant but are individually assessed for impairment				
<b>Total</b>	<b>171,061,453.58</b>	<b>100.00</b>	<b>2,168,169.61</b>	<b>1.27</b>

#### 13.1.2 Trade Receivables that are Collectively Assessed for Impairment as in a Group of

## Receivables of Shared Credit Risk Characteristics

### 13.1.2.1 Using Aging Analysis Method

Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	37,710,654.22	93.67	1,885,532.71	5,119,892.12	68.03	255,994.60
1-2 years	160,062.00	0.40	16,006.20	17,750.08	0.24	1,775.01
Over 3 years	2,388,000.00	5.93	2,388,000.00	2,388,000.00	31.73	1,910,400.00
Total	40,258,716.22	100.00	4,289,538.91	7,525,642.20	100.00	2,168,169.61

### 13.1.2.2 Using Other Portfolio Method

Portfolio name	Closing balance			Opening balance		
	Amount	Proportion (%)	Allowance for doubtful accounts	Amount	Proportion (%)	Allowance for doubtful accounts
Other Portfolio	33,940,559.29	100.00		163,535,811.38	100.00	
Total	33,940,559.29	100.00		163,535,811.38	100.00	

### 13.1.3 Top Five Debtors According to Closing Balances

Debtor name	Gross carrying amount
Zhengzhou City One-Card Co., Ltd.	31,415,742.90
Henan Daily Press Group Co., Ltd.	24,103,777.75
Zhengzhou Rail Transit Real Estate Co., Ltd.	17,301,695.78
Beijing Taihe Ruitong Commercial Service Co., Ltd.	5,303,983.86
Zhengzhou TV station	4,017,167.00
Total	82,142,367.29

## 13.2 Other Receivables

Items	Closing balance	Opening balance
Interests receivable		
Dividends receivable		
Other receivables	7,092,430,333.16	4,498,606,098.30



Items	Closing balance	Opening balance
Total	7,092,430,333.16	4,498,606,098.30

### 13.2.1 Other Receivables

Classification	Closing balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and individually assessed for impairment				
Other receivables that are collectively assessed for impairment as in a group of receivables of shared credit risk characteristics	7,093,038,356.28	100.00	608,023.12	0.01
Including: Aging portfolio	819,927.12	0.01	608,023.12	74.16
Other portfolio	7,092,218,429.16	99.99		
Other receivables that are individually not significant but are individually assessed for impairment				
Total	7,093,038,356.28	100.00	608,023.12	0.01

(Continued)

Classification	Opening balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and individually assessed for impairment				
Other receivables that are collectively assessed for impairment as in a group of receivables of shared credit risk characteristics	4,499,127,126.49	100.00	521,028.19	0.01
Including: Aging portfolio	5,317,285.61	0.12	521,028.19	9.80
Other portfolio	4,493,809,840.88	99.88		
Other receivables that are individually not significant but are individually assessed for impairment				

Classification	Opening balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
Total	4,499,127,126.49	100.00	521,028.19	0.01

### 13.2.2 Other Receivables that are Collectively Assessed for Impairment as in a Group of Receivables of Shared Credit Risk Characteristics

#### 13.2.1.1 Using Aging Analysis Method

Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year				1,478,826.39	27.81	73,941.32
1-2 years				3,206,049.70	60.30	320,604.97
2-3 years	228,744.00	27.90	45,748.80	632,409.52	11.89	126,481.90
Over 3 years	591,183.12	72.10	562,274.32			
Total	819,927.12	100.00	608,023.12	5,317,285.61	100.00	521,028.19

#### 13.2.1.2 Using Other Portfolio Method

Portfolio name	Closing balance			Opening balance		
	Amount	Proportion (%)	Allowance for doubtful accounts	Amount	Proportion (%)	Allowance for doubtful accounts
Other Portfolio	7,092,218,429.16	100		4,493,809,840.88	100	
Total	7,092,218,429.16	—		4,493,809,840.88	—	

#### 13.2.3 Top Five Debtors According to Closing Balances

Debtor name	Nature of receivables	Gross carrying amount	Aging	Proportion of total other receivables (%)	Allowance for doubtful accounts
Zhengzhou Finance Bureau	Operating subsidies/financial discount	6,434,810,233.44	Within 1 year 2,490,443,489.62; 1-2 years 1,260,369,312.72;	90.74	

Debtor name	Nature of receivables	Gross carrying amount	Aging	Proportion of total other receivables (%)	Allowance for doubtful accounts
			2-3 years 1,224,782,205.30; Over 3 years 1,459,215,225.80;		
Zhengzhou Development investment Group co. Ltd	Current accounts	550,000,000.00	Within 1year	7.76	
ICBC Financial Lease Co.,Ltd.	Security deposit	50,000,000.00	Over 3years	0.71	
Bank of Communications Financial Lease Co., Ltd.	Security deposit	30,000,000.00	Over 3years	0.42	
Zhengzhou Rail Transit Real Estate Co., Ltd.	Current accounts	11,826,692.18	Within 1year	0.17	
Total	—	7,076,636,925.62	—	99.76	

### 13.3 Long-term Equity Investments

#### 13.3.1 Classification of Long-term Equity Investments

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Investments in subsidiaries	1,002,550,000.00	14,800,000.00		1,017,350,000.00
Investments in associates	53,310,000.00	122,200,000.00	5,178,182.83	170,331,817.17
Other enterprises	6,215,590,000.00	989,265,000.00		7,204,855,000.00
Subtotal	7,271,450,000.00	1,126,265,000.00	5,178,182.83	8,392,536,817.17
Less: Impairment loss for long-term equity investments				
Total	7,271,450,000.00	1,126,265,000.00	5,178,182.83	8,392,536,817.17

#### 13.3.2 Details of Long-term Equity Investments

Investee	Cost of investments	Opening balance	Increase/decrease in current year
----------	---------------------	-----------------	-----------------------------------

			Increase in investments	Decrease in investments
I. Subsidiaries				
Zhengzhou Rail Transit Design and Research Institute Co., Ltd.	2,550,000.00	2,550,000.00		
Zhengzhou Times Transportation Electrical Equipment Co., Ltd.	1,000,000,000.00	1,000,000,000.00		
Zhengzhou Metro Group Yijia Industrial Co., Ltd.	14,800,000.00		14,800,000.00	
II. Associates				
Zhengzhou Zhongjian Shenzhen Railway Transit Co., Ltd.	168,760,000.00	53,310,000.00	115,450,000.00	
Zhengzhou Times Transportation Electrical Equipment Co., Ltd.	6,750,000.00		6,750,000.00	
III. Other enterprises				
Henan Railway Investment Co., Ltd.	4,863,875,000.00	4,655,590,000.00	208,285,000.00	
Henan Xingzheng International Airport Inter-city Railway Co., Ltd.	2,340,980,000.00	1,560,000,000.00	780,980,000.00	
<b>Total</b>	<b>8,397,715,000.00</b>	<b>7,271,450,000.00</b>	<b>1,126,265,000.00</b>	

(Continued)

Investee	Increase/decrease in current year	Closing balance	Closing balance of impairment loss
	Investment gain or loss recognized under equity method		
I. Subsidiaries			
Zhengzhou Rail Transit Design and Research Institute Co., Ltd.		2,550,000.00	
Zhengzhou Times Transportation Electrical Equipment Co., Ltd.		1,000,000,000.00	
Zhengzhou Metro Group Yijia Industrial Co., Ltd.		14,800,000.00	
II. Associates			

Investee	Increase/decrease in current year	Closing balance	Closing balance of Impairment loss
	Investment gain or loss recognized under equity method		
Zhengzhou Zhongjian Shenzhen Railway Transit Co., Ltd.	-2,501,478.22	166,258,521.78	
Zhengzhou Times Transportation Electrical Equipment Co., Ltd.	-2,676,704.61	4,073,295.39	
III. Other enterprises			
Henan Railway Investment Co., Ltd.		4,863,875,000.00	
Henan Xinzheng International Airport Inter-city Railway Co., Ltd.		2,340,980,000.00	
Total	-5,178,182.83	8,392,536,817.17	

### 13.4 Operating Revenue and Operating Costs

Items	Current year		Prior year	
	Revenue	Costs	Revenue	Costs
I. Principal operating activities	713,650,006.06	1,505,217,861.41	728,108,475.13	1,212,910,962.17
Ticket service	615,712,231.66	1,494,507,139.65	627,248,330.13	1,208,589,650.56
Leasing service	62,066,319.10	10,331,452.42	74,910,925.06	4,053,591.97
Other business	35,871,455.30	379,269.34	25,949,219.94	267,719.64
II. Other operating activities	53,096,764.44	27,919,747.33	73,550,564.00	64,332,606.46
Commercial electricity revenue	31,918,927.54	26,855,289.02	59,446,549.79	63,863,784.78
Other business	21,177,836.90	1,064,458.31	14,104,014.21	468,821.68
Total	766,746,770.50	1,533,137,608.74	801,659,039.13	1,277,243,568.63

### 13.5 Statement of Cash Flows

#### 13.5.1 Using Indirect Method to Reconcile Net Profit to Cash Flows from Operating Activities

Supplementary Information	Current year	Prior year
1. To reconcile net profit to cash flows from operating activities:	—	—

Supplementary information	Current year	Prior year
Net profit	136,824,340.00	1,066,474,030.61
Add: Impairment losses	2,083,503.13	-1,255,923.78
Depreciations of fixed assets, oil and gas assets, and bearer biological assets	20,056,849.74	25,020,754.45
Amortizations of intangible assets	1,996,777.02	710,507.38
Amortizations of long-term prepaid expenses	220,489.50	
Losses on disposal of fixed assets, intangible assets and other long-term assets (gain expressed with "-")		
Losses on retirement of fixed assets (gain expressed with "-")		
Losses on changes in fair value (gain expressed with "-")		
Financial expenses (gain expressed with "-")	1,828,686,716.23	215,564,171.21
Investment losses (gain expressed with "-")	4,911,204.49	
Decrease in deferred tax assets (increase expressed with "-")		
Increase in deferred tax liabilities (decrease expressed with "-")		
Decrease in inventories (increase expressed with "-")	-34,543,284.09	-43,719,570.36
Decrease in receivables in operating activities (increase expressed with "-")	-2,902,541,924.28	-2,767,859,661.27
Increase in payables in operating activities (decrease expressed with "-")	-69,073,879.89	2,017,458,517.28
Others		
Net cash flows from operating activities	-1,011,379,208.15	512,392,825.52
2. Significant investing and financing activities that do not involve cash receipts or payments	—	—
Debts converted to capital		
Convertible debts due within one year		
Fixed assets leased in under finance leases		
3. Net changes of cash and cash equivalents	—	—
Closing balance of cash	6,259,714,136.30	12,795,242,617.39
Less: Opening balance of cash	12,795,242,617.39	11,279,455,772.10

Supplementary information	Current year	Prior year
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-6,535,528,481.09	1,515,786,845.29

#### 14. Other Information Required for Disclosure According to Related Accounting Standards

None.



The notes to the financial statements from page 17 to page 85 were approved by the following representatives:

Legal  
representative

Signature:

Date:

Person in charge of  
accounting function

Signature:

Date:

Person in charge of  
accounting department

Signature:

Date:



# 营业执照

(副本)(6-1)

统一社会信用代码

91110108590611484C



名称 大信会计师事务所(特殊普通合伙)

类型 特殊普通合伙企业

执行事务合伙人 胡咏华, 吴卫星

经营范围

成立日期 2012年03月06日

合伙期限 2012年03月06日至 2112年03月05日

主要经营场所 北京市海淀区知春路1号学院国际大厦1504室



审查企业会计报表,出具审计报告;验资;办理企业合并、分立、清算事宜中的审计业务,出具有关报告;基本建设年度财务决算审计;代理记账;会计咨询、税务咨询、管理咨询、会计培训;法律、法规规定的其他业务。(市场主体依法自主选择经营项目,开展经营活动;依法须经批准的项目,经相关部门批准后依批准的内容开展经营活动;不得从事国家和本市产业政策禁止和限制类项目的经营活动。)

登记机关



2021年03月01日

国家企业信用信息公示系统网址: <http://www.gsxt.gov.cn>

市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制



证书序号 0014492

# 说明

1. 《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
2. 《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
3. 《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
4. 会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。



中华人民共和国财政部制



会计师事务所  
**执业证书**

名称：大信会计师事务所（特殊普通合伙）  
首席合伙人：胡咏华  
主任会计师：  
经营场所：北京市海淀区知春路一号学院国际大厦1504室



发证机关：

组织形式：特殊普通合伙

执业证书编号：11010141

批准执业文号：京财会许可[2011]0073号

批准执业日期：2011年09月09日

宋江



姓名: 范金池  
 Full name: 范金池  
 Sex: 男  
 出生日期: 1970-11-13  
 Date of birth: 1970-11-13  
 工作单位: 河南分所  
 Work(s) unit: 河南分所  
 身份证号码: 132225701113731  
 Identity card No.:



仅供出具大信会计师事务所(特殊普通合伙)业务报告使用



年度检查注册  
Annual Renewal Registration

本证书年检有效, 年检一年。  
This certificate is valid for another year after this renewal.

2019年3月30日

证书编号: 41000050017  
No. of Certificate:

批准注册协会: 河南省注册会计师协会  
Authorized Institute of CPAs

发证日期: 2008 年 05 月 15 日  
Date of Issuance: 2008 年 05 月 15 日



2020年3月30日



姓名: 张海涛  
 Full name: 张海涛  
 性别: 男  
 Sex: 男  
 出生日期: 1985-09-08  
 Date of birth: 1985-09-08  
 工作单位: 大信会计师事务所(特殊普通合伙)河南分所  
 Working unit: 大信会计师事务所(特殊普通合伙)河南分所  
 身份证号码: 410521198509085513  
 Identity card No: 410521198509085513



仅供出具大信会计师事务所(特殊普通合伙)业务报告使用

年度检验登记  
 Annual Renewal Registration  
 年检专用章

本证书检验合格, 继续有效一年。  
 This certificate is valid for another year after this renewal.

2019年3月30日



2020年3月30日

证书编号:  
 No. of Certificate: 110101410559

批准注册协会:  
 Authorized Institute of CPAs: 河南省注册会计师协会

发证日期:  
 Date of issuance: 2018 10 24

Zhengzhou Metro Group Co., Ltd.  
Audit Report  
Baker Tilly China [2020] No. 16885



---

Table of Contents

Auditor's Report	1
Financial Statements of 2019	4
Notes to Financial Statements of 2019	16

Auditor's Report

Baker Tilly China [2020] No.16885

To the shareholders of Zhengzhou Metro Group Co., Ltd.:

## **I. Opinion**

We have audited the financial statements of Zhengzhou Metro Group Co., Ltd. (hereinafter referred to as the "the Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2019, income statements, cash flows statements and statements of changes in owners' equity for the year then ended, and notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and the result of operations and the cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises and Accounting System for Business Enterprises.

## **II. Basis for Opinion**

We have conducted the audit in accordance with the regulations of Auditing Standards for Chinese Certified Public Accountants. The part of "Auditor's responsibility" of the report further stated our responsibilities under the standards.

According to the code of professional ethics for the Chinese Certified Public Accountants, we are independent of the Company and perform other responsibilities in the field of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **III. Responsibilities of the Management and Those Charged with Governance for the Financial Statements**

Management of the Company is responsible for preparing the financial statements in accordance with Accounting Standards for Business Enterprises and Accounting System for Business Enterprises to achieve fair presentation of the financial statements; designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

When preparing financial statements, management is responsible for assessing the sustainability of

Auditor's Report (Continued)

Baker Tilly China [2020] No.16885

the Company's ability of continuous operation, disclosing matters related to continuous operations, and applying the assumption of continuous operation unless management plans to clear the Company and terminate operating or has no other realistic choice.

Those charged with governance are responsible for supervising the financial reporting process of the Company.

#### **IV. Auditor's Responsibility**

Our goal is to obtain a reasonable assurance for material misstatement caused by fraud or error in the financial statements as a whole and make an audit report containing opinions. Reasonable assurance is a high-level guarantee, but it does not guarantee that every material misstatement can be found when we carried out the audit in accordance with the auditing standards. Misstatement may be caused by fraud or error. If a single misstatement or collected misstatements are expected reasonably to affect the economic decision made by a financial statement user based on the financial statements, it is generally considered significant.

In the process of implementing audit according to the auditing standards, we use professional judgment and maintain professional suspicion. At the same time, we also carried out the following work:

- (1) We identified and evaluated the risk of material misstatement caused by fraud or error, designed and implemented audit procedures to cope with these risks and obtain sufficient and appropriate audit evidence as the basis for issuing audit opinions. Fraud may involve collusion, forgery, deliberate omission, misrepresentation or overriding internal control, accordingly, the risk of failing to find major misstatement caused by fraud is higher than that of failing to find the risk of major misstatement due to errors.
- (2) We understood the internal control related to audit to design appropriate audit procedures, but the purpose was not to comment on the effectiveness of internal control.
- (3) We evaluated the appropriateness of the accounting policy and the reasonableness of accounting estimates and related disclosures.
- (4) We drew conclusions on the appropriateness of the continuing operation hypothesis used by the management level. Meanwhile, based on the audit evidence obtained, it is concluded that whether

Auditor's Report (Continued)

Baker Tilly China [2019] No.16885

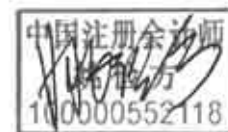
there is significant uncertainty in matters or situations that may cause significant doubts about the sustainability of the Company ability of continuous operation. If we conclude that there is a major uncertainty, the auditing standards require us to draw users' attention to relevant disclosures in the financial statements in the audit report. If we do not disclose enough information, we should publish unqualified opinions. Our conclusions are based on the information available as of the date of the audit report. However, future events or circumstances may lead to the unsustainable operation of the Company.

(5) We evaluated the overall presentation, structure and content (including disclosure) of the financial statements, and the fairness of the financial statements to reflect the related transactions and matters.

We communicated with those charged with governance about the planned audit scope and schedule and significant audit findings, including communicating the notable internal control flaws we identified in the audit.



Chinese Certified Public  
Accountant:



Chinese Certified Public  
Accountant:



*This auditor's report and the note to financial statements is English translation of the Chinese auditor's report. In case of doubt as to the presentation of these documents, the Chinese version shall prevail.*



## Consolidated Balance Sheet

December 31, 2019

Company: Zhengzhou Metro Group Co., Ltd.

Currency: RMB

	Notes	Closing balance	Opening balance
<b>Current Assets:</b>			
Cash and bank balances	VIII(I)	16,119,736,894.69	12,572,748,784.67
Settlement provisions			
Disburse funds			
Financial assets measure by fair value through profit or loss			
Derivative financial assets			
Notes Receivable	VIII(II)	1,260,000.00	1,008,000.00
Accounts Receivable	VIII(III)	168,893,283.97	143,009,707.66
Prepayments	VIII(IV)	46,528,464.51	93,018,257.89
Premium receivable			
Reinsurance receivables			
Reserve receivable contract reserve			
Other receivables	VIII(V)	4,471,774,431.42	2,773,891,181.54
Financial assets purchased under resale agreements			
Inventories	VIII(VI)	805,178,366.27	360,507,374.30
Divided into holding assets for sale			
Non-current assets due within one year			
Other current assets	VIII(VII)	4,258,985,797.77	3,708,032,529.29
<b>Total Current Assets</b>		<b>25,872,357,238.63</b>	<b>19,652,215,835.35</b>
<b>Non-current Assets:</b>			
Loans and advances to customers			
Available-for-sale financial assets	VIII(VIII)	5,000,000.00	5,000,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	VIII(IX)	6,275,900,000.00	5,869,910,000.00
Investment properties	VIII(X)	144,114,013.42	127,459,153.25
Fixed assets	VIII(XI)	37,353,153,635.52	35,677,327,104.04
Construction in progress	VIII(XII)	70,283,816,046.12	51,189,056,380.35
Bearer biological assets			
Oil and gas assets			
Intangible assets	VIII(XIII)	78,018,799.40	4,815,039.88
Development expenditure			
Goodwill			
Long-term prepaid expenses			
Deferred tax assets	VIII(XIV)	14,702.65	
Other non-current assets	VIII(XV)	3,363,789,093.95	5,342,378,870.78
<b>Total Non-current Assets</b>		<b>117,503,806,291.06</b>	<b>98,215,946,548.30</b>
<b>Total Assets</b>		<b>143,376,163,529.69</b>	<b>117,868,162,383.65</b>

Legal representative:



Chief accountant:



Person in charge of accounting body:







## Consolidated Balance Sheet (Continued)

December 31, 2019

Company: Zhengzhou Metro Group Co., Ltd.

Currency: RMB

Item	Notes	Closing balance	Opening balance
<b>Current Liabilities:</b>			
Short-term borrowings	VIII (XVI)	2,000,000,000.00	
Loans from the central bank			
Deposits and deposits from other institution			
Taking from banks and other financial institution			
Financial liabilities measure by fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable	VIII (XVII)	7,020,708,910.59	6,559,488,972.66
Receipts in advance	VIII (XVIII)	77,595,207.51	85,623,977.40
Financial assets sold under repurchase agreements			
Funds from securities trading agency			
Funds from underwriting securities agency			
Employee benefits payable	VIII (XIX)	390,037,430.24	41,190,533.16
Taxes payable	VIII (XX)	714,174.03	95,672,501.26
Other payable	VIII (XXI)	286,806,461.73	293,396,898.41
Fees and commissions payable			
Payables for reinsurance			
Divided into holding liabilities for sale			
Non-current liabilities due within one year	VIII (XXII)	4,445,844,466.84	2,523,983,017.58
Other current liabilities			
<b>Total Current Liabilities</b>		<b>14,221,706,650.94</b>	<b>9,599,355,900.47</b>
<b>Non-current Liabilities:</b>			
Insurance contract reserves			
Long-term borrowings	VIII (XXIII)	75,195,628,232.50	60,930,447,960.05
Bonds payable	VIII (XXIV)	3,451,670,024.74	3,378,633,062.36
Including: preferred stock			
Perpetual capital securities			
Long-term payables	VIII (XXV)	986,982,193.44	1,330,685,969.95
Estimated liabilities			
Deferred income	VIII (XXVI)	556,771,508.96	375,740,511.59
Deferred tax liabilities			
Other non-current liabilities	VIII (XXVII)	2,293,960,000.00	1,451,000,000.00
<b>Total Non-current Liabilities</b>		<b>82,485,011,959.64</b>	<b>67,466,507,503.95</b>
<b>Total Liabilities</b>		<b>96,706,718,610.58</b>	<b>77,065,863,404.42</b>
<b>Owners' equity:</b>			
Paid-in capital (share capital)	VIII (XXVIII)	2,779,000,000.00	2,779,000,000.00
Other equity instruments			
Including: preferred stock			
Perpetual capital securities			
Capital reserves	VIII (XXIX)	38,524,440,505.42	33,633,640,505.42
Less: Treasury shares			
Other comprehensive income			
Special reserves	VIII (XXX)	24,083,446.44	16,077,166.18
Surplus reserves	VIII (XXXI)	521,830,816.09	415,183,413.03
General risk reserves			
Retained earnings	VIII (XXXII)	4,810,918,030.98	3,950,355,790.96
<b>Total Owners' Equity Attributable To the Company</b>		<b>46,660,272,798.93</b>	<b>40,794,256,875.59</b>
Minority equity		9,172,120.18	8,042,103.64
<b>Total Owners' Equity</b>		<b>46,669,444,919.11</b>	<b>40,802,298,979.23</b>
<b>Total Liabilities and Owners' Equity</b>		<b>143,376,163,529.69</b>	<b>117,868,162,383.65</b>

Legal representative:



Chief accountant:



Person in charge of accounting body:





## Balance Sheet

December 31, 2019

Company: Zhengzhou Metro Group Co., Ltd.

Currency: RMB

Item	Notes	Closing balance	Opening balance
<b>Current Assets:</b>			
Cash and bank balances		12,795,242,617.39	11,279,455,772.10
Financial assets measure by fair value through profit or loss			
Derivative financial assets			
Notes Receivable			
Accounts Receivable	XIII(I)	175,292,220.16	142,869,099.12
Prepayments		43,344,408.71	30,311,489.43
Other receivables	XIII(II)	4,498,606,098.30	3,118,215,947.54
Inventories		98,315,536.27	54,595,965.91
Divided into holding assets for sale			
Non-current assets due within one year			
Other current assets		7,021,364,620.43	3,701,518,493.95
<b>Total Current Assets</b>		<b>24,632,165,501.26</b>	<b>18,326,966,768.05</b>
<b>Non-current Assets:</b>			
Available-for-sale financial assets		5,000,000.00	5,000,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XIII(III)	7,271,450,000.00	6,865,460,000.00
Investment properties		1,788,610.02	
Fixed assets		37,352,564,930.32	35,676,978,323.29
Construction in progress		70,298,018,841.22	50,971,956,016.13
Bearer biological assets			
Oil and gas assets			
Intangible assets		77,768,894.37	4,531,222.86
Development expenditure			
Goodwill			
Long-term prepaid expenses			
Deferred tax assets			
Other non-current assets		3,428,412,605.49	5,406,245,261.78
<b>Total Non-current Assets</b>		<b>118,435,003,881.42</b>	<b>98,930,170,824.06</b>
<b>Total Assets</b>		<b>143,067,169,382.68</b>	<b>117,257,137,592.11</b>

Legal representative:



Chief accountant:



Person in charge of accounting body:





Balance Sheet (Continued)

December 31, 2019

Company: Zhengzhou Metro Group Co., Ltd.

Currency: RMB

Item	Notes	Closing balance	Opening balance
<b>Current Liabilities:</b>			
Short-term borrowing		2,000,000,000.00	
Financial liabilities measure by fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable		6,924,267,167.74	6,374,744,351.42
Receipts in advance		13,431,706.51	3,117,965.40
Employee benefits payable		384,687,946.99	39,409,760.44
Taxes payable		472,691.24	3,467,062.36
Other payable		259,554,990.09	262,581,784.25
Divided into holding liabilities for sale			
Non-current liabilities due within one year		4,445,844,466.84	2,518,691,021.53
Other current liabilities			
<b>Total Current Liabilities</b>		<b>14,028,258,969.41</b>	<b>9,202,011,945.40</b>
<b>Non-current Liabilities:</b>			
Long-term borrowings		75,195,628,232.50	60,930,447,960.05
Bonds payable		3,451,670,024.74	3,378,633,062.36
Including: preferred stock			
Perpetual capital securities			
Long-term payables		986,982,193.44	1,330,685,969.95
Estimated liabilities			
Deferred income		556,771,308.96	375,740,511.59
Deferred tax liabilities			
Other non-current liabilities		2,293,960,000.00	1,451,000,000.00
<b>Total Non-current Liabilities</b>		<b>82,485,011,959.64</b>	<b>67,466,507,503.95</b>
<b>Total Liabilities</b>		<b>96,513,270,929.05</b>	<b>76,668,519,449.35</b>
<b>Owners' equity:</b>			
Paid-in capital (share capital)		2,779,000,000.00	2,779,000,000.00
Other equity instruments			
Including: preferred stock			
Perpetual capital securities			
Capital reserves		38,524,440,305.42	33,633,640,505.42
Less: Treasury shares			
Other comprehensive income			
Special reserves		24,083,446.44	16,077,166.18
Surplus reserves		521,830,816.09	415,183,413.03
Retained earnings		4,704,543,685.68	3,744,717,058.13
<b>Total Owners' Equity</b>		<b>40,553,898,453.63</b>	<b>40,588,618,142.76</b>
<b>Total Liabilities and Owners' Equity</b>		<b>143,067,169,382.68</b>	<b>117,257,137,592.11</b>

Legal representative:



Chief accountant:



Person in charge of accounting body:





# Consolidated Income Statement

Year 2019

Company: Zhengzhou Metro Group Co., Ltd.

Currency: RMB

Item	Notes	Amount for the current year	Amount for the previous year
<b>I. Total operating income</b>			
Including: Operating income	VIII(XXXIII)	849,264,529.35	2,447,730,187.55
Interest income	VIII(XXXIII)	849,264,529.35	2,447,730,187.55
Earned premium			
Fee and commission income			
<b>II. Total operating costs</b>		1,600,900,498.61	2,505,033,247.34
Including: Operating costs	VIII(XXXIII)	1,311,245,273.74	2,297,541,453.35
Interest expenses			
Fee and commission expenses			
Surrender			
Claims and policyholder benefits			
Changes in insurance contract reserves			
Insurance policyholder dividends			
Reinsurance costs			
Business taxes and levies	VIII(XXXIV)	3,629,949.51	124,270,097.90
Selling expenses	VIII(XXXV)	5,709,521.45	16,836,088.74
Administrative expenses	VIII(XXXVI)	94,938,394.79	70,006,629.38
R & D expenses			
Financial expenses	VIII(XXXVII)	185,377,357.12	-3,621,022.03
Including: Interest expenditure		400,295,462.88	
Interest income		278,613,180.56	3,825,713.96
Add: Other income	VIII(XXXVIII)	2,886,567.57	1,925,060.96
Investment income (Loss is indicated by "-")			
Including: Income from investments in associates and joint ventures			
Fair Value modification income (Losses are indicated by "-")			
Asset impairment losses (Losses are indicated by "-")	VIII(XXXIX)	650,051.30	10,737,625.75
Foreign exchange gains (Losses are indicated by "-")			
Asset disposal income (Losses are indicated by "-")	VIII(XL)	23,605,883.59	
<b>III. Operating profit (Loss is indicated by "-")</b>		-724,493,466.80	-44,640,373.08
Add: Non-operating income	VIII(XLI)	1,693,835,940.05	969,633,888.02
Less: Non-operating expenses	VIII(XLII)	804,022.62	6,849,211.89
<b>IV. Total profit (Total Loss is indicated by "-")</b>		968,538,450.63	918,144,303.05
Less: Income tax expenses	VIII(XLIII)	198,791.01	88,173,718.32
<b>V. Net profit (Net loss is indicated by "-")</b>		968,339,659.62	829,970,584.73
<b>(I) Classification by business continuity :</b>			
Continuous operation net profit		968,339,659.62	829,970,584.73
Terminated operation net profit			
<b>(II) Classification by ownership:</b>			
Net profit attributable to owners of the Company		967,209,643.08	823,675,925.40
Profit or loss attributable to minority interests		1,130,016.54	6,294,659.33
<b>VI. Other comprehensive income after tax</b>		-	-
1. Other comprehensive income attributable to owners of the Company		-	-
(I) Other comprehensive income that cannot be reclassified into profits or losses in the future		-	-
1. Share in other comprehensive income of the investee that cannot be reclassified into profit or loss under the equity method			
2. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan			
3. Others			
(II) Other comprehensive income to be reclassified into profits or losses later		-	-
1. Share in other comprehensive income of the investee that will be reclassified into profit or loss under the equity method			
2. Profit or loss of change in fair value of available-for-sale financial assets			
3. Profit and loss arising from reclassification of held-to-maturity investments as available-for-sale financial assets			
4. Effective portion of profit or loss on cash flow hedging			
5. Translation differences of financial statements dominated in foreign currency			
6. Others			
II. Other comprehensive income attributable to minority interests			
<b>VII. Total comprehensive income</b>		968,339,659.62	829,970,584.73
Total comprehensive income attributable to owners of the Company		967,209,643.08	823,675,925.40
Total comprehensive income attributable to minority interests		1,130,016.54	6,294,659.33
<b>VIII. Earnings per share</b>			
(I) Basic earnings per share			
(II) Diluted earnings per share			

Legal representative:



Chief accountant:



Person in charge of accounting body:





## Income Statement

Year 2019

Company: Zhengzhou Metro Group Co., Ltd.

Currency: RMB

Item	Notes	Amount for the current year	Amount for the previous year
<b>I. Total operating income</b>	XIII(IV)	801,659,039.13	772,989,775.87
Less: Operating costs	XIII(IV)	1,277,243,568.63	1,111,398,597.12
Business taxes and levies		376,752.49	260,911.14
Selling expenses			
Administrative expenses		77,584,502.60	58,350,926.48
R & D expenses			
Financial expenses		77,833,632.29	-1,656,048.25
Including: Interest expenditure		208,380,612.63	
Interest income		194,234,354.95	1,853,358.35
Add: Other income		2,828,490.71	1,897,335.24
Investment income (Loss is indicated by "-")			
Including: Income from investments in associates and joint ventures			
Fair Value modification Income (Losses are indicated by "-")			
Asset impairment losses (Losses are indicated by "-")		1,255,923.78	10,764,699.10
Asset disposal income (Losses are indicated by "-")			
<b>II. Operating profit (Loss is indicated by "-")</b>		-627,295,002.39	-382,702,576.28
Add: Non-operating income		1,693,795,990.05	969,183,691.92
Less: Non-operating expenses		26,957.05	1,557,215.74
<b>III. Total profit (Total Loss is indicated by "-")</b>		1,066,474,030.61	584,923,899.90
Less: Income tax expenses			
<b>IV. Net profit (Net loss is indicated by "-")</b>		1,066,474,030.61	584,923,899.90
Continuous operation net profit		1,066,474,030.61	584,923,899.90
Terminated operation net profit			
<b>V. Other comprehensive income after tax</b>		-	-
(I) Other comprehensive income that cannot be reclassified into profits or losses in the future		-	-
1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan			
2. Share in other comprehensive income of the investee that cannot be reclassified into profit or loss under the equity method			
3. Others			
(II) Other comprehensive income to be reclassified into profits or losses later		-	-
1. Share in other comprehensive income of the investee that will be reclassified into profit or loss under the equity method			
2. Profit or loss of change in fair value of available-for-sale financial assets			
3. Profit and loss arising from reclassification of held-to-maturity investments as available-for-sale financial assets			
4. Effective portion of profit or loss on cash flow hedging			
5. Translation differences of financial statements denominated in foreign			
6. Others			
<b>VI. Total comprehensive income</b>		1,066,474,030.61	584,923,899.90
<b>VII. Earnings per share</b>			
(I) Basic earnings per share			
(II) Diluted earnings per share			

Legal representative:



Chief accountant:



Person in charge of accounting body:





Consolidated Cash Flows Statement  
Year 2019

Company: Zhengzhou Miteo Group Co., Ltd.

Currency: RMB

Item	Notes	Amount for the current year	Amount for the previous year
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		1,029,012,001.24	977,503,032.46
Net increase in customer deposits and deposits from banks and other financial institutions			
Net increase in loans from the central bank			
Net increase in taking from banks and other financial institutions			
Cash received from premiums of original insurance contracts			
Net amount of reinsurance business			
Net increase in insured's deposits and investments			
Cash receipts from interest, fees and commissions			
Net increase in taking from banks			
Net increase in repurchasing			
Net cash received from trading securities			
Receipts of tax refunds		915,856,196.75	
Other cash receipts relating to operating activities		1,425,069,604.80	712,625,111.77
<b>Subtotal of cash flows from operating activities</b>		<b>3,369,937,802.79</b>	<b>1,690,128,144.23</b>
Cash payments for goods purchased and services received		427,775,453.18	632,635,651.03
Net increase in loans and advances			
Net increase in deposits with central banks and other financial institutions			
Cash paid for claim settlements on original insurance contracts			
Net increase in funds released			
Cash paid for interests, fees and commissions			
Cash paid for policy dividends			
Cash paid to and for employees		668,076,644.05	651,432,700.45
Cash paid for all types of taxes		158,001,709.90	14,377,888.12
Other cash payments related to operating activities		1,912,352,025.04	338,578,032.74
<b>Subtotal of cash outflow from operating activities</b>		<b>3,166,205,832.17</b>	<b>1,637,024,272.34</b>
<b>Net cash flow from operating activities</b>	VIII(XI.V)	<b>203,731,970.62</b>	<b>53,103,871.89</b>
<b>II. Cash flows from investing activities:</b>			
Cash receipts from disposals and recovery of investments			
Cash receipts from investment income			
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets			
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities			
<b>Subtotal of cash outflow from investing activities</b>		<b>-</b>	<b>-</b>
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		17,913,721,224.77	26,263,617,190.45
Cash payments to acquire investments			2,605,210,000.00
Net increase in pledged loans receivables			
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities			
<b>Subtotal of cash outflow from investing activities</b>		<b>17,913,721,224.77</b>	<b>28,868,827,190.45</b>
<b>Net cash flows from investing activities</b>		<b>-17,913,721,224.77</b>	<b>-28,868,827,190.45</b>
<b>III. Cash flow from financing activities:</b>			
Cash receipts from capital contributions		4,890,800,000.00	10,444,110,000.00
Including: cash receipts from capital contributions from minority owners of subsidiaries			
Cash receipts from borrowings		21,740,000,000.00	19,075,434,564.46
Cash receipts from issue of bonds			3,378,633,062.36
Other cash receipts relating to financing activities		2,633,712,407.87	1,790,460,000.00
<b>Subtotal of cash outflow from financing activities</b>		<b>29,264,512,407.87</b>	<b>34,688,637,626.82</b>
Cash repayments of borrowings		3,818,057,475.99	2,068,618,373.83
Cash payments for distribution of dividends or profits or settlement of interest expenses		4,189,477,567.71	1,734,930,383.33
Including: payments for distribution of dividends or profits to minority owners of subsidiaries			
Other cash payments relating to financing activities			
<b>Subtotal of cash outflow from financing activities</b>		<b>8,007,535,043.70</b>	<b>3,803,548,757.16</b>
<b>Net cash flows from financing activities</b>		<b>21,256,977,364.17</b>	<b>30,885,088,869.66</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			<b>-400,000.00</b>
<b>V. Net increase in cash and cash equivalents</b>	VIII(XLV)	<b>3,546,988,110.02</b>	<b>2,068,965,551.10</b>
Plus: opening balance of cash and cash equivalents	VIII(XLV)	12,572,748,784.67	10,503,783,233.57
<b>VI. Closing balance of cash and cash equivalents</b>	VIII(XLV)	<b>16,119,736,894.69</b>	<b>12,572,748,784.67</b>

Legal representative



Chief accountant



Person in charge of accounting body





## Cash Flows Statement

Year 2019

Company: Zhengzhou Metro Group Co., Ltd.

Currency: RMB

Item	Notes	Amount for the current year	Amount for the previous year
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		1,081,938,657.23	899,649,208.62
Receipts of tax refunds		915,856,196.75	
Other cash receipts relating to operating activities		318,474,081.99	736,903,529.83
<b>Subtotal of cash flows from operating activities</b>		<b>2,316,268,935.97</b>	<b>1,636,552,738.45</b>
Cash payments for goods purchased and services received		379,634,307.51	445,082,223.93
Cash paid to and for employees		653,670,221.90	631,596,750.98
Cash paid for all types of taxes			260,911.14
Other cash payments related to operating activities		770,571,581.04	341,162,633.04
<b>Subtotal of cash outflow from operating activities</b>		<b>1,803,876,110.45</b>	<b>1,418,102,519.09</b>
<b>Net cash flow from operating activities</b>	XIII(V)	<b>512,392,825.52</b>	<b>218,450,219.36</b>
<b>II. Cash flows from investing activities:</b>			
Cash receipts from disposals and recovery of investments			
Cash receipts from investment income			
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets			
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities			
<b>Subtotal of cash outflow from investing activities</b>		-	-
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		17,648,471,377.97	26,285,768,567.73
Cash payments to acquire investments		2,800,000,000.00	3,548,210,000.00
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities			
<b>Subtotal of cash outflow from investing activities</b>		<b>20,448,471,377.97</b>	<b>29,833,978,567.73</b>
<b>Net cash flows from investing activities</b>		<b>-20,448,471,377.97</b>	<b>-29,833,978,567.73</b>
<b>III. Cash flow from financing activities:</b>			
Cash receipts from capital contributions		4,890,800,000.00	10,444,110,000.00
Cash receipts from borrowings		21,540,000,000.00	19,075,434,564.46
Cash receipts from issue of bonds			3,378,633,062.36
Other cash receipts relating to financing activities		2,625,610,441.44	1,790,460,000.00
<b>Subtotal of cash outflow from financing activities</b>		<b>29,056,410,441.44</b>	<b>34,688,637,626.82</b>
Cash repayments of borrowings		3,618,057,475.99	2,068,618,373.83
Cash payments for distribution of dividends or profits or settlement of interest expenses		3,986,487,567.71	1,734,930,383.33
Other cash payments relating to financing activities			
<b>Subtotal of cash outflow from financing activities</b>		<b>7,604,545,043.70</b>	<b>3,803,548,757.16</b>
<b>Net cash flows from financing activities</b>		<b>21,451,865,397.74</b>	<b>30,885,088,869.66</b>
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
			-400,000.00
<b>V. Net increase in cash and cash equivalents</b>			
	XIII(V)	1,515,786,845.29	1,269,160,521.29
Plus: opening balance of cash and cash equivalents	XIII(V)	11,279,455,772.10	10,010,295,250.81
<b>VI. Closing balance of cash and cash equivalents</b>			
	XIII(V)	12,795,242,617.39	11,279,455,772.10

Legal representative



Chief accountant



Person in charge of accounting body





Consolidated Statement of Changes in Owner's Equity

Year 2019

Continued: RMB

	Amount for the current period											
	Paid-in capital/Share capital	Other equity instruments		Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Minority equity	Total owner's equity
		Preferred shares	Perpetual capital securities									
I. Closing balance in the preceding year	2,779,000,000.00	-	-	3,633,640,565.42	-	-	16,077,166.18	415,183,413.03	-	3,950,355,790.96	8,062,107.64	40,794,216,875.29
Plus: Change of accounting policies												
Continuation of prior period errors												
Business combination under the same control												
Others												
II. Operating balance in current year	2,779,000,000.00	-	-	33,633,440,565.42	-	-	16,077,166.18	415,183,413.03	-	3,950,355,790.96	8,062,107.64	40,802,298,979.23
III. Changes for the year (Decrease is indicated by "-")				4,895,800,000.00	-	-	8,066,280.26	196,647,403.06	-	860,562,240.02	1,130,016.54	5,860,015,923.34
(I) Total comprehensive income				4,895,800,000.00	-	-	-	196,647,403.06	-	860,562,240.02	1,130,016.54	6,022,808,549.62
(II) Owner's contributions and reduction of capital												
1. Capital contribution from investors												
2. Other equity instrument issuer's invested capital												
3. Share-based payment recognized in investor's equity												
4. Others												
(III) Profit distribution												
1. Transfer of surplus reserves				4,895,800,000.00				196,647,403.06		-196,647,403.06		4,895,800,000.00
2. Transfer of general risk reserve								196,647,403.06		-196,647,403.06		
3. Distribution to investors												
4. Others												
(IV) Transfer within investor's equity												
1. Capitalization of capital reserves												
2. Capitalization of surplus reserves												
3. Loss offset by surplus reserves												
4. Capitalization of retained earnings												
5. Setting Benefit Plus Charge Amount as Transfer Retained Income												
6. Others												
(V) Extraction and use of special reserve							8,066,280.26					8,066,280.26
1. Withdrawal of special reserves							13,960,483.03					13,960,483.03
2. Use of special reserve							-2,997,206.77					-2,997,206.77
(VI) Others												
IV. Closing balance in current year	2,779,000,000.00	-	-	38,534,440,565.42	-	-	24,083,446.44	571,830,816.09	-	4,810,918,030.98	9,192,124.18	40,660,272,208.93



Person in charge of accounting body



Chief accountant



Legal representative





Consolidated Statement of Changes in Owner's Equity(Continued)

Year 2013

	Amount for the Previous Year										Total owner's equity		
	Paid-in capital/Share capital	Other equity instruments		Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings		Subtotal	Monetary equity
		Preferred shares	Others										
I. Closing balance in the preceding year	1,879,000,000.00	-	-	24,000,510,505.42	-	-	9,888,853.42	356,691,023.04	-	3,185,172,255.55	29,520,282,637.43	1,717,444.31	29,522,000,081.74
Plus Change of accounting policies													
Continuation of prior period errors													
Business combination under the same control													
Others													
II. Opening balance in current year	1,879,000,000.00			24,000,510,505.42			9,888,853.42	356,691,023.04		3,185,172,255.55	29,520,282,637.43	1,717,444.31	29,522,000,081.74
III. Changes for the year (Decrease is indicated by "-")	900,000,000.00	-	-	9,344,110,000.00	-	-	-6,180,312.76	58,492,289.99	-	765,183,333.41	11,275,974,238.16	6,294,659.33	11,280,268,897.49
(I) Total comprehensive income										823,675,923.40	823,675,923.40	6,294,659.33	830,070,582.73
(II) Owner's contribution and reduction of capital	900,000,000.00	-	-	9,344,110,000.00	-	-	-	-	-	-	10,444,110,000.00	-	10,444,110,000.00
1. Capital contribution from equity	900,000,000.00	-	-	9,344,110,000.00	-	-	-	-	-	-	10,444,110,000.00	-	10,444,110,000.00
2. Other equity instrument issuer's invested capital													
3. Share-based payment recognized in owners' equity													
4. Others													
(III) Profit distribution													
1. Transfer of surplus reserves								16,492,289.99		-58,692,289.99			
2. Transfer of general risk reserve								58,492,289.99		-58,492,289.99			
3. Distributions to owners													
4. Others													
(IV) Transfer within owners' equity													
1. Capitalization of capital reserves													
2. Capitalization of surplus reserves													
3. Loss offset by surplus reserves													
4. Capitalization of Retained earnings													
5. Setting Benefit Plus Change Amount in Transfer Retained Income													
6. Others													
(V) Extraction and use of special reserves													
1. Withdrawal of special reserves													
2. Use of special reserve													
(VI) Others													
IV. Closing balance in current year	2,779,000,000.00	-	-	33,631,640,505.42	-	-	16,077,166.18	415,183,413.03	-	3,950,355,700.96	40,294,256,875.59	8,042,103.64	40,802,298,979.23

Legal representative

Chief accountant

Person in charge of accounting body



Statement of Changes in Owner's Equity

Year 2019

Currency: RMB

	Paid-in capital/ Share capital	Other equity instruments			Less Treasury shares	Amount for the current period						Total owner's equity
		Preferred shares	Perpetual capital securities	Others		Capital reserves	Special reserves	Surplus reserves	General risk reserves	Retained earnings		
I. Opening balance in the preceding year	2,779,000,000.00	-	-	-	-	33,633,640,505.42	16,077,166.18	415,183,413.03	-	3,744,717,058.13	-	40,588,618,142.76
Plus: Change of accounting policies												
Correction of errors												
Business combination under the same control												
Others												
II. Opening balance in current year	2,779,000,000.00	-	-	-	-	33,633,640,505.42	16,077,166.18	415,183,413.03	-	3,744,717,058.13	-	40,588,618,142.76
III. Changes for the year (Decrease is indicated by "-")						4,899,800,000.00	8,096,280.26	166,647,403.06	-	959,826,027.55	-	5,965,280,310.87
(I) Total comprehensive income												
(II) Owner's contributions and reduction of capital												
1. Capital contributions from owners												
2. Other equity instrument owner's invested capital												
3. Share-based payment recognised in owners' equity												
4. Others												
(III) Profit distribution												
1. Transfer of surplus reserves												
2. Transfer of general risk reserve												
3. Distribution to owners												
4. Others												
(IV) Transfers within owners' equity												
1. Capitalisation of capital reserves												
2. Capitalisation of surplus reserves												
3. Loss offset by surplus reserves												
4. Capitalisation of retained earnings												
5. Setting Benefit Plan Change Amount to Transfer												
6. Others												
(V) Extraction and use of special reserve												
1. Withdrawal of special reserves												
2. Use of special reserve												
(VI) Others												
IV. Closing balance in current year	2,779,000,000.00	-	-	-	-	38,534,440,505.42	24,083,446.44	571,830,816.09	-	4,704,543,685.88	-	46,543,898,453.03



Person in charge of accounting body

Chief accountant

Legal representative

Statement of Changes in Owner's Equity (Continued)

Year 2019

	Amount for the Previous Year				Amount for the Current Year				Total owner's equity	
	Paid-in capital/Share capital	Other equity instruments Preferred shares Perpetual capital securities Others	Capital reserves	Less Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves		Retained earnings
<b>I. Opening balance in the preceding year</b>	1,879,000,000.00		24,089,530,505.42			9,088,853.42	356,691,023.04		3,218,285,548.22	29,553,395,930.10
Plus: Change due to accounting policy										
Correction in presentation										
Business contribution under the same control										
Others										
<b>II. Operating balance in current year</b>	1,879,000,000.00		24,089,530,505.42			9,088,853.42	356,691,023.04		3,218,285,548.22	29,553,395,930.10
<b>III. Changes for the year (Decrease is indicated by "-")</b>	900,000,000.00		9,544,110,000.00			6,188,312.76	58,492,389.99		526,431,509.91	11,035,222,212.66
(I) Total comprehensive income										
(II) Owner's contributions and reduction of capital	900,000,000.00		9,544,110,000.00							984,923,899.99
1. Capital contribution from owners	900,000,000.00		9,544,110,000.00							10,444,110,000.00
2. Other equity instrument owner's invested capital										
3. Share-based payment recognized in owner's equity										
4. Others										
(III) Profit distribution										
1. Transfer of surplus reserves										
2. Transfer of general risk reserve										
3. Distribution to owners										
4. Others										
(IV) Transfer within owners' equity										
1. Capitalization of capital reserves										
2. Capitalization of surplus reserves										
3. Loss offset by surplus reserves										
4. Capitalization of Retained earnings										
5. Setting Benefit Plan Change Amount to Transfer Retained Income										
6. Others										
(V) Extraction and use of special reserves										
1. Withdraw of special reserves										
2. Use of special reserve										
(VI) Others										
<b>IV. Closing balance in current year</b>	2,779,000,000.00		33,633,640,505.42			16,077,166.18	415,183,413.03		3,744,717,058.13	40,588,018,142.76

Currency: RMB



Person in charge of accounting body



Chief accountant



Legal representative

# **Zhengzhou Metro Group Co., Ltd.**

## **Notes to Financial Statements**

### **For the year ended 31 December 2019**

(Amounts are denominated in RMB unless otherwise stated)

#### **I. Background of the Company**

(I) Registered place, organization form and headquarters address of the Company

Zhengzhou Metro Group Co., Ltd. (formerly known as Zhengzhou Rail Transit Co., Ltd., hereinafter referred to as "the Company") was approved by the Zhengzhou Municipal People's Government (Zheng Zhengwen [2008] No. 36) and was approved by the Zhengzhou Municipal Government The State-owned Assets Supervision and Administration Commission (hereinafter referred to as "Zhengzhou State-owned Assets Supervision and Administration Commission") was established on March 6, 2008 with a capital of RMB 100.00 million. The registration number of the business license of the corporate legal person is 410100100033297. Registered address is 100 Kangning Street, Zhengzhou Area (Zhengdong), Henan Pilot Free Trade Zone. The legal representative of the company is Zhang Zhou. On December 20, 2016, the company obtained a unified social credit code: 914101006728529431.

In October 2009, Zhengzhou State-owned Assets Supervision and Administration Commission invested RMB 392.68 million in the company, and the company transferred the capital reserve to RMB 507.32 million. After the capital increase, the company's registered capital increased to RMB 1,000.00 million. Wei Certified Public Accountants Co., Ltd. issued a capital verification report of Yushenghui Yanzi [2009] No. 1016 for verification.

In September 2013, according to the Implementation Opinions of the Zhengzhou Municipal People's Government on Deepening the Reform of the Investment and Financing System (Zheng Zhengwen [2013] No. 159) and the Notice of the Zhengzhou Municipal People's Government on the Change of State-owned Equity of Some Municipal Enterprises (Zheng Zhengwen [2013] No. 160), the Zhengzhou Municipal People's Government transferred the company's equity to Zhengzhou Development Investment Group Co., Ltd. in the form of free transfer, and the company completed the relevant industrial and commercial change registration.

In December 2014, according to Zhengzhou Municipal People's Government's "Approval for Consent to Implement Equity Financing through Zhengzhou Rail Transit Co., Ltd." (Zhengcaiban [2014] No. 159), Zhengzhou Development Investment Group Co., Ltd. held 10% of its holdings. The equity

(registered capital of RMB 100.00 million) was transferred to the Zhengzhou Non-Tax Revenue Management Bureau, and the company handled the relevant industrial and commercial change registration.

Bank of Communications Schroder Asset Management Co., Ltd. paid the actual capital contribution of RMB 5,000.00 million to the company on December 12, 2014, of which the registered capital was RMB 546.00 million and the capital premium was RMB 4,454.00 million. The company completed the registration of business changes in December 2016. The registered capital was changed to RMB 1.546 billion.

CDB Development Fund Co., Ltd. paid actual contributions of RMB 1,000.00 million, RMB 200.00 million, RMB 1,000.00 million to the company on August 31, September 15, September 30, and March 17, 2016. 1000.00 million yuan, of which the total registered capital increased by 333 million yuan, the capital premium was 2,867.00 million yuan, the company completed the registration of industrial and commercial changes in October 2017, the registered capital was changed to 1,879.00 million yuan.

Bank of Communications Schroder Asset Management Co., Ltd. and Zhengzhou Non-Tax Revenue Management Agency signed an equity transfer agreement on December 21, 2017. Bank of Communications Schroder Asset Management Co., Ltd. changed its total equity of 29.06% in the company to 546.00 million yuan was transferred to Zhengzhou Non-Tax Revenue Management Bureau, and the company completed the registration of industrial and commercial changes in March 2018.

On December 28, 2017, according to the "Opinions on Increasing the Registered Capital of the Municipal Rail Transit Company" (Zhengcaiban [2017] No. 136), Zhengzhou Finance Bureau co-ordinated funds and allocated the company through Zhengzhou Development Investment Group Co., Ltd. 900.00 million yuan, used to increase the company's registered capital. After the capital increase, the company's registered capital was 2,779.00 million yuan, and the change of industry and commerce was registered in September 2018.

(II) The business nature and main business activities of the enterprise.

The company belongs to the rail transit industry, and its business scope is: engineering investment in rail transit projects; construction and operation of rail projects (operating with qualification certificates and permits); commercial house leasing; property services; communication equipment leasing; construction machinery equipment, construction Sales of materials; design, production, agency, and release of domestic advertisements; engaged in the import and export of goods and technologies (except for goods and technologies that can be operated or prohibited by the approval of national laws and regulations).

(III) Approval of financial report issuer and approval date of financial report

The financial statements for this year were approved by the company on April 10, 2020.

(IV) Consolidated report scope

There are two subsidiaries of the company in the scope of consolidation in 2019, as follows:

<b>Subsidiary name</b>	<b>Short name</b>	<b>Subsidiary type</b>	<b>level</b>	<b>Shareholding ratio</b>	<b>Voting rights ratio</b>
Zhengzhou Rail Transit Real Estate Co., Ltd.	RTRE	Wholly-owned	2	100.00%	100.00%
Zhengzhou Rail Transit Design and Research Institute Co., Ltd.	RTDR	Holding	2	51.00%	51.00%

## **II. Basis for Preparation of Financial Statements**

The company's financial statements are based on continuing operations, based on actual transactions and events, in accordance with the Basic Accounting Standards for Business Enterprises and specific accounting standards promulgated by the Ministry of Finance (collectively referred to as "Enterprise Accounting Standards" or "CAS"), and based on The important accounting policies and accounting estimates are prepared.

## **III. Statement on Compliance with ASBE**

The Company has prepared the financial statements in accordance with the Accounting Standards for Business Enterprises ("ASBE") newly issued by the Ministry of Finance ("MOF). The financial statements present truly and completely reflects the financial position of the company as of December 31, 2019, its operating results and cash flow for 2019 relevant information.

## **IV. Significant Accounting Policies and Accounting Estimates**

The company and its subsidiaries are engaged in the construction and operation of track projects, real estate development and management, and design and consulting in the construction industry. The company and its subsidiaries have formulated specific accounting policies and estimates for transactions and events such as inventories and revenue recognition based on actual production and operation characteristics and in accordance with relevant accounting standards. For details, please refer to Note IV. "(XI) Inventory" and "(XXIII) Revenue "descriptions.

(I) Accounting period

The Company has adopted the calendar year as its counting year. i.e. from 1 January to 31 December.

## (II) Functional Currency

The Company adopts RMB as functional currency.

## (III) Bookkeeping basis and pricing principle

The company's accounting is based on accrual basis, except for financial assets / liabilities, derivative financial instruments, available-for-sale financial assets, and cash-settled share-based payments that are measured at fair value and whose changes are included in current profit and loss. Except for value measurement, the rest are based on historical cost. If an asset is impaired, a corresponding impairment provision is made in accordance with relevant regulations.

## (IV) Business combination

### 1. The accounting treatment method of business combination under the same control

The assets and liabilities acquired by the Company in the business combination shall be measured in proportion to the book value of the merged party's owner's equity in the consolidated financial statements of the final control party on the merger date. The capital reserve shall be adjusted according to the difference between the book value of the net assets acquired and the book value of merger consideration paid by the Company (or total par value of the shares issued). If the capital reserve is insufficient to write down, the retained earnings shall be adjusted.

### 2. The accounting treatment method of business combination not under the same control

If the merger cost is more than the shares of fair value of the acquiree's net identifiable assets obtained from the merge, the Company shall recognize the balance as goodwill. If the merger cost is less than the shares of fair value of the acquiree's net identifiable assets obtained from the merger, the first is to review the acquiree's net identifiable assets, liability and/or fair value of liability as well as the measurement of merger cost, if merger cost is still less than the shares of fair value of the acquiree's net identifiable assets obtained from the merger after review, the balance shall be included in current profit and loss.

## (V) Methods of consolidated financial statements

The Group includes all controlled subsidiaries into the consolidated scope of the consolidated financial statements. The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and based on other relevant information, the company has prepared them in accordance with "Enterprise Accounting Standards No. 33-Consolidated Financial Statements".

### 1. Scope of consolidated financial statements

The company includes all subsidiaries (including separate entities controlled by the company) into the scope of consolidated financial statements, including enterprises controlled by the company,

divisible parts of invested units, and structured entities.

## 2. Unified parent and subsidiary accounting policies and balance sheet date and accounting period

If the accounting policies or accounting periods adopted by the subsidiary and the company are inconsistent, when preparing the consolidated financial statements, necessary adjustments shall be made to the financial statements of the subsidiary in accordance with the company's accounting policies or accounting period.

## 3. Offset of consolidated financial statements

The consolidated financial statements are based on the balance sheets of the parent company and its subsidiaries, and have offset internal transactions between the company, its subsidiaries, and its subsidiaries. Shares in the subsidiary's owner's equity that do not belong to the parent company, as minority shareholders' equity, are listed as "minority shareholders' equity" under the owner's equity item in the consolidated balance sheet. Subsidiaries' long-term equity investments held by the company are treated as treasury stock of an enterprise group, and are treated as a reduction of owner's equity, and are listed as "Less: treasury stock" under the owner's equity item in the consolidated balance sheet.

## 4. Accounting for acquisition of subsidiaries

For a subsidiary acquired through a business combination under the same control, it is deemed that the business combination has occurred since the ultimate controller began real-time control, and its assets, liabilities, operating results and cash flows have been included in the consolidated financial statements since the beginning of the current merger period; For subsidiaries acquired through business combination not under the same control, when preparing the consolidated financial statements, the individual financial statements are adjusted based on the fair value of the identifiable net assets at the acquisition date.

## (VI) Classification of joint arrangements and accounting treatment of joint operations

### 1. Identification and classification of joint arrangements

Joint arrangement is an arrangement jointly controlled by two or more participants. The arrangement has the following characteristics: 1) the participants are bound by the arrangement; 2) the arrangement shall be jointly controlled by two or more participants. Either participant will not be able to separately control the arrangement, either participant who jointly controls the arrangement is able to prevent the other participants or a combination of participants from controlling the arrangement separately.

Joint control refers to the control of a certain arrangement in accordance with the relevant agreement, and the relevant activities of the arrangement must be agreed upon by the participants who share the control.



Joint arrangement is divided into joint operation and joint venture. Joint operation is a joint arrangement that the participants enjoy and assume the relevant assets and liabilities of the arrangement. The joint venture is a joint arrangement that the participants enjoy the net assets of the arrangement only.

## 2. Accounting treatment of joint arrangement

Participants of joint operation shall confirm the following items related to the interest shares of joint operation, and make an accounting treatment in accordance with the relevant Accounting Standards for Business Enterprises: 1) the assets held by alone and jointly owned assets according to their shares; 2) the liabilities assumed by alone and jointly assumed assets according to their shares; 3) the income generated from the sale of the share of joint operation output; 4) the income generated from the sale of output by the joint operation according to their shares; 5) the expenses incurred separately and the expenses incurred in the joint operation according to their shares.

The participants of joint venture shall make an accounting treatment of the investment of the joint venture in accordance with the Accounting Standards for Business Enterprises No. 2 - Long-Term Equity Investment.

### (VII) Confirming Standard of Cash and Cash Equivalents

Cash in the cash flow statement refers to the company's cash on hand and deposits that can be used for payment at any time. Cash equivalent refers to an investment with a short holding period (Usually refers to maturity within three months from the date of purchase), strong liquidity, easy to convert into known how much cash, and a small risk of value change.

### (VIII) Translation of foreign currency transaction and foreign currency statement

#### 1. Translation for foreign currency transaction

When initially recognized, the foreign currency for the transaction shall be converted into RMB amount according to the spot exchange rate on the date of transaction. For the foreign currency monetary items, conversion must be based on the spot exchange rate on the balance sheet date and the exchange difference incurred from different exchange rates, except for the exchange difference of principal and interest incurred due to foreign currency loan related to acquisition or construction of assets that qualify for capitalization, shall be charged to current profits and losses; foreign currency non-monetary items measured with historical cost are still converted as per the spot exchange rate on the transaction date and keep the RMB amount unchanged; foreign currency non-monetary items measured with fair value shall be converted as per the spot exchange rate on the date of determining the fair value and the difference shall be charged to current profits and losses or other comprehensive income.

## (IX) Financial Instruments

### 1. Classification and confirmation of financial instruments

Financial instruments are divided into financial assets or financial liabilities and equity instruments. When the company becomes a party to a financial instrument contract, it is recognized as a financial asset or financial liability, or an equity instrument.

At the time of initial recognition, financial assets are classified as: financial assets that are measured at fair value and whose changes are included in the current profit and loss, held-to-maturity investments, receivables, and available-for-sale financial assets. The classification of financial assets other than receivables depends on the company's and its subsidiaries' holding intentions and ability to hold financial assets. At the time of initial recognition, financial liabilities are classified as: financial liabilities at fair value through profit or loss, and other financial liabilities.

Financial assets measured at fair value and whose changes are included in the current profit and loss include financial transaction assets held for short-term sales and financial assets designated at initial recognition as measured at fair value and whose changes are included in the current profit and loss; receivables Amount refers to non-derivative financial assets with no quoted price in an active market, fixed or determinable recovery; available-for-sale financial assets include non-derivative financial assets that are designated as available-for-sale upon initial recognition and are not classified as other Class of financial assets; held-to-maturity investments refer to non-derivative financial assets with fixed maturity dates, fixed or determinable recovery amounts, and management's clear intention and ability to hold to maturity.

### 2. Measurement of financial instruments

The company's financial instruments are initially recognized at fair value. Subsequent measurement is classified as: financial assets measured at fair value and whose changes are recorded in current profit and loss, available-for-sale financial assets, and financial liabilities measured at fair value and whose changes are recorded in current profit and loss are measured at fair value; held-to-maturity investments , Loans and receivables and other financial liabilities are measured at amortized cost; investments in equity instruments that have no quoted price in an active market and whose fair value cannot be reliably measured, and those that are linked to the equity instrument and must be settled by delivery of the equity instrument Derivative financial assets or derivative financial liabilities are measured at cost. Gains or losses arising from changes in fair value in the subsequent measurement of the company's financial assets or financial liabilities are treated in accordance with the following methods except for hedging: ① Financial assets or financial liabilities that are measured at fair value and whose changes are recorded in the current profit and loss Gains or losses arising from changes in fair value are included in profit or loss from changes in fair value. ② Changes in the fair value of available-for-sale financial assets are included in other comprehensive income.

### 3. The company's recognition method of fair value of financial instruments

If there is an active market financial instrument, the fair value is determined by the quoted price in the active market; if there is no active market financial instrument, the valuation technique is used to determine its fair value. The valuation techniques mainly include market method, income method and cost method.

### 4. Confirmation basis and measurement method of financial assets and liabilities transfer

When almost all risks and rewards on ownership of financial assets are transferred, or neither all risks and rewards on ownership of financial assets are transferred or retained, but the control of the financial assets is abandoned, the financial assets shall be derecognized. If a financial asset meets the conditions for derecognition, the difference between the book value of the transferred financial asset and the sum of the consideration received as a result of the transfer and the cumulative amount of the fair value change that was directly included in other comprehensive income is included in the current profit and loss. If the partial transfer meets the conditions for derecognition, the entire book value of the transferred financial assets will be apportioned between the derecognized portion and the underecognized portion according to their relative fair values.

If all or part of the current obligations of a financial liability has been discharged, the recognition of the financial liability or part of it shall be terminated.

### 5. Impairment of financial assets

When a financial asset measured at amortized cost is impaired, an impairment provision is made based on the difference between the present value of the estimated future cash flows (excluding future credit losses that have not occurred) and the book value. If there is objective evidence that the value of the financial asset has recovered and is objectively related to events that occurred after the loss was recognized, the originally recognized impairment loss is reversed and included in the current profit or loss.

When a financial asset measured at cost is impaired, an impairment provision is made based on the difference between the present value of the estimated future cash flows and the carrying amount. Once the impairment loss has been confirmed, it will not be reversed.

When there is objective evidence that the available-for-sale financial assets are impaired, the cumulative losses that were directly credited to shareholders' equity due to the decline in fair value are transferred out and included in impairment losses. For available-for-sale debt instrument investments with recognized impairment losses that have an increase in fair value after the period and are objectively related to events that occurred after the recognition of the original impairment loss, the previously recognized impairment loss is reversed and included in the current profit and loss. For available-for-sale equity instrument investments with recognized impairment losses, the increase in fair value after the period is directly included in shareholders' equity.

For equity instrument investments, the company judges that the fair value has a “quantitative” or “non-temporary” decline in specific quantitative standards, cost calculation methods, the method of determining fair value at the end of the period, and the basis for determining the period of continuous decline:

Specific quantitative criteria for a "serious" decline in fair value	The decline in fair value relative to costs at the end of the period has reached or exceeded 50%.
Specific quantification criteria for a "non-temporary" decline in fair value	Decline for 12 consecutive months.
Cost calculation method	When obtained, the sum of the payment consideration and related transaction costs is used as the investment cost. (Deducting cash dividends that have been declared but not yet paid or bond interest that has reached its interest payment period but has not yet been received)
How to determine the fair value at the end of the period	For financial instruments with an active market, the fair value is determined using the quoted price in the active market; if there are no financial instruments with an active market, the fair value is determined using valuation techniques.
The basis for determining the period of continuous decline	Continued decline or a rebound of less than 20% during the duration of the downward trend, and the duration of the rebound that does not exceed 6 months is considered a continuous decline period.

#### (X)Accounts Receivables

##### Accounts receivable with significant single amount and provision for bad debts

Judgment basis or amount standard for a single amount	Receivables with a book balance of more than 5,000,000.00 yuan.
Accrual method for single item with significant amount and single item provision for bad debts	A separate impairment test is performed, and provision for bad debts is made based on the difference between the present value of future cash flows and its book value.

The Company conducts separate impairment tests on receivables with significant single amounts, and separately tests for financial assets that have not been impaired, including impairment tests on financial asset portfolios with similar credit risk characteristics. Receivables for which impairment losses have been confirmed in a single test are no longer included in a portfolio of receivables with similar credit risk characteristics for impairment testing.

#### 2. Receivables for bad debt provision based on portfolio

##### (1) Basis for determining portfolio and accrual method for bad debt provision

Determine the basis of the combination	
Aging Analysis Portfolio	For receivables with non-significant single amounts on the balance sheet date, the receivables that have not been impaired after being individually tested are divided into certain combinations based on aging as similar credit risk characteristics, and then these receivables A certain percentage of the portfolio's balance at the end of the period is calculated to determine the impairment loss, and provision

	for bad debts is made.
Other analysis method	Related parties and government departments within the scope of consolidation do not make provision for bad debts.

(2) Aging analysis method:

<b>Aging</b>	<b>Proportion of provision of account receivable (%)</b>	<b>Proportion of provision of other receivable (%)</b>
Within 1 year (including, the same below)	5.00	5.00
1-2 years	10.00	10.00
2-3 years	20.00	20.00
3-4 years	50.00	50.00
4-5 years	80.00	80.00
More than 5 years	100.00	100.00

(3) Other analysis method:

<b>Name of portfolio</b>	<b>Proportion of provision of account receivable (%)</b>	<b>Proportion of provision of other receivable (%)</b>
Other analysis method	No provision for bad debts	No provision for bad debts

3. Although the individual amount is not significant, but the individual accounts receivable for bad debt provision

Reasons for single provision for bad debts	If there is objective evidence of impairment, such as: receivables that are in dispute with the other party or involve litigation or arbitration; there are obvious signs that the debtor is likely to be unable to perform its repayment obligations.
Accrual method for bad debt provision	Based on the difference between the present value of its future cash flows and its book value, an impairment loss is recognized and provision for bad debts is made.

(XI) Inventory

1. Inventory classification

Inventory refers to the finished products or commodities held by the company in daily activities for sale, the work in progress in the production process, the materials and materials consumed in the production process or the provision of labor services. It mainly includes raw materials, turnover materials, packaging materials, low-value consumables, development costs, and development products.

The cost of developing products includes land transfer fees, infrastructure supporting facilities expenditures, construction and installation engineering expenditures, borrowing costs incurred before the development project is completed, and other related expenses in the development process.

## 2. Valuation method for obtaining and issuing inventory

When the inventory is delivered, the weighted average method is adopted to determine the actual cost of delivery.

## 3. Determination basis of inventory realizable net value and accrual method of inventory depreciation reserve

On the balance sheet date, inventories are measured at the lower of cost and net realizable value, and provision for depreciation of inventories is made for individual inventories. However, for inventories with a large number and low unit prices, provision for depreciation of inventories is made according to the type of inventory.

## 4. The inventory system of inventory

The inventory system of inventory is a perpetual inventory system.

## 5. Amortization of low-value consumables and packaging

### (1) Low-value consumables

Amortization is performed in accordance with the one-off write-off method.

### (2) packaging

Amortization is performed in accordance with the one-off write-off method.

## (XII) Long-term equity investment

### 1. Recognition of investment cost

For a long-term equity investment obtained through a business combination, if it is a business combination under the same control, the share of the book value of the net assets of the combined party in the final controlling party's consolidated financial statements should be taken as the long-term equity investment on the date of combination. Initial investment cost; business combinations not under common control should be recognized as the initial cost based on the combination cost determined on the purchase date; for long-term equity investments obtained by paying cash, the initial investment cost is the actual purchase price paid; obtained by issuing equity securities Long-term equity investment, the initial investment cost is the fair value of the equity securities issued; the long-term equity investment obtained through debt restructuring, the initial investment cost is determined in accordance with the relevant provisions of "Enterprise Accounting Standards 12-Debt Restructuring"; non-monetary For long-term equity investment obtained through

asset exchange, the initial investment cost is determined in accordance with the relevant provisions of the “Accounting Standards for Business Enterprises No. 7 – Non-Monetary Asset Exchange”.

## 2. Subsequent measurement and profit and loss recognition method

The company's long-term equity investment that can be controlled by the invested entity shall be accounted for using the cost method, and the equity method shall be used for accounting for long-term equity investments in associates and joint ventures. Some of the Company's equity investments in associates are held indirectly through venture capital institutions, mutual funds, trust companies, or similar entities including investment-linked insurance funds, regardless of whether the above entities have a significant impact on this part of the investment, The company shall, in accordance with the relevant provisions of the “Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments”, choose the part of the investment held indirectly to be measured at fair value and its changes shall be recorded in profit or loss, and the equity method shall be used for the rest Accounting.

## 3. Basis for determining joint control and significant influence on invested entities

Joint control of the invested entity means that activities that have a significant impact on the return of an arrangement must be agreed upon by the parties sharing control, including sales and purchases of goods or services, management of financial assets, assets Purchase and disposal, research and development activities, and financing activities; having a significant impact on the invested entity means that when it holds more than 20% to 50% of the voting capital of the invested entity, it has a significant impact. Or although it is less than 20%, it has significant impact when one of the following conditions is met: Representatives are represented on the board of directors or similar authorities of the investee; they participate in the policy-making process of the investee; they send management personnel to the investee; The invested unit relies on the technology or technical information of the investment company; important transactions occur with the invested unit.

## (XIII) Investment property

The types of Investment property of the Company include land use rights leased, buildings leased, and land use rights held and prepared for transfer after appreciation. Investment real estate is initially measured at cost, and subsequent measurement is performed using the cost model.

The leased buildings in the company's investment real estate are depreciated using the straight-line method. The specific accounting policies are the same as those for the fixed assets. Land use rights leased in investment real estate, land use rights held and transferred after appreciation are amortized using the straight-line method, and the specific accounting policies are the same as those for intangible assets.

#### (XIV) Fixed assets

##### Confirmation conditions for fixed asset, valuation and depreciation methods

Fixed assets are tangible assets that are held for the purpose of producing goods, providing labor services, leasing, or operating management and have a useful life of more than one fiscal year.

The company's fixed assets are mainly divided into: buildings, machinery and equipment, transportation equipment, office equipment and others; the depreciation method uses the average life method. According to the nature and use of various types of fixed assets, the useful life and estimated net residual value of fixed assets are determined. At the end of the year, the useful life, estimated net residual value and depreciation method of the fixed assets are reviewed. If there are differences from the original estimates, corresponding adjustments shall be made.

##### 2. Depreciation methods for various types of fixed assets

<b>Item</b>	<b>Depreciable life (Years)</b>	<b>Estimated net residual rate (%)</b>	<b>Annual rate of depreciation (%)</b>
House and building	20-40	3.00-5.00	2.38-4.85
Mechanical equipment	5-30	3.00-5.00	3.17-19.40
Transportation	5-25	3.00-5.00	3.80-19.40
Office equipment & Others	3-5	3.00-5.00	19.00-32.33

The company refers to the accounting policies adopted by domestic subway counterparts. Underground buildings such as stations and tunnels are not subject to depreciation. Until the subway lines are networked, depreciation of vehicles, equipment and other assets directly related to subway operations will not be accrued for the time being; Non-production fixed assets are depreciated using the average life method. On January 12, 2016, the company reported to Zhengzhou Municipal Finance Bureau and Zhengzhou State-owned Assets Supervision and Administration Commission in Zhengzhou [2016] No. 3 and [2016] No. 5 documents, respectively.

##### 3. Identification basis and valuation method of financing leased fixed assets

A financial leased fixed assets is recognized if it meets one or more of the following criteria: (1) Upon the expiration of the lease term, the ownership of the leased asset is transferred. The lease of a fixed asset is a lease that substantially transfers all the risks and rewards associated with the ownership of the asset. . The initial valuation of fixed assets financed by lease is the lower of the fair value of the leased asset at the beginning of the lease period and the present value of the minimum lease payment is taken as the booked value. Depreciation and impairment provisions.

#### (XV) Construction in progress

There are two types of construction in progress in the company: self-operated construction and outsourcing construction. Construction in progress is carried forward to fixed assets when the project



is completed and ready for its intended use. The criteria for determining the usable status should meet one of the following conditions: the physical construction (including installation) of the fixed asset has been completed or substantially completed; trial production or trial operation has been performed, and the results show that the asset can operate normally Or it can stably produce qualified products, or the results of trial operation show that it can operate or operate normally; the amount of expenditure on the construction of the fixed assets is little or no longer occurs; the fixed assets purchased and constructed have reached the design or contract Requirements, or in line with design or contract requirements.

#### (XVI) Borrowing cost

##### 1. Recognition principle of capitalization of borrowing cost

Borrowing cost include interest on borrowings, amortization of discounts or premiums, ancillary cost, and exchange differences arising from foreign currency borrowings. The borrowing cost incurred by the Company may be directly attributable to the acquisition, construction or production of assets eligible for capitalization, capitalized and included in the cost of related assets; other borrowing cost are recognized as cost at the time of occurrence based on their Enter the current profit and loss.Assets eligible for capitalization refer to assets such as fixed assets, investment real estate, and inventories that require a considerable period of acquisition, construction, or production to reach their intended use or sale.

##### 2. Calculation method of capitalization amount

The capitalization period refers to the period from when the borrowing costs begin to be capitalized to when the capitalization ceases. The period of capitalization of borrowing costs is not included. Capitalisation of borrowing costs shall be suspended if abnormal interruptions occur in the course of purchase, construction or production and the interruption period exceeds three consecutive months.

Borrowing special borrowings is determined by the actual interest expenses incurred in the current period of the special borrowings minus the interest income obtained by depositing unused borrowing funds in the bank or the investment income obtained by making temporary investments; the general borrowings are accounted for according to accumulated asset expenditures The weighted average of the asset expenditure exceeding the special borrowings is calculated and determined by multiplying the capitalization rate of the general borrowings. The capitalization rate is the weighted average interest rate of the general borrowings. If there is a discount or premium on the borrowing, each accounting period is determined according to the actual interest rate method. The amount of discount or premium to be amortized shall be adjusted for the amount of interest per period.

The effective interest method is a method of calculating the amortized discount or premium or interest expenses of a borrowing based on the actual interest rate of the borrowing. The actual interest rate is the interest rate used to discount the future cash flow of the loan during the expected duration

of the loan, which is discounted to the current book value of the loan.

## (XVII) Intangible assets

### 1. Initial measurement of intangible assets

The Company's intangible assets are initially measured at cost. For the intangible assets purchased, the actual cost is calculated based on the actual payment and related expenses. Intangible assets invested by investors shall be determined according to the value agreed in the investment contract or agreement. However, if the contract or agreement stipulates that the value is not fair, the actual cost is determined based on the fair value. The cost of self-developed intangible assets is the total amount of expenditure incurred before the intended use.

The subsequent measurement methods of the company's intangible assets: amortization of intangible assets with a finite useful life using the straight-line method, and at the end of the year, the useful life and amortization method of the intangible assets are reviewed. Intangible assets with uncertain service life are not amortized, but at the end of the year, the service life is reviewed. When there is conclusive evidence that its service life is limited, its service life is estimated and amortized using the straight-line method.

### 2. Judgment basis for uncertain service life

The company will not be able to foresee the period in which the asset will bring economic benefits to the company, or the intangible asset such as an indefinite useful life is determined as an intangible asset with an indefinite useful life. The judgment basis for uncertain service life is: derived from contractual rights or other statutory rights, but the contract or legal provisions do not have a clear useful life; based on the same industry conditions or relevant expert arguments, etc., it is still impossible to judge that intangible assets bring economic benefits to the company Duration of benefits.

At the end of each year, the useful life of intangible assets with an indefinite useful life is reviewed. The bottom-up approach is used to perform basic reviews by the relevant departments using intangible assets, and to assess whether there is a change in the basis for determining indefinite useful life.

## (XVIII) Impairment of assets

If long-term equity investment, investment real estate measured by cost model, fixed assets, construction in progress, intangible assets, and other long-term assets show signs of impairment on the balance sheet date, an impairment test is performed. If the result of an impairment test indicates that the recoverable amount of the asset is lower than its book value, an impairment provision is made based on the difference and is included in the impairment loss.

The recoverable amount is the higher of the net value of the asset's fair value less disposal costs and

the present value of the asset's estimated future cash flows. The asset impairment provision is calculated and confirmed on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group is determined by the asset group to which the asset belongs. An asset group is the smallest combination of assets that can independently generate cash inflows.

For goodwill separately listed in the financial statements, whether or not there is any indication of impairment, an impairment test is performed at least annually. During the impairment test, the book value of goodwill is allocated to the asset group or combination of asset groups expected to benefit from the synergies of the business combination. If the test results show that the recoverable amount of the asset group or combination of asset groups containing the goodwill allocated is lower than its book value, the corresponding impairment loss is recognized. The amount of impairment loss first offsets the book value of the goodwill allocated to the asset group or combination of asset groups, and then according to the proportion of the book value of each asset in the asset group or combination of assets other than goodwill, in proportion Deduct the book value of other assets.

Once the above asset impairment loss is recognized, it will not be reversed in the subsequent periods.

#### (XIX) Long-term prepaid expenses

The long-term deferred expenses of the company refer to the expenses that have been paid, but the benefit period is more than one year (excluding one year). Long-term deferred expenses are amortized over the beneficial period of the expense items. If the long-term amortized expense item cannot benefit future accounting periods, the amortized value of the item that has not been amortized will be transferred to the current profit and loss.

#### (XX) Employee benefits

Employee benefits refer to the various forms of remuneration or benefits for the service provided by the employees or for termination of employment relationship otherwise than share based payment. Employee benefits include short-term payroll, post-employment benefits, termination benefits and other long-term employee benefits.

##### 1. Short-term employee benefits

In the accounting period when the employees provide services to the company, the actual short-term compensation is recognized as debt and is included in the current profit and loss, except those required or permitted to be included in the cost of assets by accounting standards. If employee welfare costs are non-monetary benefits, they are measured at fair value. The medical insurance premiums, industrial injury insurance premiums, resident insurance premiums and other social insurance premiums paid by enterprises for employees and housing provident fund, as well as the withdrawal of labor union expenses and employee education expenses in accordance with regulations, during the accounting period in which employees provide services, according to the prescribed

accrual basis and Withdrawal ratio is calculated to determine the corresponding staff costs, and the corresponding compensation is recognized, and is included in the current profit and loss or related asset costs.

## 2. Post-employment benefits and termination benefits

During the accounting period in which the employees provide services, the company's payable deposit amount calculated in accordance with the defined contribution plan is recognized as a liability and is included in the current profit and loss or related asset costs. According to the formula determined by the Expected Cumulative Welfare Unit Law, the welfare obligations arising from the defined benefit plan are attributed to the period during which employees provide services, and are included in the current profit and loss or related asset costs.

When an enterprise provides dismissal benefits to employees, the employee's compensation liabilities arising from dismissal benefits are recognized as soon as possible and are included in the current profit and loss. When recognizing costs or expenses related to a reorganization involving the payment of termination benefits.

## 3. Other long-term employee benefits

Other long-term employee benefits provided by the company to employees that meet the conditions of the defined contribution plan shall be handled in accordance with the provisions of the defined contribution plan; in addition, other long-term employee benefits are recognized and measured in accordance with the relevant provisions of the defined benefit plan Liabilities or net assets.

### (XXI) Bonds payable

The bonds issued by the company are treated as liabilities according to the total actual issue price; the difference between the total bond issue price and the total face value of the bond is used as the bond premium or discount and is amortized using the actual interest rate method during the bond's duration.

### (XXII) Estimated liabilities

When the obligation related to contingencies is the current obligation assumed by the company, and the performance of this obligation is likely to result in the outflow of economic benefits, and the amount can be reliably measured, the obligation is recognized as an estimated liability. The company performs the initial measurement according to the best estimate of the expenditure required to fulfill the relevant current obligations. If the required expenditure exists in a continuous range and the possibility of various results within the range is the same, the best estimate is based on the The median value is determined; if multiple items are involved, the best estimate is determined according to various possible results and related probabilities.

On the balance sheet date, the book value of the estimated liability should be reviewed. There is

definite evidence that the book value cannot truly reflect the current best estimate. The book value should be adjusted according to the current best estimate.

## (XXIII) Revenue

### 1. Method for confirming sales revenue

(1) Sales revenue: When the products sold by the company meet the following conditions at the same time, the revenue from the sale of goods is recognized according to the amount of the contract or agreement price received or receivable from the purchaser: ①The main risks and rewards of ownership of the goods have been transferred to Purchaser; ②neither retains the right of continuous management usually associated with ownership, nor implements effective control over the goods sold; ③the amount of income can be reliably measured; ④related economic benefits are likely to flow into the enterprise; ⑤Relevant costs incurred or to be incurred can be reliably measured.

#### ①Product development

The product has been completed and qualified, the sales contract has been signed and the obligations under the contract have been fulfilled, that is, the main risks and rewards of ownership of the developed product are transferred to the purchaser; the company no longer retains the right to continue management, which is usually associated with ownership, and Effective control of goods sold is no longer implemented; the amount of revenue can be reliably measured; related economic benefits are likely to flow in; and the cost of the project has been or will be reliably measured, the realization of sales revenue is recognized.

#### ②Instalment sales

When the development product has been completed and qualified, the installment sales contract has been signed and the obligations stipulated in the contract have been fulfilled, the relevant economic benefits are likely to flow in, and the cost of the development product can be reliably measured, according to the contract or agreement receivable The fair value of the price determines the amount of income; the difference between the receivable contract or agreement price and its fair value is amortized using the effective interest rate method during the contract or agreement period and is included in the current profit and loss.

#### ③Sell ownership House

The main risks and rewards of ownership of the house for self-use are transferred to the purchaser, the company no longer retains the right of continued management usually associated with ownership, and no longer exercises effective control over the goods sold. When the relevant economic benefits are likely to flow in and the cost of the house can be measured reliably, the realization of sales revenue is recognized.

(2) Provision of labor services: If the results of the provision of labor services transactions on the

balance sheet date can be reliably estimated, the revenue from provision of labor services is recognized using the percentage of completion method. The company determines the completion progress of the labor service transaction based on the measurement of completed work. If the results of the labor service transaction on the balance sheet date cannot be reliably estimated, the following situations will be dealt with respectively: ①If the labor costs that have occurred are expected to be compensated, The amount of labor cost incurred is recognized as providing labor service income, and the labor cost is carried forward by the same amount; ②If the labor cost incurred is not expected to be compensated, the labor cost incurred is included in the current profit and loss, and the labor service income is not recognized.

### (3) Construction contract revenue

There is an irrevocable construction contract for the agent building and the project, and the economic benefits related to the agent building and the project can flow into the enterprise, the completion progress of the agent building and the project can be reliably determined, and the costs related to the agent building and the project can be For reliable measurement, the percentage of completion method is used to confirm the realization of operating income.

### (4) Transfer of asset use rights

The company recognizes the revenue from the transfer of asset use rights when the economic benefits related to the transfer of the asset use rights are likely to flow in and the amount of income can be reliably measured.

#### ①Revenue recognition method for rental properties

According to the lease date agreed in the lease contract and agreement (the rent-free period is considered), and the amount of the lease, the realization of rental income is recognized when the relevant rent has been received or evidence of receipt has been obtained.

### (5) Other business income recognition methods

According to the relevant contract and agreement, the economic benefits related to the transaction are likely to flow into the enterprise, and the amount of income can be reliably measured. When the costs incurred or related to income can be reliably measured, the realization of other business income is recognized.

## (XXIV) Government subsidy

### 1. Types of government subsidies and accounting treatment

Government subsidy refers to the monetary or non-monetary assets obtained by the company from the government without compensation (but excluding capital invested by the government as the owner). If the government subsidy is a monetary asset, it shall be measured according to the amount received or receivable . If the government subsidy is a non-monetary asset, it shall be measured at its

fair value; if the fair value cannot be obtained reliably, it shall be measured at its nominal amount.

Government subsidies related to daily activities are included in other income in accordance with the essence of economic operations. Government subsidies not related to daily activities are included in non-operating income.

Government documents clearly state that government subsidies used to purchase, construct, or otherwise form long-term assets are recognized as government-related government subsidies. The government documents do not clearly define the subsidy target, but if it can form long-term assets, the government subsidy corresponding to the asset value is used as the government subsidy related to the asset, and the rest is used as the government subsidy related to the income. As a government grant related to income. Asset-related government subsidies are recognized as deferred income when received, and are charged to the current profit and loss in stages according to a reasonable and systematic method over the useful life of the relevant assets.

Government grants other than asset-related government grants are recognized as revenue-related government grants. Revenue-related government subsidies that are used to compensate the company for related expenses or losses in subsequent periods are recognized as deferred income, and are recognized in the current profit or loss or used to compensate the related expenses or losses that have occurred in the period during which the related expenses are recognized , Directly included in the current profit and loss.

## 2. Confirmation time of government subsidy

Government subsidy is recognized when it meets the conditions attached to the government subsidy and can be received. Government subsidies measured according to the amount receivable are recognized when there is definite evidence at the end of the period that they can meet the relevant conditions stipulated in the financial support policy and it is expected that they will receive financial support funds. Government subsidies other than government subsidies measured based on receivables are recognized when the subsidy is actually received.

## (XXV) Deferred income tax assets and deferred income tax liabilities

1. According to the difference between the book value of assets and liabilities and its tax base (if the item that is not recognized as an asset or liability can be determined in accordance with the tax law, the tax base can be determined as the difference), and recovered as expected The deferred income tax asset or deferred income tax liability shall be calculated and confirmed for the asset or the applicable tax rate during the settlement of the liability.

2. The recognition of deferred income tax assets is limited to the taxable income that is likely to be obtained to deduct deductible temporary differences. On the balance sheet date, if there is conclusive evidence that it is probable that sufficient taxable income will be obtained in the future period to offset deductible temporary differences, the deferred income tax assets not recognized in the previous

accounting period are recognized. If it is likely that sufficient taxable income will not be available to offset the deferred income tax assets in the future period, the book value of the deferred income tax assets will be written down.

3. Recognize deferred income tax liabilities for taxable temporary differences related to investments in subsidiaries and associates, unless the company can control the time when the temporary differences are reversed and the temporary differences are unlikely to occur in the foreseeable future. Switch back. For deductible temporary differences related to the investment of subsidiaries and associates, when the temporary difference is likely to be reversed in the foreseeable future and it is likely that taxable income will be used to offset the deductible temporary difference in the future. The amount of deferred income tax assets is recognized.

#### (XXVI) Leasing

The company's leases are classified into financial leases and operating leases. The judgment criterion for a financial lease is: A lease that transfers substantially all the risks and rewards associated with asset ownership is considered a financial lease. The specific determination basis is to meet one or more of the following conditions: At the end of the lease period, the ownership of the leased asset is transferred to the lessee; the lessee has the option to purchase the leased asset, and the purchase price entered is expected to be much lower than the exercise option. The fair value of the leased asset at the time of the right, so it is reasonable to determine that the lessee will exercise this option at the lease start date; even if the ownership of the asset does not transfer, the lease term accounts for most of the useful life of the leased asset; The present value of the minimum lease payment is almost equal to the fair value of the leased asset on the lease start date; the leased asset is special in nature and can only be used by the lessee without major modification. Leases that do not meet the above conditions are considered operating leases.

The accounting treatment of the company's leasing business is handled in accordance with the "Enterprise Accounting Standards-Leasing".

#### (XXVII) Special reserves

According to the relevant regulations on the issuance of the "Administrative Measures for the Collection and Use of Safety Production Expenses of Enterprises" (Caiqi [2012] No. 16), the company shall extract safety production expenses at 1.5% of the actual operating income of the previous year.

When withdrawing production safety costs, they are included in operating costs and are included in the "Special Reserves" account.

When the extracted production safety expenses are used in accordance with the prescribed scope and are expenses, if the special reserves are directly deducted to form a fixed asset, the expenditures incurred through the "project under construction" will be collected, and the safety project will be



ready for use when it is completed. At the same time, it is recognized as fixed assets; at the same time, the special reserve is deducted according to the cost of forming the fixed assets, and the accumulated depreciation of the same amount is confirmed. The fixed assets will not be depreciated in future periods.

#### (XXVIII) Hold-for-sale

The company classifies non-current assets or disposal groups that meet the following conditions as held for sale: first, according to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under the current conditions; second, sales It is very likely that the company has made a decision on a sale plan and obtained a firm purchase commitment, and the sale is expected to be completed within one year. Where relevant regulations require the approval of the relevant authority of the enterprise or the regulatory department before the sale, approval should already be obtained.

When the initial measurement or remeasurement of non-current assets or disposal groups held for sale on the balance sheet date, if the book value is higher than the net value after deducting the selling expenses, the book value shall be reduced to the fair value minus The net amount after deducting the selling expenses, the amount of write-down is recognized as the asset impairment loss is included in the current profit and loss, and at the same time the impairment provision for assets held for sale is provided.

Non-current assets held for sale in the balance sheet or assets in disposal groups held for sale are listed as assets held for sale, and liabilities in disposal groups held for sale are listed as liabilities held for sale .

#### (XXIX) Termination of business

Discontinued operations are components that can be distinguished separately that meet one of the following conditions, and that component has been disposed of by the company or classified by the company as held for sale:

1. This component represents an independent main business or a separate main operating area;
2. This component is part of an associated plan to dispose of an independent principal business or a separate principal operating area;
3. This component is a subsidiary acquired specifically for resale.

## **V. Changes in Accounting Policies, Accounting Estimates and Correction of Errors**

### (I) Accounting policy change

Since January 1, 2019, the company has adopted the relevant provisions of the Ministry of Finance's Notice on the Revision and Issuance of the Format of General Corporate Financial Statements for 2019 (Caihui [2019] No. 6). The impact of changes in accounting policies is as follows:

Contents and reasons of changes in accounting policies	Affected report item names and amounts
The "notes and accounts receivable" is divided into notes receivable and accounts receivable	The amount of notes receivable listed at the closing balance is RMB 1,260,000.00, and the amount of bills receivable at the opening balance is RMB 1,008,000.00; The amount of accounts receivable listed at the closing balance is RMB 168,893,283.97, and the amount listed at the opening of the year is RMB 143,009,707.66 yuan.
"notes and accounts payable" is divided into note payable and accounts payable	The amount of notes payable listed at the closing balance is RMB 0.00, and the amount of notes payable at the beginning balance is 0.00 yuan; The amount at the closing balance is 7,020,708,910.59 yuan, and the amount listed at the beginning balance is 6,559,488,972.66 yuan.

(II) Accounting estimate change

None.

(III) Error correction in the prior periods

None.

## VI. Taxes

(I) Main tax category and tax rate

Category of tax	Tax base	Tax rate (%)
Value-added tax	Calculate output tax based on taxable income, and pay VAT based on the difference after deducting the input tax allowable in the current period; advance payment of housing is paid in advance at a 3% pre-collection rate. Projects before April 30, 2016 are calculated based on sales and a 5% levy rate.	16.00, 13.00, 10.00 6.00, 5.00, 3.00
Urban construction and maintenance tax	According to the actual turnover tax paid	7.00
Extra charges of education funds	According to the actual turnover tax paid	3.00
Local extra charges of education funds	According to the actual turnover tax paid	2.00
Construction cost of cultural undertakings	Billed sales from advertising services	3.00
Enterprise income tax	Taxable income	25.00
Land value-added tax	When paying in advance, the house will be paid in advance at a pre-levy rate of 6%, and when the real estate is transferred, the value-added amount obtained and the prescribed tax rate will be used.	6.00 30.00-60.00

(II) Tax incentives and government approvals

According to the "Notice of the Ministry of Finance and the State Administration of Taxation on

Continued Reduction and Exemption of Urban Land Use Tax Preferential Policies for Urban Rail Transit Systems for Urban Bus Stations, Road Passenger Stations," Caishui [2019] No. 11 Article 1: For Urban Bus Stations, Roads Passenger stations, urban rail transit system operation land, urban land use tax exemption, exemption period from January 1, 2019 to December 31, 2021.

According to the "Zhengzhou Municipal People's Government's Reply on Zhengzhou Rail Transit Co., Ltd. Rail Transit Real Estate Tax Relevant Situation" Zheng Zheng Han [2018] No. 183: According to the "Zhengzhou Municipal Government's Implementation Opinions on Priority Development of Urban Public Transport" Notice (Zheng Zhengwen [2007] No. 163) in the spirit of applying the "tax and fee reduction policy for urban public transport enterprises" clauses to rail transit, combining the characteristics of large scale investment, long construction period, and serious operating losses in the rail transit industry, agreeing Zhengzhou Rail Transit Co., Ltd. is exempt from real estate tax for taxable real estate since the construction of Rail Transit Line 1 and subsequent lines (only for own use).

According to the Announcement of the Ministry of Finance and the State Administration of Taxation on the Tax Preferential Policies for Public Rental Housing (Cai Shui [2019] No. 61) Article 1: The land used during the construction of public rental housing and the land occupied after the completion of public rental housing are exempt from urban land use tax. . Article 2: The public rental housing business management units are exempted from stamp duty involved in the construction and management of public rental housing. Article 3: Purchase of housing by public rental housing management units as public rental housing is exempt from deed tax and stamp tax; both parties to public rental housing are exempt from stamp tax involved in signing the lease agreement. Article 7: Public rental housing is exempt from property tax. The rental income obtained from operating public rental housing is exempt from VAT. Public rental housing operation and management units shall separately calculate the rental income of public rental housing. Those who do not separately calculate shall not enjoy the preferential policies of exemption from value-added tax and real estate tax. The implementation period is from January 1, 2019 to December 31, 2020. The company has filed tax reduction and exemption for value-added tax, land use tax, stamp duty, and real estate tax with the competent tax authority. The period of tax reduction and exemption is from January 1, 2019 to December 31, 2020.

## VII. Business combinations and consolidated financial statements

Subsidiary information:

Number	Name	Level	Type	Registered address	Principal business address
1	Zhengzhou Rail Transit Real Estate Co., Ltd.	2	Limited liability company	Zhengzhou	Zhengzhou

2	Zhengzhou Rail Transit Design and Research Institute Co., Ltd.	2	Other limited liability company	Zhengzhou	Zhengzhou
3	Zhengzhou Metro Group Yijia Industrial Co., Ltd.	2	Limited liability company	Zhengzhou	Zhengzhou

(continued)

Business Nature	Paid-in capital	Shareholding ratio (%)	Voting ratio(%)	Investment	How to get
Real estate development and management	1,000,000,000.00	100.00	100.00	1,000,000,000.00	Investment
Design and consultation of municipal, construction and other related industries	5,000,000.00	51.00	51.00	2,550,000.00	Investment
Business services	0.00	100.00	100.00	0.00	Investment

## VIII. Notes to important items in consolidated financial statements

### (I) Cash and cash equivalents

Item	Closing balance	Opening balance
Cash on hand	61,966.07	79,830.88
Deposit in bank	16,116,663,019.53	12,550,741,099.84
Other cash and cash equivalents	3,011,909.09	21,927,853.95
<b>Total</b>	<b>16,119,736,894.69</b>	<b>12,572,748,784.67</b>

Note: As of December 31, 2019, the other currency funds are in-flight tickets and cloud purchase tickets.

### (II) Notes Receivable

#### 1. Classification of notes receivable

Type	Closing balance			Opening balance		
	Book balance	Proportion	Book value	Book balance	Proportion	Book value
Bank acceptance						
Trade acceptance	1,260,000.00		1,260,000.00	1,008,000.00		1,008,000.00
<b>Total</b>	<b>1,260,000.00</b>		<b>1,260,000.00</b>	<b>1,008,000.00</b>		<b>1,008,000.00</b>

Note: As of December 31, 2019, the company did not have any bills receivable that had been pledged, endorsed or discounted but had not yet expired at the balance sheet date, and the bills had not been fulfilled and the bills were transferred to the accounts receivable.

## (III) Accounts receivables

Type	Closing amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Receivables that are individually significant and for which bad debt provision has been individually assessed				
Receivables which bad debt provision has been assessed by credit risk portfolio	<u>171,061,453.58</u>	<u>100.00</u>	<u>2,168,169.61</u>	<u>1.27</u>
Including: Aging Analysis Portfolio	7,525,642.20	4.40	2,168,169.61	28.81
Other Portfolio	163,535,811.38	95.60		
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually				
<u>Total</u>	<u>171,061,453.58</u>	<u>100.00</u>	<u>2,168,169.61</u>	

(Continued)

Type	Opening amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Receivables that are individually significant and for which bad debt provision has been individually assessed				
Receivables which bad debt provision has been assessed by credit risk portfolio	<u>146,200,785.68</u>	<u>100.00</u>	<u>3,191,078.02</u>	<u>2.18</u>
Including: Aging Analysis Portfolio	28,264,560.42	19.33	3,191,078.02	11.29
Other Portfolio	117,936,225.26	80.67		
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually				
<u>Total</u>	<u>146,200,785.68</u>	<u>100.00</u>	<u>3,191,078.02</u>	

1. Receivables which bad debt provision has been assessed by credit risk portfolio

(1) Receivables which bad debts are provided by aging analysis method

Aging	Closing amount			Opening amount		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year (including, the same below)	5,119,892.12	68.03	255,994.60	11,811,560.42	41.79	590,578.02
1-2 years	17,750.08	0.24	1,775.01	14,065,000.00	49.76	1,406,500.00
2-3 years						
More than 3 years	2,388,000.00	31.73	1,910,400.00	2,388,000.00	8.45	1,194,000.00
<u>Total</u>	<u>7,525,642.20</u>	<u>100.00</u>	<u>2,168,169.61</u>	<u>28,264,560.42</u>	<u>100.00</u>	<u>3,191,078.02</u>

(2) Receivables which bad debts are provided by other analysis method

Type	Closing amount			Opening amount		
	Book balance	Proportion (%)	Bad debt provision	Book balance	Proportion (%)	Bad debt provision
Other	163,535,811.38	100.00		117,936,225.26	100.00	
<u>Total</u>	<u>163,535,811.38</u>	<u>100.00</u>		<u>117,936,225.26</u>	<u>100.00</u>	

2. Top five accounts receivable by the debtors at the end of year

Debtor's name	Book balance	Total percentage (%) to the receivables	Bad debt provision
Zhengzhou City Card Co., Ltd.	97,937,421.22	57.25	
Zhengzhou Development Investment Group Co., Ltd.	56,649,219.11	33.12	
Zhengzhou Branch of Shanghai Pudong Development Bank Co., Ltd.	7,708,066.42	4.51	
Zhengzhou Television	2,388,000.00	1.40	1,910,400.00
Henan Daily Newspaper Industry Group Co., Ltd.	1,999,064.98	1.17	99,953.25
<u>Total</u>	<u>166,681,771.73</u>	<u>97.45</u>	<u>2,010,353.25</u>

## (IV) Prepayment

## 1. Presented by aging

Aging	Closing amount			Opening amount		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year (including 1 year)	28,130,472.48	60.46		83,650,626.15	89.93	
1-2 years (including 2 years)	9,855,961.26	21.18		7,401,499.34	7.96	
2-3 years (including 3 years)	7,193,010.77	15.46		1,966,132.40	2.11	
More than 3 years	1,349,020.00	2.90				
<b>Total</b>	<b>46,528,464.51</b>	<b>100.00</b>		<b>93,018,257.89</b>	<b>100.00</b>	

## 2. Information of large amount of payment with the aging over 1 year

Name of creditor	Name of debtor	Closing balance	Aging	Reason for unsettlement
Zhengzhou Metro Group Co., Ltd.	Xinyang Chengfeng Road & Bridge Engineering Co., Ltd.	5,599,357.61	1-2 years: RMB 2,415,020.27; 2-3 years: RMB 3,184,337.34	Not settled yet
Zhengzhou Metro Group Co., Ltd.	China Railway Sixth Survey and Design Institute Group Co., Ltd.	5,449,870.00	1-2 years	Not settled yet
Zhengzhou Metro Group Co., Ltd.	Henan Huihuang Technology Co., Ltd.	1,752,448.88	1-2 years: RMB 575,090.38; 2-3 years: RMB 1,177,358.50	Not settled yet
	<b>Total</b>	<b>12,801,676.49</b>		

## 3. Top five prepayment by the debtors at the end of year

Debtor's name	Book balance	Total percentage (%) to prepayment	Bad debt provision
Xinyang Chengfeng Road & Bridge Engineering Co., Ltd.	5,599,357.61	12.03	
China Railway Sixth Survey and Design Institute Group Co., Ltd.	5,449,870.00	11.71	
State Grid Henan Power Company Zhengzhou Power Supply Company	5,042,175.04	10.84	
Beijing Urban Rail Transit Consulting	3,680,000.00	7.91	

Debtor's name	Book balance	Total percentage (%) to prepayment	Bad debt provision
Co., Ltd.			
Zhengzhou China Resources Gas Co., Ltd.	3,334,169.74	7.17	
<u>Total</u>	<u>23,105,572.39</u>	<u>49.66</u>	

(V) Other receivables

Item	Closing balance	Opening balance
Interest receivable		
Dividends receivable		
Other receivables	4,471,774,431.42	2,773,891,181.54
<u>Total</u>	<u>4,471,774,431.42</u>	<u>2,773,891,181.54</u>

1. Other receivables

Type	Closing amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually				
Other receivables which bad debt provision has been assessed by credit risk portfolio	<u>4,472,849,256.99</u>	<u>100.00</u>	<u>1,074,825.57</u>	<u>0.02</u>
Including: Aging Analysis Portfolio	16,294,737.75	0.36	1,074,825.57	6.60
Other Portfolio	4,456,554,519.24	99.64		
Other receivables that are individually insignificant but for which bad debt provision has been assessed individually				
<u>Total</u>	<u>4,472,849,256.99</u>	<u>100.00</u>	<u>1,074,825.57</u>	

(Continued)

Type	Opening amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually				



Type	Opening amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables which bad debt provision has been assessed by credit risk portfolio	<u>2,774,593,150.00</u>	<u>100.00</u>	<u>701,968.46</u>	<u>0.03</u>
Including: Aging Analysis Portfolio	5,841,062.33	0.21	701,968.46	12.02
Other Portfolio	2,768,752,087.67	99.79		
Other receivables that are individually insignificant but for which bad debt provision has been assessed individually				
<u>Total</u>	<u>2,774,593,150.00</u>	<u>100.00</u>	<u>701,968.46</u>	

(1) Other receivables which bad debt provision has been assessed by credit risk portfolio

① Other receivables for which bad debt provision has been assessed by aging analysis method

Aging	Closing amount			Opening amount		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year (including 1 year)	12,357,783.10	75.84	617,889.16	4,680,745.63	80.14	234,037.28
1-2 years(including 2 years)	3,304,545.13	20.28	330,454.51	657,603.12	11.26	65,760.31
1-2 years(including 3 years)	632,409.52	3.88	126,481.90			
More than 3 years				502,713.58	8.61	402,170.87
<u>Total</u>	<u>16,294,737.75</u>	<u>100.00</u>	<u>1,074,825.57</u>	<u>2,162,999.41</u>	<u>100.00</u>	<u>701,968.46</u>

② Other receivables which bad debts are provided by other portfolio method

Type	Closing amount			Opening amount		
	Book balance	Proportion (%)	Bad debt provision	Book balance	Proportion (%)	Bad debt provision
Other	4,456,554,519.24	100.00		2,768,752,087.67	100.00	
<u>Total</u>	<u>4,456,554,519.24</u>	<u>100.00</u>		<u>2,768,752,087.67</u>	<u>100.00</u>	

## (2) Top five other receivables by the debtors at the end of year

Debtor's name	Nature of the amount	Book balance	Aging	Percentage to other receivables (%)	Bad debt provision
Zhengzhou Finance Bureau	Financial discount	3,944,366,743.82	Within 1 year: RMB: 1,260,369,312.72; 1-2 years: RMB 1,224,782,205.30; 2-3 years: RMB 1,074,066,975.46; 3-4 years: RMB 385,148,250.34.	88.18	
Zhengzhou Railway Bureau	Current accounts	412,950,000.00	2-3 years	9.23	
ICBC Financial Leasing Co., Ltd.	Margin	50,000,000.00	2-3 years	1.12	
Bank of Communications Financial Leasing Co., Ltd.	Margin	30,000,000.00	2-3 years	0.67	
Shanghai Beidouxing Landscape Design Engineering Co., Ltd.	Collection and payment	3,800,000.00	Within 1 year	0.08	190,000.00
<b>Total</b>		<b>4,441,116,743.82</b>		<b>99.28</b>	<b>190,000.00</b>

## (3) The company should disclosure receivables involving government subsidies

Name	Name of project	Closing balance	Aging	Estimated time, amount and basis
Zhengzhou Finance Bureau	Financial discount	3,944,366,743.82	Within 1 year: RMB 1,260,369,312.72; 1-2 years: RMB 1,224,782,205.30; 2-3 years: RMB 1,074,066,975.46; 3-4 years: RMB 385,148,250.34.	
<b>Total</b>		<b>3,944,366,743.82</b>		

Note: According to the regulations of the People's Government of Zhengzhou City on Printing and Distributing Administrative Measures for the Raising and Utilization of Special Funds for Public Transport Infrastructure Construction and Development in Zhengzhou City (Zheng Zhengwen [2015] No. 113), the company shall, according to the current year, before December 1, The operating loss, project investment and debt repayment plan for the next year, etc., calculate the special fund requirements for the next year and submit them to the Municipal Finance Bureau and the Municipal Development and Reform Commission for review. Based on the results of the audit, the company submits a special fund utilization plan to Zhengzhou Finance Bureau on a quarterly basis. The Zhengzhou Municipal Finance Bureau

allocated funds to the company's account in a timely manner based on the audited fund use plan and the collection of special funds. Because the generation of interest does not match the submission, review, and disbursement of special funds in time, the company temporarily suspends the expense of the interest on subway line borrowings, which is not included in the current profit and loss. After the special funds are disbursed, the interest on the account is gradually digested.

## (VI) Inventory

### 1. Classification of inventory

Item	Closing amount			Closing amount		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Raw materials	97,986,041.53		97,986,041.53	54,573,447.43		54,573,447.43
Stock items	138,370.83		138,370.83	144,215,777.01		144,215,777.01
Reusable materials	191,123.91		191,123.91	22,518.48		22,518.48
Development costs	706,862,830.00		706,862,830.00	161,695,631.38		161,695,631.38
<b>Total</b>	<b>805,178,366.27</b>		<b>805,178,366.27</b>	<b>360,507,374.30</b>		<b>360,507,374.30</b>

### 2. Breakdown of development costs

Item	Start time	Estimated total investment	Opening amount	Closing amount
Huanghe Road Project	2018.03.16	273,790,000.00	9,808,907.44	58,483,487.69
Tongbai Road Project			1,004,433.00	138,737.00
Zheng Rail Fashion Xiyuan Project	2018.03.16	156,360,000.00	70,528,787.76	70,939,114.20
Yijiayuan Project	2016.04.29		80,139,616.97	186,396,092.69
Shanghai property project			213,886.21	402,565.46
Jingwei Huayue Plaza Project		500,000,000.00		390,502,832.96
<b>Total</b>			<b>161,695,631.38</b>	<b>706,862,830.00</b>

Note 1: The Tongbai Road project has been suspended.

Note 2: According to Article 5 of the “Zhengzhou East Railway Station West Plaza Underground Space Project Asset Package Disposal Contract” on December 20, 2018: “The Zhengdong Management

Committee and Zhengzhou Rail Transit Co., Ltd. will sign an asset purchase contract and will The assets were changed to the Zhengdong New Area Management Committee. All the procedures for nationalization and replacement of the completed structures were completed. Within 10 days after the two parties signed the asset purchase contract, Zhengzhou Rail Transit Co., Ltd. has handed over the assets to the Zhengdong New Area Management Committee. The meeting may entrust the rail transit to implement the escrow. "

Jingwei Huayue Plaza Project (formerly Zhengzhou East Railway Station West Plaza Underground Space Project) signed the "State-owned Construction Land Use Right Transfer Contract" on August 15, 2019. The transfer parcel is located in the south of Dongzhan North Street and east of Xinyi Road (underground space). The transferor Zhengzhou Natural Resources and Planning Bureau agreed to transfer the parcel of parcel to the transferee by February 15, 2020. The supplementary provisions stipulate that the parcel transfer price does not include the asset package price. The asset package is transferred with the land for 27,804,276,029 yuan, and the collection and other related responsibilities of the asset package price are the responsibility of the Zhengdong New District Management Committee. And on October 16, 2019, he obtained the Henan Provincial Enterprise Investment Project Filing Certificate, project code: 201941015403056239.

(VII) Other current assets

Item	Closing balance	Opening balance
VAT credit	4,229,864,270.17	3,708,032,529.29
Prepaid corporate income tax	9,378,451.19	
Prepaid land appreciation tax	19,725,059.66	
Prepaid other taxes	18,016.75	
Entrusted Loan		20,905,274.19
Less: loss of entrusted loans		20,905,274.19
<u>Total</u>	<u>4,258,985,797.77</u>	<u>3,708,032,529.29</u>

(VIII) Available-for-sale financial assets

1. Breakdown of Available-for-sale financial assets

Item	Closing amount			Opening amount		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale equity instruments	<u>5,000,000.00</u>		<u>5,000,000.00</u>	<u>5,000,000.00</u>		<u>5,000,000.00</u>
Including: Cost-based	5,000,000.00		5,000,000.00	5,000,000.00		5,000,000.00
<u>Total</u>	<u>5,000,000.00</u>		<u>5,000,000.00</u>	<u>5,000,000.00</u>		<u>5,000,000.00</u>

Note: On May 27, 2013, the company contributed RMB 5,000,000.00 to Zhengzhou City Card Co., Ltd., accounting for available-for-sale financial assets.

(IX) Long-term equity investment

1. Classification of long-term equity investment

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Investment in associates	7,000,000.00	53,310,000.00		60,310,000.00
Investment in other companies	5,862,910,000.00	352,680,000.00		6,215,590,000.00
<u>Subtotal</u>	<u>5,869,910,000.00</u>	<u>405,990,000.00</u>		<u>6,275,900,000.00</u>
Less: Provision for impairment of long-term equity investments				
<u>Total</u>	<u>5,869,910,000.00</u>	<u>405,990,000.00</u>		<u>6,275,900,000.00</u>

2. Breakdown of long-term equity investment

Invested entity	Opening balance	Changes in the current period	Closing balance	Impairment provision
I. Associates				
Henan Luji Holding Co., Ltd.	7,000,000.00		7,000,000.00	
Zhengzhou Zhongjian Shenzhen Railway Transportation Co., Ltd.		53,310,000.00	53,310,000.00	
II. other enterprises				
Henan Railway Investment Co., Ltd.	4,302,910,000.00	352,680,000.00	4,655,590,000.00	
Zhengzhou Airport Intercity Railway Co., Ltd.	1,560,000,000.00		1,560,000,000.00	
<u>Total</u>	<u>5,869,910,000.00</u>	<u>405,990,000.00</u>	<u>6,275,900,000.00</u>	

Note 1: With the approval of the People's Government of Zhengzhou, since November 6, 2015, all similar businesses such as new intercity railways and trunk railways will be performed by the Municipal Railroad Company (the Company) on behalf of the municipal government.

Note 2: According to the Henan Provincial Development and Reform Commission's "Notice on Issuing the Investment Plan for the First Batch of Railway Projects in Henan Province in 2018" (Yufa Reform Investment [2018] No. 297), and "On the Issuance of the Second Batch of Railways in Henan Province in 2018" Notice of the Project Investment Plan (Yu Fa Gai Investment [2018] No. 505) stipulated that the company allocated railway project construction funds to Henan Railway

Investment Co., Ltd. and Henan Zhengzhou Airport Intercity Railway Co., Ltd.

Note 3: On October 19, 2019, the Japanese company and China Construction Co., Ltd., Shenzhen Metro Group Co., Ltd., and Shenzhen Qianhai Infrastructure Investment Fund Management Co., Ltd. signed the "Zhengzhou Rail Transit Engineering Line 3 Phase I Project PPP Project Shareholder Conference Agreement", the establishment of Zhengzhou Zhongjian Shenzhen Railway Rail Transit Co., Ltd., the company's registered capital of RMB 1,000.00 million. The company invested RMB 100.00 million in currency, accounting for 10% of the registered capital. As of December 31, 2019, the company paid RMB 53.31 million.

(X) Investment properties

1. Investment properties measured at cost

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Total original book value	<u>131,212,793.92</u>	<u>18,868,791.65</u>		<u>150,081,585.57</u>
Including: 1. Houses and buildings	131,212,793.92	18,868,791.65		150,081,585.57
II. Total accumulated depreciation and amortization	<u>3,753,640.67</u>	<u>2,213,931.48</u>		<u>5,967,572.15</u>
Including: 1. Houses and buildings	3,753,640.67	2,213,931.48		5,967,572.15
III. Total net book value	<u>127,459,153.25</u>			<u>144,114,013.42</u>
Including: 1. Houses and buildings	127,459,153.25			144,114,013.42
IV. Total accumulated provision for impairment				
Including: 1. Houses and buildings				
V. Total book value	<u>127,459,153.25</u>			<u>144,114,013.42</u>
Including: 1. Houses and buildings	127,459,153.25			144,114,013.42

2. Disclosure of the reason and book value for investment property not being able to obtain the property right certificate

Item	Book value	Reason for investment property not being able to obtain the property right certificate
Rombang Public Rental Housing and Underground Garage	142,325,403.40	Land certificate is not divided

Item	Book value	Reason for investment property not being able to obtain the property right certificate
No. 10 Huanghe Road	1,788,610.02	Pending

(XI) Fixed assets

Item	Closing book value	Opening book value
Fixed assets	37,353,151,265.52	35,677,327,104.04
Liquidation of fixed assets	2,370.00	
<b>Total</b>	<b><u>37,353,153,635.52</u></b>	<b><u>35,677,327,104.04</u></b>

1. Fixed assets' details

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Total original book value	<u>35,726,195,673.84</u>	<u>1,812,968,445.13</u>	<u>123,256,446.59</u>	<u>37,415,907,672.38</u>
Including: House and building	429,224.39			429,224.39
Mechanical equipment	24,330,844.13	13,869,770.85	3,592,112.60	34,608,502.38
Transportation	43,645,038.12	37,762,679.84	32,541,154.70	48,866,563.26
Office equipment & other	46,521,649.68	42,151,044.77	18,667,924.84	70,004,769.61
Subway lines	35,611,268,917.52	1,719,184,949.67	68,455,254.45	37,261,998,612.74
II. Total accumulated depreciation	<u>48,868,569.80</u>	<u>25,228,480.99</u>	<u>11,340,643.93</u>	<u>62,756,406.86</u>
Including: House and building	374,466.94	41,880.69		416,347.63
Mechanical equipment	13,933,974.80	4,243,850.55	769,830.09	17,407,995.26
Transportation	11,027,583.13	4,033,493.76	986,947.85	14,074,129.04
Office equipment & other	23,532,544.93	16,909,255.99	9,583,865.99	30,857,934.93
Subway lines				
III. Total net book value	<u>35,677,327,104.04</u>			<u>37,353,151,265.52</u>
Including: House and building	54,757.45			12,876.76
Mechanical equipment	10,396,869.33			17,200,507.12
Transportation	32,617,454.99			34,792,434.22
Office equipment & other	22,989,104.75			39,146,834.68
Subway lines	35,611,268,917.52			37,261,998,612.74
IV. Total impairment provision				

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Including: House and building				
Mechanical equipment				
Transportation				
Office equipment & other				
Subway lines				
V. Total book value	<u>35,677,327,104.04</u>			<u>37,353,151,265.52</u>
Including: House and building	54,757.45			12,876.76
Mechanical equipment	10,396,869.33			17,200,507.12
Transportation	32,617,454.99			34,792,434.22
Office equipment & other	22,989,104.75			39,146,834.68
Subway lines	35,611,268,917.52			37,261,998,612.74

## 2. Financial lease fixed assets formed through sale and leaseback

The total amount of the financial lease fixed asset invoices formed through sale and leaseback was RMB 3,125.175 million

(1) In 2012, the company signed a financial lease contract with ICBC Financial Leasing Co., Ltd., which sold and leased back the relevant assets of the company's line 1 project in the first phase. In 2014 and 2015, it adjusted the financial lease contract twice and adjusted the invoices for leased items. The amount was RMB 2,011.1026 million. In 2012, the first financing lease principal of 1,000.00 million was received, with an annual lease rate of 7.205%. The term is from August 23, 2012 to August 15, 2022. In 2014, the second financing lease principal of 1,000.00 million yuan was received, with an annual lease rate of 7.205%, and the term was May 27, 2014 to May 27, 2024. The 2015 supplementary agreement stipulates that the lease rate shall be calculated based on a 3% increase in the benchmark interest rate for loans over five years in RMB announced by the People's Bank of China.

At the same time, the company signed a pledge contract with ICBC Financial Leasing Co., Ltd., which will provide the Zhengzhou City Finance Bureau with the subway construction funds to pay special accounts for the rail transit "disbursement of special account income rights" to provide pledge guarantees.

(2) In 2014, the company signed a financial leasing contract with Bank of Communications Financial Leasing Co., Ltd. to lease back the relevant assets of the company's line 1 phase I project., the amount of the invoice for the leased property was RMB 1,114.0724 million. In 2014, the principal of the



financial lease was received 1,000.00 million yuan. The annual lease rate is the benchmark interest rate of the bank during the same period, and the term is January 27, 2014, August 15, 2023.

### 3. Liquidation of fixed assets

Item	Closing book value	Opening book value	Reason
Office equipment & other	2,370.00		scrapped
<u>Total</u>	<u>2,370.00</u>		

### (XII) Construction in progress

Item	Closing balance		
	Book balance	Bad debt provision	Book value
Zhengzhou East Station West Square Underground Space Project			
Suburban Line Phase II	2,103,687,266.10		2,103,687,266.10
Purchase of electric buses for Phase 1 of Line 1			
Line 2 Phase 2	4,201,391,824.97		4,201,391,824.97
Line 3 Phase I	11,342,248,751.87		11,342,248,751.87
Line 3 Phase 2	97,684,583.08		97,684,583.08
Line 4	8,760,753,727.68		8,760,753,727.68
Line 5	22,919,244,319.45		22,919,244,319.45
Line 6	1,674,077,631.49		1,674,077,631.49
Line 7 Phase 1	244,725,330.17		244,725,330.17
Line 8 Phase I	652,962,115.03		652,962,115.03
Line 9 Phase 2	86,539,051.05		86,539,051.05
Line 10	2,818,039,122.20		2,818,039,122.20
Line 11	65,702,937.06		65,702,937.06
Line 12	53,186,684.47		53,186,684.47
Line 14	152,321,917.94		152,321,917.94
Zhengzhou section of the railway from the port area to Xuchang	3,647,622,485.16		3,647,622,485.16
Citizen Cultural Service Area Underground Traffic Project	3,653,761,197.84		3,653,761,197.84

Municipal Controlled Node Project	7,124,188,233.08		7,124,188,233.08
Second dispatch center	9,649,738.85		9,649,738.85
Zhengzhou-Jinan Railway (Zhengzhou-Liyang Section) Yellow River Bridge Project	552,750,000.00		552,750,000.00
Others	123,279,128.63		123,279,128.63
<u>Total</u>	<u>70,283,816,046.12</u>		<u>70,283,816,046.12</u>

(Continued)

Item	Opening balance		
	Book balance	Bad debt provision	Book value
Zhengzhou East Station West Square Underground Space Project	231,303,159.32		231,303,159.32
Suburban Line Phase II	1,503,162,477.94		1,503,162,477.94
Purchase of electric buses for Phase 1 of Line 1	579,232,816.66		579,232,816.66
Line 2 Phase 2	2,736,205,138.77		2,736,205,138.77
Line 3 Phase I	8,455,570,023.24		8,455,570,023.24
Line 3 Phase 2	86,845,687.09		86,845,687.09
Line 4	5,972,866,388.86		5,972,866,388.86
Line 5	18,307,818,018.22		18,307,818,018.22
Line 6	865,189,961.02		865,189,961.02
Line 7 Phase 1	156,399,158.86		156,399,158.86
Line 8 Phase I	536,163,725.95		536,163,725.95
Line 9 Phase 2	76,939,643.04		76,939,643.04
Line 10	1,440,826,994.45		1,440,826,994.45
Line 11	61,405,624.00		61,405,624.00
Line 12	43,880,330.92		43,880,330.92
Line 14	54,430,763.31		54,430,763.31
Zhengzhou section of the railway from the port area to Xuchang	1,247,478,976.27		1,247,478,976.27
Citizen Cultural Service Area Underground Traffic Project	2,414,667,119.41		2,414,667,119.41
Municipal Controlled Node Project	6,083,606,005.80		6,083,606,005.80

Second dispatch center			
Zhengzhou-Jinan Railway (Zhengzhou-Liyang Section) Yellow River Bridge Project	251,250,000.00		251,250,000.00
Others	83,814,367.22		83,814,367.22
<u>Total</u>	<u>51,189,056,380.35</u>		<u>51,189,056,380.35</u>

Changes in important construction projects in the current period

Item	Opening balance	Increase in the current period	Amount transferred to fixed assets in this period	Other decrease	Closing balance	Total accumulated interest capitalization	Including: amount of interest capitalized in the period	Sources of funds
Zhengzhou East Station West Square Underground Space Project	231,303,159.32			231,303,159.32			-28,685,085.45	Loan
Suburban Line Phase I		836,096,210.92	836,096,210.92			281,893,155.53		Financial appropriation & Self-raised
Suburban Line Phase II	1,503,162,477.94	600,524,788.16			2,103,687,266.10	165,961,265.67	90,571,372.15	Financial appropriation & Self-raised
Purchase of electric buses for Phase 1 of Line 1	579,232,816.66		571,811,216.22	7,421,600.44		1,454,386,046.78		Financial appropriation & Self-raised
Line 1 Phase 2		228,086,204.81	228,086,204.81			155,839,001.10		Financial appropriation & Self-raised
Line 2 Phase I		83,191,317.72	83,191,317.72			1,191,429,521.42		Financial appropriation & Self-raised

Item	Opening balance	Increase in the current period	Amount transferred to fixed assets in this period	Other decrease	Closing balance	Total accumulated interest capitalization	Including: amount of interest capitalized in the period	Sources of funds
Line 2 Phase 2	2,736,205,138.77	1,465,186,686.20			4,201,391,824.97	259,741,744.12	128,429,982.08	Financial appropriation & Self-raised
Line 3 Phase I	8,455,570,023.24	2,886,678,728.63			11,342,248,751.87	842,099,595.57	349,074,045.00	Financial appropriation & Self-raised
Line 3 Phase 2	86,845,687.09	10,838,895.99			97,684,583.08	7,668,843.34	3,367,719.76	Financial appropriation & Self-raised
Line 4	5,972,866,388.86	2,787,887,338.82			8,760,753,727.68	583,875,561.86	271,207,631.02	Financial appropriation & Self-raised
Line 5	18,307,818,018.22	4,613,311,741.00		1,885,439.77	22,919,244,319.45	1,810,675,970.20	659,429,955.92	Financial appropriation & Self-raised
Line 6	865,189,961.02	808,887,670.47			1,674,077,631.49	104,332,030.54	57,094,977.54	Financial appropriation & Self-raised

Item	Opening balance	Increase in the current period	Amount transferred to fixed assets in this period	Other decrease	Closing balance	Total accumulated interest capitalization	Including: amount of interest capitalized in the period	Sources of funds
Line 7 Phase 1	156,399,158.86	88,326,171.31			244,725,330.17	14,627,595.57	7,348,364.47	Financial appropriation & Self-raised
Line 8 Phase I	536,163,725.95	116,798,389.08			652,962,115.03	51,162,660.39	21,882,583.91	Financial appropriation & Self-raised
Line 9 Phase 2	76,939,643.04	9,599,408.01			86,539,051.05	7,553,368.22	3,029,238.91	Financial appropriation & Self-raised
Line 10	1,440,826,994.45	1,377,212,127.75			2,818,039,122.20	164,785,828.19	93,818,200.59	Financial appropriation & Self-raised
Line 11	61,405,624.00	4,297,313.06			65,702,937.06	5,903,500.91	2,337,762.90	Financial appropriation & Self-raised
Line 12	43,880,330.92	9,306,353.55			53,186,684.47	3,468,423.80	1,839,706.30	Financial appropriation & Self-raised

Item	Opening balance	Increase in the current period	Amount transferred to fixed assets in this period	Other decrease	Closing balance	Total accumulated interest capitalization	Including: amount of interest capitalized in the period	Sources of funds
Line 14	54,430,763.31	97,891,154.63			152,321,917.94	6,565,883.97	4,563,151.64	Financial appropriation & Self-raised
Zhengzhou section of the railway from the port area to Xuchang	1,247,478,976.27	2,400,143,508.89			3,647,622,485.16	189,095,688.55	121,580,316.81	Financial appropriation & Self-raised
Citizen Cultural Service Area Underground Traffic Project	2,414,667,119.41	1,239,094,078.43			3,653,761,197.84	241,043,057.14	121,142,326.30	Financial appropriation & Self-raised
Municipal Controlled Routine Engineering	6,083,606,005.80	1,040,582,227.28			7,124,188,233.08	640,852,012.10	259,083,191.35	Financial appropriation & Self-raised
Second dispatch center		9,649,738.85			9,649,738.85	266,109.20	266,109.20	Financial appropriation & Self-raised
Zhengzhou-Jinan Railway (Zhengzhou-Liyang Section) Yellow River Bridge Project	251,250,000.00	301,500,000.00			552,750,000.00			Financial appropriation

Item	Opening balance	Increase in the current period	Amount transferred to fixed assets in this period	Other decrease	Closing balance	Total accumulated interest capitalization	Including: amount of interest capitalized in the period	Sources of funds
other	83,814,367.22	39,495,732.29		30,970.88	123,279,128.63			Financial appropriation & Self-raised
<u>Total</u>	<u>51,189,056,380.35</u>	<u>21,054,585,785.85</u>	<u>1,719,184,949.67</u>	<u>240,641,170.41</u>	<u>70,283,816,046.12</u>	<u>8,183,226,864.17</u>	<u>2,167,381,550.40</u>	



## (XIII) Intangible assets

## 1. Classification of intangible assets

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Total original value	<u>6,935,976.27</u>	<u>73,948,178.89</u>		<u>80,884,155.16</u>
Including: software	6,935,976.27	1,223,561.66		8,159,537.93
Land-use right		72,724,617.23		72,724,617.23
II. Total accumulated amortization	<u>2,120,936.39</u>	<u>744,419.37</u>		<u>2,865,355.76</u>
Including: software	2,120,936.39	744,419.37		2,865,355.76
Land-use right				
III. Total accumulated impairment provision				
Including: software				
Land-use right				
IV. Total book value	<u>4,815,039.88</u>			<u>78,018,799.40</u>
Including: software	4,815,039.88			5,294,182.17
Land-use right				72,724,617.23

## (XIV) Deferred tax assets and deferred tax liabilities

## 1. Deferred tax assets and deferred tax liabilities not listed in offset net amount

Item	Closing balance		Opening balance	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Impairment of assets	14,702.65	147,026.48		
<u>Total</u>	<u>14,702.65</u>	<u>147,026.48</u>		

## (XV) Other non-current assets

Item	Closing balance	Opening Balance
Prepaid project money	1,669,423,728.09	4,026,575,261.78
Other advances to form long-term assets	1,694,365,365.86	1,279,670,000.00
Prepaid land use right payments		36,133,609.00
<u>Total</u>	<u>3,363,789,093.95</u>	<u>5,342,378,870.78</u>

## (XVI) Short-term loans

Item	Closing balance	Opening Balance
Credit Loan	2,000,000,000.00	
<u>Total</u>	<u>2,000,000,000.00</u>	

## (XVII) Account Payables

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	6,155,273,245.02	4,776,577,920.49
1-2 years (including 2 years)	495,239,151.60	1,166,905,363.26
2-3 years (including 3 years)	334,168,609.81	262,757,429.00
More than 3 years	36,027,904.16	353,248,259.91
<u>Total</u>	<u>7,020,708,910.59</u>	<u>6,559,488,972.66</u>

Important accounts payable with an age of over 1 year:

Creditor's Name	Closing balance	Aging	Reason for unpaid
Shanghai Tunnel Engineering Co., Ltd.	106,925,170.25	2-3 years	Not settled yet
Founder International Software (Beijing) Co., Ltd.	35,191,025.89	Within 1 year:RMB 20,809,880.92; 1-2 years: RMB 14,381,144.97.	Not settled yet
Beijing aspect mechanical and electrical technology development company	21,955,126.21	2-3 years	Not settled yet
Zhejiang Zhonghe Technology Co., Ltd.	21,929,096.66	Within 1 year:RMB 7,335,128.97; 2-3 years: RMB 14,593,967.69.	Not settled yet
Zhuzhou Siemens Traction Equipment Co., Ltd.	19,349,816.80	1-2 years: RMB 3,855,124.98; 2-3 years: RMB 15,494,691.82.	Not settled yet
<u>Total</u>	<u>205,350,235.81</u>		

## (XVIII) Receipt in advance

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	42,676,509.51	74,597,536.40
More than 1 year	34,918,698.00	11,026,441.00
<u>Total</u>	<u>77,595,207.51</u>	<u>85,623,977.40</u>

## (XIX) Employee benefits payable

## 1. Employee benefits payable

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term compensation	40,874,928.06	1,467,102,823.22	1,201,651,021.00	306,326,730.28
II. Post-employment benefits-defined contribution plans	315,605.10	207,502,348.29	124,107,253.43	83,710,699.96
III. Dismissal welfare		36,412.27	36,412.27	
IV. Post-employment benefits - defined benefit plans due within one year				
V. Other welfare				
<u>Total</u>	<u>41,190,533.16</u>	<u>1,674,641,583.78</u>	<u>1,325,794,686.70</u>	<u>390,037,430.24</u>

## 2. Short-term compensation

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Wage, bonus, allowance and grant	1,454,886.49	1,197,420,555.75	954,039,588.57	244,835,853.67
II. Employee welfare	395,251.99	76,246,134.32	76,641,386.31	
III. Social insurance expenses	121,347.24	67,238,043.65	67,258,488.85	100,902.04
Including: 1. Medical insurance premium		56,638,663.27	56,638,171.24	492.03
2. Work injury insurance premium	121,347.24	3,565,755.94	3,586,693.17	100,410.01
3. Maternity insurance premium		7,033,624.44	7,033,624.44	
4. Other				
IV. Housing fund	48,797.00	83,632,283.50	83,632,283.50	48,797.00
V. Labor union fee and employee education fee	38,854,645.34	42,565,806.00	20,079,273.77	61,341,177.57
VI. Short-term absence with pay				
VII. Short-term profits sharing plan				
VIII. Other short-term				

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
compensation				
<u>Total</u>	<u>40,874,928.06</u>	<u>1,467,102,823.22</u>	<u>1,201,651,021.00</u>	<u>306,326,730.28</u>

### 3. Post-employment benefits-defined contribution plans

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
I. Basic pension insurance premium	315,302.90	118,981,337.36	118,980,645.11	315,995.15
II. Unemployment insurance expense	302.20	5,140,370.93	5,126,608.32	14,064.81
III. Payment of corporate annuity		83,380,640.00		83,380,640.00
<u>Total</u>	<u>315,605.10</u>	<u>207,502,348.29</u>	<u>124,107,253.43</u>	<u>83,710,699.96</u>

### (XX) Taxes payable

Item	Opening balance	Payables in the current period	Amount paid in the current period	Closing balance
Value added tax	1,504,502.57	18,230,970.08	19,691,705.56	43,767.09
Enterprise income tax	40,701,028.12	9,591,944.85	50,292,972.97	
Land value added tax	49,438,659.17	19,725,059.66	69,163,718.83	
Urban construction and maintenance tax	266,244.13	1,112,981.49	1,376,376.99	2,848.63
property tax		334,309.10	313,108.58	21,200.52
Land use tax	34,008.11	302,746.11	192,733.90	144,020.32
Personal income tax	3,537,884.78	8,011,248.95	11,048,830.99	500,302.74
Education surcharge (including local education surcharge)	190,174.38	794,986.78	983,126.43	2,034.73
Stamp duty		6,611,451.57	6,611,451.57	
Other taxes		26,679,936.49	26,679,936.49	
<u>Total</u>	<u>95,672,501.26</u>	<u>91,395,635.08</u>	<u>186,353,962.31</u>	<u>714,174.03</u>

### (XXI) Other payables

Item	Closing balance	Opening balance
Interest payable	27,833,359.55	40,028,494.25

Dividend payable		
Other payables	258,973,102.18	253,368,404.16
<u>Total</u>	<u>286,806,461.73</u>	<u>293,396,898.41</u>

#### 1. Interest payable

Item	Closing balance	Opening balance
Supplements to long-term borrowings with maturity and still principal	16,063,096.14	15,745,109.43
Corporate bond rate		10,000,000.00
Interest payable on short-term loans		
Preference shares classified as financial debt \ Perpetual debt interest		
Other interest	11,770,263.41	14,283,384.82
<u>Total</u>	<u>27,833,359.55</u>	<u>40,028,494.25</u>

#### 2 Other payables

##### (1) Other payables presented as per nature of amount

Item	Closing balance	Opening balance
Security deposit	118,176,426.13	132,230,797.59
Up-front work costs	100,000,000.00	100,000,000.00
Insurance claims	4,659,626.66	5,506,567.14
Unpaid fees	36,137,049.39	12,254,393.47
Withholding tax pending settlement		3,376,645.96
<u>Total</u>	<u>258,973,102.18</u>	<u>253,368,404.16</u>

##### (2) Important other payables aged over 1 year

Creditor's Name	Closing balance	Reason for unpaid
Zhengzhou Rail Transit Engineering Jinshui District Project Coordination Headquarters	100,000,000.00	Not settled yet
China Pacific Property Insurance Co., Ltd. Henan Branch	8,465,059.39	Not settled yet
People's Insurance Company of China, Henan Branch	7,453,846.25	Not settled yet
Henan Wuyou Business Service Co., Ltd.	5,200,000.00	Not settled yet

China Ping An Property Insurance Co., Ltd. Henan Branch	4,719,620.85	Not settled yet
<u>Total</u>	<u>125,838,526.49</u>	

(XXII) Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term loans due within one year	4,102,140,690.33	180,319,582.00
Bonds payable due within one year		2,000,000,000.00
Long-term payables due within one year	343,703,776.51	338,371,439.53
Other long-term liabilities due within one year		5,291,996.05
<u>Total</u>	<u>4,445,844,466.84</u>	<u>2,523,983,017.58</u>

(XXIII) Long-term borrowings

Item	Closing balance	Opening balance	Period-end interest rate range (%)
Pledge loan	17,615,000,000.00	12,068,000,000.00	4.802-4.90
Credit loan	57,580,628,232.50	48,862,447,960.05	2.50-6.55
<u>Total</u>	<u>75,195,628,232.50</u>	<u>60,930,447,960.05</u>	

(XXIV) Bonds payable

1. Bonds payable

Item	Closing balance	Opening balance
Senior Unsecured Fixed Rate Notes	3,451,670,024.74	3,378,633,062.36
<u>Total</u>	<u>3,451,670,024.74</u>	<u>3,378,633,062.36</u>

2. Changes in bonds payable

Bond's name	Par value	Issue date	Bond maturity	Amount issued	Opening balance
Senior Unsecured Fixed Rate Notes	3,488,100,000.00	2018-12-20	3 years	3,459,427,818.00	3,378,633,062.36
<u>Total</u>	<u>3,488,100,000.00</u>			<u>3,459,427,818.00</u>	<u>3,378,633,062.36</u>

(Continued)

Bond's name	Issued this period	Interest at par value	Amortization	Repayment	Closing balance
Senior Unsecured Fixed Rate Notes	0.00	174,257,500.00	-36,429,975.26		3,451,670,024.74

Bond's name	Issued this period	Interest at par value	Amortization	Repayment	Closing balance
<u>Total</u>	<u>0.00</u>	<u>174,257,500.00</u>	<u>-36,429,975.26</u>		<u>3,451,670,024.74</u>

Note: Senior Unsecured Fixed Rate Notes is a bond issued by the company on the Stock Exchange of Hong Kong Limited with a principal of US \$ 500.00 million. The bond has a value date of December 20, 2018 and a maturity date of December 20, 2021. With a term of 3 years and a coupon rate of 5%, interest is paid on June 20 and December 20 each year, and interest is paid in US dollars. The funds obtained from the issuance of bonds will be used for the Group's domestic business development.

(XXV) Long-term payables

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Long-term payables	1,330,685,969.95		343,703,776.51	986,982,193.44
Special payables				
<u>Total</u>	<u>1,330,685,969.95</u>		<u>343,703,776.51</u>	<u>986,982,193.44</u>

1. Breakdown of long-term payables

Item	Closing balance	Opening balance
ICBC Financial Leasing Co., Ltd.	831,250,001.05	1,058,750,000.81
Bank of Communications Financial Leasing Co., Ltd.	499,435,968.90	610,307,408.67
Less: due within one year	343,703,776.51	338,371,439.53
合计	<u>986,982,193.44</u>	<u>1,330,685,969.95</u>

(XXVI) Deferred income

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Government subsidy	375,740,511.59	301,500,000.00	120,469,002.63	556,771,508.96
<u>Total</u>	<u>375,740,511.59</u>	<u>301,500,000.00</u>	<u>120,469,002.63</u>	<u>556,771,508.96</u>

Details of government subsidy

Item	Type	Opening balance	Increase in the current period	Amount credited to profit or loss for the period	Other decrease	Closing balance
Zhengzhou Green Transportation Construction	Asset related	1,339,511.59			109,002.63	1,230,508.96

Item	Type	Opening balance	Increase in the current period	Amount credited to profit or loss for the period	Other decrease	Closing balance
Zhengzhou-Jinan Railway (Zhengzhou-Liyang Section) Yellow River Bridge Project	Asset related	371,610,000.00	301,500,000.00	120,360,000.00		552,750,000.00
City-level high-skilled talent demonstration base	Asset related	2,791,000.00				2,791,000.00
<b>Total</b>		<u>375,740,511.59</u>	<u>301,500,000.00</u>	<u>120,360,000.00</u>	<u>109,002.63</u>	<u>556,771,508.96</u>

(XXVII) Other non-current liabilities

Item	Closing balance	Opening balance
Zhengzhou Finance Bureau allocated project construction funds	2,293,960,000.00	1,451,000,000.00
<b>Total</b>	<u>2,293,960,000.00</u>	<u>1,451,000,000.00</u>

Note: According to the Notice of Henan Province Development and Reform Commission on the Issuance of the First Batch of Railway Project Investment Plans for Henan Province in 2018 (Yufa Reform Investment No. [2018]297), The requirements of the Notice of Investment Plan (Yufa Reform Investment No. [2018]505) and the Notice of Issuing the Third Batch of Henan Railway Investment Plan for 2019 (Yufa Reform Investment No. [2018] 111) The financial funds of the railway project allocated by Zhengzhou Municipal Finance Bureau will be funded by the company.

(XXVIII) Paid-in capital

Investor's name	Opening balance		Increase in the current period	Decrease in the current period	Closing balance	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
<b>Total</b>	<u>2,779,000,000.00</u>	<u>100.00</u>			<u>2,779,000,000.00</u>	<u>100.00</u>
Zhengzhou Development Investment Group Co., Ltd.	1,800,000,000.00	64.77			1,800,000,000.00	64.77
CDB Development Fund Co., Ltd.	333,000,000.00	11.98			333,000,000.00	11.98
Zhengzhou Non-tax Revenue Administration	646,000,000.00	23.25			646,000,000.00	23.25



## (XXIX) Capital reserves

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium	33,633,640,505.42	4,890,800,000.00		38,524,440,505.42
<b>Total</b>	<b><u>33,633,640,505.42</u></b>	<b><u>4,890,800,000.00</u></b>		<b><u>38,524,440,505.42</u></b>
Including: Exclusive state capital reserve				

Note: The increased capital reserve in this period is based on the traffic received in accordance with the “Zhengzhou Development and Reform Commission's Notice on Releasing the Government Investment Plan for Zhengzhou's First Urban Construction Projects in 2019” (Zheng Fa Gai Investment NO. [2019] 69) Funding for construction projects.

## (XXX) Special reserves

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Safety production fee	16,077,166.18	11,003,487.03	2,997,206.77	24,083,446.44
<b>Total</b>	<b><u>16,077,166.18</u></b>	<b><u>11,003,487.03</u></b>	<b><u>2,997,206.77</u></b>	<b><u>24,083,446.44</u></b>

## (XXXI) Surplus reserves

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus fund	415,183,413.03	106,647,403.06		521,830,816.09
<b>Total</b>	<b><u>415,183,413.03</u></b>	<b><u>106,647,403.06</u></b>		<b><u>521,830,816.09</u></b>

## (XXXII) Retained earnings

Item	Amount for the current year	Amount for the previous year
Retained earnings at the beginning of year	3,950,355,790.96	3,185,172,255.55
Increase in this period	967,209,643.08	823,675,925.40
Including: Net profit	967,209,643.08	823,675,925.40
Other adjustment		
Decrease in this period	106,647,403.06	58,492,389.99
Including: surplus reserve	106,647,403.06	58,492,389.99
general risk provisions i		

Item	Amount for the current year	Amount for the previous year
cash dividends distributed		
Increase capital		
Other reductions		
Closing balance for the current period	<u>4,810,918,030.98</u>	<u>3,950,355,790.96</u>

(XXXIII) Operating revenues and operating costs

Item	Amount for the current period		Amount for the previous period	
	Incomes	Costs	Incomes	Costs
1. Subtotal of main businesses	<u>782,487,022.66</u>	<u>1,244,826,538.43</u>	<u>2,359,491,799.73</u>	<u>2,213,482,114.08</u>
Commercial housing sales	40,125,268.57	25,376,671.20	1,663,645,056.19	1,181,237,944.11
Ticket service	627,248,330.13	1,208,589,650.56	596,252,749.98	1,022,304,960.06
Leasing services	74,844,368.53	4,053,591.97	61,785,548.20	6,655,561.62
design service	14,253,278.96	6,538,905.06	8,966,637.96	3,028,091.84
Other income	26,015,776.47	267,719.64	28,841,807.40	255,556.45
2. Subtotal of other businesses	<u>66,777,506.69</u>	<u>66,418,737.31</u>	<u>88,238,387.82</u>	<u>84,059,339.27</u>
Commercial electricity income	59,446,549.79	63,863,784.78	82,850,858.36	81,045,978.27
rental income	4,231,909.51	2,086,130.85	3,771,321.18	1,876,820.28
Other income	3,099,047.39	468,821.68	1,616,208.28	1,136,540.72
<u>Total</u>	<u>849,264,529.35</u>	<u>1,311,245,275.74</u>	<u>2,447,730,187.55</u>	<u>2,297,541,453.35</u>

(XXXIV) Business taxes and levies

Item	Amount in the current period	Amount in the previous period
Land value added tax		113,180,229.09
Urban maintenance and construction tax	1,102,471.72	6,108,856.69
Educational surcharge	787,479.80	4,363,469.08
Stamp duty	1,041,792.33	486,378.45
Property tax	193,406.93	90,463.83
Vehicle and vessel use tax	30,506.48	30,200.76

Construction cost of cultural undertakings	4,169.04	10,500.00
Land use tax	470,123.21	
<u>Total</u>	<u>3,629,949.51</u>	<u>124,270,097.90</u>

(XXXV) Selling expense

Item	Amount in the current period	Amount in the previous period
Sales agency fees	4,180,363.00	13,965,038.24
Property management fees	1,438,552.66	
Others	90,605.79	2,871,050.50
<u>Total</u>	<u>5,709,521.45</u>	<u>16,836,088.74</u>

(XXXVI) Administrative expenses

Item	Amount in the current period	Amount in the previous period
Employee's sacompentation	71,866,254.85	59,254,345.79
Employment Security for the Disabled	5,496,333.30	
Depreciation and amortization	4,207,219.81	3,610,758.57
Cultural construction fee	2,924,189.67	240,560.80
Publicity fee	2,897,592.96	90,025.88
Greening costs	1,699,541.29	
Agency fee	1,361,269.04	1,422,922.40
Office expenses	1,033,826.28	1,371,294.72
Others	3,452,167.59	4,016,721.22
<u>Total</u>	<u>94,938,394.79</u>	<u>70,006,629.38</u>

(XXXVII) Financial expenses

Item	Amount in the current period	Amount in the previous period
Interest expense	400,295,462.88	
Less: Interest income	278,613,180.56	3,825,713.96
Net exchange losses (net income is presented with "-")	63,683,558.58	188,211.41
Other	11,516.22	16,480.52
<u>Total</u>	<u>185,377,357.12</u>	<u>-3,621,022.03</u>

## (XXXVIII) Other income

Item	Amount in the current period	Amount in the previous period	Amount included in the current non-recurring profit and loss
Government subsidies related to the daily business activities of enterprises	2,886,567.57	1,925,060.96	2,886,567.57
<u>Total</u>	<u>2,886,567.57</u>	<u>1,925,060.96</u>	<u>2,886,567.57</u>

The details of government subsidies are as follows:

Item	Amount in the current period	Amount in the previous period	Asset-related / return-related
Post stabilization allowance	2,519,400.00	1,762,000.00	Return-related
Refunded tax handling fee	29,176.86	113,672.55	Return-related
Others	337,990.71	49,388.41	Return-related
<u>Total</u>	<u>2,886,567.57</u>	<u>1,925,060.96</u>	

## (XXXIX) Impairment loss of assets

Item	Amount in the current period	Amount in the previous period
Bad debt losses (applicable to the old financial instrument standards)	650,051.30	31,642,899.94
Impairment losses on entrusted loans		-20,905,274.19
<u>Total</u>	<u>650,051.30</u>	<u>10,737,625.75</u>

## (XL) Asset disposal income

Item	Amount in the current period	Amount in the previous period	Amount included in current non-recurring profit and loss
Gains from disposal of Zhengzhou East Railway Station West Square underground space project	23,605,883.59		23,605,883.59
<u>Total</u>	<u>23,605,883.59</u>		<u>23,605,883.59</u>

(XLI) Non-operating income

1. Breakdown of non-operating income

<b>Item</b>	<b>Amount for the current period</b>	<b>Amount for the previous period</b>	<b>Amount included in the current non-recurring profit and loss</b>
government subsidy	1,690,900,000.00	967,850,000.00	1,690,900,000.00
Default and fine income	558,659.11	1,195,498.86	558,659.11
Other	2,377,280.94	588,389.16	2,377,280.94
<b><u>Total</u></b>	<b><u>1,693,835,940.05</u></b>	<b><u>969,633,888.02</u></b>	<b><u>1,693,835,940.05</u></b>

2. Breakdown of governmental subsidy:

<b>Item</b>	<b>Amount for the current period</b>	<b>Amount for the previous period</b>
Intercity railway funding subsidy	1,690,900,000.00	967,850,000.00
<b><u>Total</u></b>	<b><u>1,690,900,000.00</u></b>	<b><u>967,850,000.00</u></b>

(XLII) Non-operating expenses

<b>Item</b>	<b>Amount for the current period</b>	<b>Amount for the previous period</b>	<b>Amount included in the current non-recurring profit and loss</b>
External donation expenditure		1,557,215.74	
Compensation, liquidated damages and fines		5,291,996.15	
Other	804,022.62		804,022.62
<b><u>Total</u></b>	<b><u>804,022.62</u></b>	<b><u>6,849,211.89</u></b>	<b><u>804,022.62</u></b>

(XLIII) Income tax expenses

1. Income tax expenses

<b>Item</b>	<b>Amount for the current period</b>	<b>Amount for the previous period</b>
Current income tax expenses	213,493.66	88,173,718.32
Adjustment of deferred tax	-14,702.65	
<b><u>Total</u></b>	<b><u>198,791.01</u></b>	<b><u>88,173,718.32</u></b>

(XLIV) Leasing

Financial lease lessee

1. Various types of leased fixed assets

For details, please refer to Note VIII. (XI) Fixed assets under financing leases formed through sale and leaseback.

2. Assets leased by finance lease

(1) Lessee of finance lease

<b>Remaining lease term</b>	<b>Minimum lease payments</b>
Within 1 year (including 1 year)	343,703,776.51
1-2 years (including 2 years)	349,292,571.03
2-3 years (including 3 years)	327,650,157.36
More than 3 years	310,039,463.05
<u>Total</u>	<u>1,330,685,967.95</u>

(XLV) Consolidated cash flow statement

1. Adjustment of net profits into cash flow from operating activities by indirect method.

<b>Supplementary information</b>	<b>Amount for the current period</b>	<b>Amount for the previous period</b>
1. Reconciliation from net profit to cash flows from operating activities:		
Net profits	968,339,659.62	829,970,584.73
Plus: Provision for assets impairment	-650,051.30	-10,737,625.75
Credit asset impairment loss		
Depreciation of fixed assets, depletion of oil-and-gas assets and depreciation of productive biological assets	25,228,480.99	13,192,164.78
Depreciation of right-of-use asset		
Amortization of intangible assets	744,419.37	648,672.39
Amortization of long-term unamortized expenses		
Loss from disposal of fixed assets, intangible assets and other long-term assets (profit is presented by "-")	-23,605,883.59	
Loss on retirement of fixed assets (profit is presented by "-")		

Supplementary information	Amount for the current period	Amount for the previous period
Loss on change of fair value (profit is presented by “-”)		
Financial expenses (profit is presented by “-”)	407,479,021.46	400,000.00
Loss on investment (profit is presented by “-”)		
Decrease of deferred tax assets (increase is presented by “-”)	-14,702.65	
Increase of deferred tax liabilities (decrease is presented by “-”)		
Decrease of inventory (increase is presented by “-”)	-444,670,991.97	912,056,165.59
Decrease of operating receivables (increase is presented by “-”)	-4,757,989,313.10	-1,153,782,980.62
Increase of operating payables (decrease is presented by “-”)	4,028,871,331.79	-538,643,109.23
Other		
Net cash flow from operating activities	<u>203,731,970.62</u>	<u>53,103,871.89</u>
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Translation of debt into capital		
Convertible bonds due within one year		
Fixed assets under finance lease		
3. Change of cash and cash equivalents:		
Closing balance of cash	16,119,736,894.69	12,572,748,784.67
Less: Opening balance of cash	12,572,748,784.67	10,503,783,233.57
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase of cash and cash equivalents	3,546,988,110.02	2,068,965,551.10

### 3. Composition of cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	16,119,736,894.69	12,572,748,784.67
Including: Cash on hand	61,966.07	79,830.88
Deposit in bank available for payment at any time	16,116,663,019.53	12,569,761,099.84
Other monetary funds available for payment at any time	3,011,909.09	2,907,853.95
Deposit in Central Bank available for payment		

Item	Closing balance	Opening balance
Deposits in other banks		
Call loans to other banks		
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	16,119,736,894.69	12,572,748,784.67

(XLVI) Foreign currency monetary item

Item	Closing balance of foreign currency	Rate of translation	Closing translated RMB balance
Cash and cash equivalents			26,270.55
Including: USD	3,765.65	6.9762	26,269.93
Hong Kong Dollar	0.69	0.8967	0.62
Bonds payable			3,488,100,000.00
Including: USD	500,000,000.00	6.9762	3,488,100,000.00

(XLVII) Assets with restricted ownership and use right

Item	Closing book value	Reasons of limitations
Fixed assets	3,125,175,000.00	Financial leasing of fixed assets formed by sale and leaseback
<u>Total</u>	<u>3,125,175,000.00</u>	

Note: For details, please refer to Note VIII. (XI) Fixed assets under financing leases formed through sale and leaseback.

## IX. Contingency

As of December 31, 2019, the company has no contingencies that need to be disclosed.

## X. Events after Balance Sheet Date

As of the date of approval of the issuance of the financial statements, the company has not incurred any non-adjustment events in matters after the balance sheet date that affect the reading and understanding of the financial statements.

## XI. Relation of Related Party and Related Party Transaction

(I) The parent company of the company



Name of parent company	Registration place	Business nature	Registered capital (10 thousand)	Shareholding ratio (%)	Voting right ratio (%)
Zhengzhou Development Investment Group Co., Ltd.	Zhengzhou	Utilities investment	100,000.00	64.77	64.77

(II) Subsidiaries of the Company

Name of subsidiaries	type of subsidiaries	type of enterprise	Registration place	Legal representative	Business nature	Registered capital (10 thousand)	Shareholding ratio (%)	Voting right ratio (%)	Business credit code
Zhengzhou Rail Transit Real Estate Co., Ltd.	Wholly-owned subsidiary	Limited liability company	Zhengzhou	Li tiejun	Real estate development and management	100,000.00	100.00	100.00	914101006935035316
Zhengzhou Rail Transit Design and Research Institute Co., Ltd.	Holding subsidiary	Other limited liability companies	Zhengzhou	Wang hemin	Design and consulting for municipal and construction	500.00	51.00	51.00	9141010457496444XQ
Zhengzhou Metro Group Yijia Industrial Co., Ltd.	Domestic non-financial sub-enterprises	Limited liability company	Zhengzhou	Sun fei	Business services	5000.00	100.00	100.00	91410100MA47J5YQ7X

(III) Information about the company's joint ventures and associates

Name of invested companies	Relationship	Business credit code
Henan Luji Holding Co., Ltd.	Associates	91410000MA45LJ9R3E
Zhengzhou Zhongjian Shenzhen Railway Transportation Co., Ltd.	Associates	91410100MA46741B5N
Zhengzhou Yijia Technology Industrial Co., Ltd.	Associates	91410122MA47WAB027

(IV) Other related parties of the company

Name of other related parties	Relationship	Business credit code
Zhengzhou City Card Co., Ltd.	Controlled by the same parent company	914101000768031765

(V) Related parties

1. Transactions of related parties

Transaction Type	Name	Relationship	Transaction amount	Proportion of transaction amount to total transactions of similar type (%)	Pricing policy
I. Related transactions for purchasing goods and receiving labor services					
Entrusted construction cost	Zhengzhou Development Investment Group Co., Ltd.	Parent company	340,352.41	100.00	Agreement pricing

2. Related party receivables and payables

Name of related parties	Item of accounts Receivable	Closing balance	Bad debt provision
Accounts Receivable	Zhengzhou City Card Card Co., Ltd.	97,937,421.22	
Accounts Receivable	Zhengzhou Development Investment Group Co., Ltd.	56,649,219.11	

Name of related parties	Item of accounts Payables	Closing balance
Accounts Payables	Zhengzhou City Card Card Co., Ltd.	175,366.24
Other payables	Zhengzhou City Card Card Co., Ltd.	250.00

**XII. Information that helps users of financial statements to evaluate the objectives, policies, and procedures of an enterprise's management capital**

None.

**XIII. Notes on main items of parent company's financial statements**

(I) Accounts receivables

Type	Closing amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Receivables that are individually significant and for which bad debt provision has been individually				

Type	Closing amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
assessed				
Receivables which bad debt provision has been assessed by credit risk portfolio	<u>177,332,572.82</u>	<u>100.00</u>	<u>2,040,352.66</u>	<u>1.15</u>
Incl: Aging portfolio	4,969,303.11	2.80	2,040,352.66	41.06
Other portfolio	172,363,269.71	97.20		
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually				
<u>Total</u>	<u>177,332,572.82</u>	<u>100.00</u>	<u>2,040,352.66</u>	

(Continued:)

Type	Opening amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Receivables that are individually significant and for which bad debt provision has been individually assessed				
Receivables which bad debt provision has been assessed by credit risk portfolio	<u>146,003,232.89</u>	<u>100.00</u>	<u>3,134,133.77</u>	<u>2.15</u>
Incl: Aging portfolio	27,125,675.42	18.58	3,134,133.77	11.55
Other portfolio	118,877,557.47	81.42		
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually				
<u>Total</u>	<u>146,003,232.89</u>	<u>100.00</u>	<u>3,134,133.77</u>	

1. Receivables which bad debt provision has been assessed by credit risk portfolio

(1) Receivables which bad debts are provided by aging analysis method

Aging	Closing amount			Opening amount		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year (including 1 year)	2,563,553.03	51.59	128,177.65	10,672,675.42	39.35	533,633.77
1-2 years (including 2 years)	17,750.08	0.35	1,775.01	14,065,000.00	51.85	1,406,500.00
2-3 years (including 3 years)						
More than 3 years	2,388,000.00	48.06	1,910,400.00	2,388,000.00	8.80	1,194,000.00
<b>Total</b>	<b><u>4,969,303.11</u></b>	<b><u>100.00</u></b>	<b><u>2,040,352.66</u></b>	<b><u>27,125,675.42</u></b>	<b><u>100.00</u></b>	<b><u>3,134,133.77</u></b>

(2) Receivables which bad debts are provided by other portfolio method

Type	Closing amount			Opening amount		
	Amount	Proportion (%)	Bad debt provision	Amount	Proportion (%)	Bad debt provision
Other portfolio	172,363,269.71	100.00		118,877,557.47	100.00	
<b>Total</b>	<b><u>172,363,269.71</u></b>	<b><u>100.00</u></b>		<b><u>118,877,557.47</u></b>	<b><u>100.00</u></b>	

2. Top five accounts receivable by the debtors at the end of year

Debtor's name	Book balance	Total percentage (%) to the receivables	Bad debt provision
Zhengzhou City Card Card Co., Ltd.	97,937,421.22	55.23	
Zhengzhou Development Investment Group Co., Ltd.	56,649,219.11	31.95	
Zhengzhou Rail Transit Real Estate Co., Ltd.	10,002,342.33	5.64	
Zhengzhou Branch of Shanghai Pudong Development Bank Co., Ltd.	7,708,066.42	4.35	
Zhengzhou Television	2,388,000.00	1.35	1,910,400.00
<b>Total</b>	<b><u>174,685,049.08</u></b>	<b><u>98.52</u></b>	<b><u>1,910,400.00</u></b>

## (II) Other receivables

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	4,498,606,098.30	3,118,215,947.54
<u>Total</u>	<u>4,498,606,098.30</u>	<u>3,118,215,947.54</u>

## Other receivables

Type	Closing amount			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually				
Other receivables which bad debt provision has been assessed by credit risk portfolio	<u>4,499,127,126.49</u>	<u>100.00</u>	<u>521,028.19</u>	<u>0.01</u>
Incl: Aging portfolio	5,317,285.61	0.12	521,028.19	9.80
Other portfolio	4,493,809,840.88	99.88		
Other receivables that are individually insignificant but for which bad debt provision has been assessed individually				
<u>Total</u>	<u>4,499,127,126.49</u>	<u>100.00</u>	<u>521,028.19</u>	

(Continued)

Type	Opening balance			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually				
Other receivables which bad debt provision has been assessed by credit risk portfolio	<u>3,118,899,118.40</u>	<u>100.00</u>	<u>683,170.86</u>	<u>0.02</u>
Incl: Aging portfolio	4,593,046.91	0.15	683,170.86	14.87

Type	Opening balance			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Other portfolio	3,114,306,071.49	99.85		
Other receivables that are individually insignificant but for which bad debt provision has been assessed individually				
<u>Total</u>	<u>3,118,899,118.40</u>	<u>100.00</u>	<u>683,170.86</u>	

1. Other receivables which bad debt provision has been assessed by credit risk portfolio

(1) Other receivables for which bad debt provision has been assessed by aging analysis method

Aging	Closing amount			Opening amount		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year (including 1 year)	1,478,826.39	27.81	73,941.32	3,374,592.64	73.47	168,729.63
1-2 years(including 2 years)	3,206,049.70	60.3	320,604.97	657,603.12	14.32	65,760.31
2-3 years(including 3 years)	632,409.52	11.89	126,481.90			
More than 3 years				560,851.15	12.21	448,680.92
<u>Total</u>	<u>5,317,285.61</u>	<u>100.00</u>	<u>521,028.19</u>	<u>4,593,046.91</u>	<u>100.00</u>	<u>683,170.86</u>

(2) Other receivables which bad debts are provided by other portfolio method

Type	Closing amount			Opening amount		
	Book balance	Proportion (%)	Bad debt provision	Book balance	Proportion (%)	Bad debt provision
Other portfolio	4,493,809,840.88	100.00		3,114,306,071.50	100.00	
<u>Total</u>	<u>4,493,809,840.88</u>	<u>100.00</u>		<u>3,114,306,071.50</u>	<u>100.00</u>	

2. Top five other receivables by the debtors at the end of year

Debtor's name	Nature of the amount	Book balance	Aging	Percentage to other receivables (%)	Bad debt provision
Zhengzhou Finance Bureau	Financial discount	3,944,366,743.82	Within 1 year: RMB 1,260,369,312.72; 1-2 years: RMB 1,224,782,205.30; 2-3years: RMB 1,074,066,975.46; 3-4 years: 385,148,250.34.	87.67	
Zhengzhou Railway Bureau	Current accounts	412,950,000.00	2-3 years	9.18	
ICBC Financial Leasing Co., Ltd.	Margin	50,000,000.00	2-3 years	1.11	
Zhengzhou Rail Transit Real Estate Co., Ltd.	Current accounts	37,255,321.64	Within 1year	0.83	
Bank of Communications Financial Leasing Co., Ltd.	Margin	30,000,000.00	2-3 years	0.67	
<b>Total</b>		<b>4,474,572,065.46</b>		<b>99.46</b>	

(3) Government subsidies should be disclosed

Debtor's name	Nature of the amount	Book balance	Aging
Zhengzhou Finance Bureau	Financial discount	3,944,366,743.82	Within 1 year:RMB 1,260,369,312.72; 1-2 years:RMB 1,224,782,205.30; 2-3 years: RMB 1,074,066,975.46; 2-3 years : RMB 385,148,250.34.
<b>Total</b>		<b>3,944,366,743.82</b>	

(III) Long-term equity investment

(1) Classification of long-term equity investment

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Investment to subsidiaries	1,002,550,000.00			1,002,550,000.00
Investment to associates		53,310,000.00		53,310,000.00
Investment to others	5,862,910,000.00	352,680,000.00		6,215,590,000.00
<b>Subtotal</b>	<b>6,865,460,000.00</b>	<b>405,990,000.00</b>		<b>7,271,450,000.00</b>

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Less: impairment provision for long-term equity investment				
<b>Total</b>	<b><u>6,865,460,000.00</u></b>	<b><u>405,990,000.00</u></b>		<b><u>7,271,450,000.00</u></b>

(2) Breakdown of long-term equity investment

Invested entity	Cost of investment	Opening balance	Increase and decrease in the current period	Closing balance	Closing balance of impairment provision
I. Subsidiaries enterprises	2,550,000.00	2,550,000.00		2,550,000.00	
Zhengzhou Rail Transit Design and Research Institute Co., Ltd.	1,000,000,000.00	1,000,000,000.00		1,000,000,000.00	
Zhengzhou Rail Transit Real Estate Co., Ltd.					
II. associates enterprises	53,310,000.00		53,310,000.00	53,310,000.00	
Zhengzhou Zhongjian Shenzhen Railway Transportation Co., Ltd.					
III. Other enterprises	4,655,590,000.00	4,302,910,000.00	352,680,000.00	4,655,590,000.00	
Henan Railway Investment Co. Ltd.	1,560,000,000.00	1,560,000,000.00		1,560,000,000.00	
Zhengzhou Airport Intercity Railway Co., Ltd.	2,550,000.00	2,550,000.00		2,550,000.00	
<b>Total</b>	<b><u>7,271,450,000.00</u></b>	<b><u>6,865,460,000.00</u></b>	<b><u>405,990,000.00</u></b>	<b><u>7,271,450,000.00</u></b>	

(IV) Operating revenues and operating costs

Item	Amount for the current period		Amount for the previous period	
	Incomes	Costs	Incomes	Costs
1. Subtotal of main businesses	<u>728,108,475.13</u>	<u>1,212,910,962.17</u>	<u>686,880,105.58</u>	<u>1,029,216,078.13</u>
Including: Fare income	627,248,330.13	1,208,589,650.56	596,252,749.98	1,022,304,960.06
Advertisement Income	74,910,925.06	4,053,591.97	62,033,148.16	6,655,561.62
Communications revenue	11,332,140.01		21,162,169.57	
Business income	14,617,079.93	267,719.64	7,432,037.87	255,556.45
2. Subtotal of other businesses	<u>73,550,564.00</u>	<u>64,332,606.46</u>	<u>86,109,670.29</u>	<u>82,182,518.99</u>



Item	Amount for the current period		Amount for the previous period	
	Incomes	Costs	Incomes	Costs
Including: commercial electricity revenue	59,446,549.79	63,863,784.78	82,850,858.36	81,045,978.27
Management fee for commissioned construction		340,352.41	885,773.58	1,136,540.72
Other income	14,104,014.21	128,469.27	2,373,038.35	
<u>Total</u>	<u>801,659,039.13</u>	<u>1,277,243,568.63</u>	<u>772,989,775.87</u>	<u>1,111,398,597.12</u>

(V) Adjustment of net profits into cash flow from operating activities by indirect method.

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation from net profit to cash flows from operating activities:		
Net profits	1,066,474,030.61	584,923,899.90
Plus: Provision for assets impairment	-1,255,923.78	-10,764,699.10
Provision for credit impairment		
Depreciation of fixed assets, depletion of oil-and-gas assets and depreciation of productive biological assets	25,020,754.45	11,145,010.16
Depreciation of right-of-use asset		
Amortization of intangible assets	710,507.38	619,628.22
Amortization of long-term unamortized expenses		
Loss from disposal of fixed assets, intangible assets and other long-term assets (profit is presented by "-")		
Loss on retirement of fixed assets (profit is presented by "-")		
Loss on change of fair value (profit is presented by "-")		
Financial expenses (profit is presented by "-")	215,564,171.21	400,000.00
Loss on investment (profit is presented by "-")		
Decrease of deferred tax assets (increase is presented by "-")		
Increase of deferred tax liabilities (decrease is presented by "-")		
Decrease of inventory (increase is presented by "-")	-43,719,570.36	-19,022,859.54
Decrease of operating receivables (increase is presented by "-")	-2,767,859,661.27	-1,097,936,659.62
Increase of operating payables (decrease is presented by "-")	2,017,458,517.28	749,085,899.34

Supplementary information	Amount for the current period	Amount for the previous period
Other		
Net cash flow from operating activities	512,392,825.52	218,450,219.36
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Translation of debt into capital		
Convertible bonds due within one year		
Fixed assets under finance lease		
3. Change of cash and cash equivalents:		
Closing balance of cash	12,795,242,617.39	11,279,455,772.10
Less: Opening balance of cash	11,279,455,772.10	10,010,295,250.81
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase of cash and cash equivalents	1,515,786,845.29	1,269,160,521.29

#### **XIV. Other contents to be disclosed in accordance with the relevant financial accounting system**

None.

#### **XV. Approval of Financial Statements**

The financial statements for this year were approved by the company on April 10, 2020.





扫描二维码  
“国家企业信用信息公示系统”  
验证企业信用信息  
国家市场监督管理总局

# 营业执照

(副本) (15-1)

统一社会信用代码  
911101085923425568

名称 天职国际会计师事务所(特殊普通合伙)  
 类型 特殊普通合伙企业  
 经营场所 邱站之  
 经营范围 审查企业会计报表,出具审计报告;验证企业资本,出具验资报告;办理企业合并、分立、清算事宜中的审计业务,出具有关报告;基本建设年度财务决算审计;代理记账;会计咨询、税务咨询、管理咨询、会计培训;法律、法规规定的其他业务;技术开发、技术咨询、技术服务;应用软件服务;软件开发;计算机系统集成;数据处理;银行卡中心、PUE值在1.4以上的云计算数据中心(不含银行及金融业务);销售计算机、软件及辅助设备。(依法须经批准的项目,经相关部门批准后依批准的内容开展经营活动。)

成立日期 2012年03月05日  
 合伙期限 2012年03月05日至 长期  
 主要经营场所 北京市海淀区车公庄西路19号68号楼A-1和A-5区域

登记机关 天职国际会计师事务所(特殊普通合伙)  
 与原件核对一致  
 2012年03月12日

市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告。  
<http://www.gsxt.gov.cn>  
 国家市场监督管理总局监制

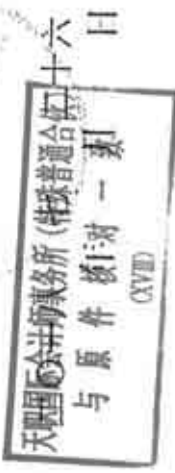
# 说明

1. 《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
2. 《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
3. 《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
4. 会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。

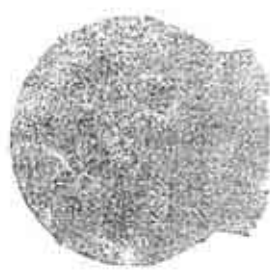


北京市财政局

发证机关:



中华人民共和国财政部制



会计师事务所  
**天职国际会计师事务所(特殊普通合伙)**  
 名称: 邱靖之  
 首席合伙人:  
 主任会计师:  
 经营场所: 北京市海淀区车公庄西路19号68号楼A-1和A-5区域

特殊普通合伙  
 11010150  
 京财会许可[2011]0105号  
 2011年11月14日

年度注册登记  
Annual Renewal Registration

本证书在有效期内有效，有效期为一年。  
This certificate is valid for another year after this renewal.



2014.03.30

3 0 9

年度检验登记  
Annual Renewal Registration

本证书在有效期内有效，有效期为一年。  
This certificate is valid for another year after this renewal.



2016年3月30日

3 0 9

年度检验登记  
Annual Renewal Registration

本证书在有效期内有效，有效期为一年。  
This certificate is valid for another year after this renewal.



2014.03.23

3 0 9

证书编号: 10000028118  
C. Certification  
天职国际会计师事务所 河南分行南阳分公司  
Tianzhi International PwC  
南阳分行 1500 年 05 月 05 日  
Noted/Signatur

年度检验登记  
Annual Renewal Registration

本证书在有效期内有效，有效期为一年。  
This certificate is valid for another year after this renewal.



2018.03.30

3 0 9

年度检验登记  
Annual Renewal Registration

本证书在有效期内有效，有效期为一年。  
This certificate is valid for another year after this renewal.



2019年3月30日

3 0 9



姓名: 王健  
性别: 男  
出生日期: 1978-09-18  
证件种类: 天职国际会计师事务所特别  
普通合伙人 郑州分所  
身份证号: 431024197809180208  
Issuing Unit:



天职国际会计师事务所 (特殊普通合伙)  
与原件核对一致  
CXYD

年度检验登记  
Annual Renewal Registration

本证书检验合格，继续有效一年。  
This certificate is valid for another year after this renewal.

2016年3月30日

注册会计师

姓名: 李颖 性别: 女 身份证号: 411322198303010025

工作单位: 天职国际会计师事务所(特殊普通合伙)



中国注册会计师协会

年度检验登记  
Annual Renewal Registration

本证书检验合格，继续有效一年。  
This certificate is valid for another year after this renewal.

2017年3月30日

年度检验登记  
Annual Renewal Registration

本证书检验合格，继续有效一年。  
This certificate is valid for another year after this renewal.

2018年3月30日



姓名: 李颖

Sex: 女

出生 Date: 1983.03.01

工作单位 Work Unit: 天职国际会计师事务所(特殊普通合伙)

身份证号 Identity Card No.: 411322198303010025



**ISSUER**

**Zhengzhou Metro Group Co., Ltd.**  
(鄭州地鐵集團有限公司)  
Zhengzhou Guidaojiaotongdiaoduzhongxin Mansion  
Crossing of Zhongxing South Road and Kangning Avenue  
Zhengdong New District  
Zhengzhou, Henan  
PRC

**INDEPENDENT AUDITOR OF THE ISSUER**

**WUYIGE Certified Public Accountants LLP.**  
(大信會計師事務所(特殊普通合夥))  
15/F, Xueyuan International Tower  
No. 1 Zhichun Road, Haidian Dist.  
Beijing, PRC

**TRUSTEE**

**The Bank of New York Mellon, London Branch**  
One Canada Square  
London E14 5AL  
United Kingdom

**PRINCIPAL PAYING AGENT**

**The Bank of New York Mellon,  
London Branch**  
One Canada Square  
London E14 5AL  
United Kingdom

**TRANSFER AGENT AND REGISTRAR**

**The Bank of New York Mellon SA/NV,  
Dublin Branch**  
Riverside II  
Sir John Rogerson's Quay  
Grand Canal Dock  
Dublin 2  
Ireland

**LEGAL ADVISORS**

*To the Issuer  
as to Hong Kong and English law*

**King & Wood Mallesons**  
Level 13, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

*To the Issuer  
as to PRC law*

**King & Wood Mallesons**  
20th Floor, East Tower  
World Financial Center  
1 Dongsanhuan Zhonglu  
Chaoyang District  
Beijing 100020  
PRC

*To the Joint Lead Managers and the Trustee  
as to Hong Kong and English law*

**Linklaters**  
11th Floor  
Alexandra House  
Chater Road  
Central  
Hong Kong

*To the Joint Lead Managers  
as to PRC law*

**AllBright Law Offices**  
11, 12F, Shanghai Tower  
501 Yincheng Middle Road  
Shanghai 200120  
PRC