# PUBLICATION OF THE OFFERING CIRCULAR

HENAN RCIC 河南铁建投集团

# HENAN RAILWAY CONSTRUCTION & INVESTMENT GROUP CO., LTD.

# (河南省鐵路建設投資集團有限公司)

## (the "Issuer")

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

(formerly known as Henan Railway Investment Co., Ltd. (河南鐵路投資有限責任公司))

## U.S.$400,000,000 2.20 PER CENT. BONDS DUE 2025

## (the "Bonds")

**(Stock code: 4459)**

## ISSUE PRICE: 100 PER CENT.

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 the Bonds on the Hong Kong Stock Exchange dated 26 January 2022 published by the Issuer. The offering circular dated 19 January 2022 referred to therein is appended to this announcement.

Hong Kong, 27 January 2022

*As at the date of this announcement, the directors of the Issuer are Yue Guoyong, Zhao Chaofeng, Liu Junzhou, Wang Taigang and Zhang Hongmin.*

# IMPORTANT NOTICE

**NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO 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 therefore advised to read this disclaimer carefully before reading, accessing 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.

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.**

**THE BONDS DESCRIBED HEREIN (THE "BONDS") HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE BONDS 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.**

**THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.**

**Restrictions:** The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Bonds described in the attached Offering Circular.

**Confirmation of Your Representation:** You have accessed the attached Offering Circular on the basis that you have confirmed your representation to the Issuer (as defined therein) and Guotai Junan Securities (Hong Kong) Limited, DBS Bank Ltd., Industrial Bank Co., Ltd. Hong Kong Branch, CNCB (Hong Kong) Capital Limited, Hua Xia Bank Co., Limited Hong Kong Branch, China Zheshang Bank Co., Ltd. (Hong Kong Branch), China Everbright Bank Co., Ltd., Hong Kong Branch, CMB Wing Lung Bank Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, BOCOM International Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, SPDB International Capital Limited, China Industrial Securities International Brokerage Limited, China Securities (International) Corporate Finance Company Limited, CLSA Limited, CMBC Securities Company Limited, Haitong International Securities Company Limited, ICBC International Securities Limited, ABCI Capital Limited, Standard Chartered Bank, China International Capital Corporation Hong Kong Securities Limited, Zhongtai International Securities Limited and China CITIC Bank International Limited (collectively, the "**Managers**") that (1) you and any customers you represent are not in the United States, the electronic mail address that you provided and to which this electronic mail has been delivered is not located in the United States and, to the extent you purchase the Bonds described in the attached Offering Circular, you will be doing so pursuant to Regulation S under the Securities Act 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, any Manager, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or 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. **The Managers will upon request provide a hard copy version to you.**

The materials relating to any offering of the Bonds do not constitute, and may not be used in connection with, an offer or solicitation by or on behalf of any of the Issuer or the Managers to subscribe or purchase any of the Bonds in any place where offers or solicitations are not permitted by law, and access has been limited so that it shall not constitute a general advertisement or general solicitation (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) in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Manager or any of its affiliate is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Manager or 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 the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver or forward, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Bonds.

**You are responsible for protecting your electronic device against viruses and other destructive items.** Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

**Actions that You May Not Take:** You should not reply by e-mail to this electronic transmission and you may not purchase any Bonds 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.

河南铁建投集团

# HENAN RAILWAY CONSTRUCTION & INVESTMENT GROUP CO., LTD.
# (河南省鐵路建設投資集團有限公司)

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

(formerly known as Henan Railway Investment Co., Ltd. (河南鐵路投資有限責任公司))

## U.S.$400,000,000 2.20 per cent. Bonds due 2025
## Issue Price: 100.00 per cent.

The 2.20 per cent. Bonds due 2025 in the aggregate principal amount of U.S.$400,000,000 (the "**Bonds**") will be issued by HENAN RAILWAY CONSTRUCTION & INVESTMENT GROUP CO., LTD. (河南省鐵路建設投資集團有限公司) (the "**Issuer**", or the "**Company**"). The Bonds will bear interest on their outstanding principal amount from and including 26 January 2022 (the "**Issue Date**") at the rate of 2.20 per cent. per annum, payable semi-annually in arrear in equal instalments on 26 January and 26 July in each year, commencing on 26 July 2022.

The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) (*Negative Pledge*) of the terms and conditions of the Bonds (the "**Conditions**" or the "**Terms and Conditions of the Bonds**")) 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) (*Negative Pledge*) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Pursuant to the Circular on Promoting the Reform of the Administrative System on Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044 號)) (the "**NDRC Circular**") promulgated by the National Development and Reform Commission of the PRC (the "**NDRC**") on 14 September 2015 which came into effect immediately, the Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from NDRC dated 1 December 2021 evidencing such registration together with confirmation from NDRC relating to company name change dated 31 December 2021. The Issuer will undertake to file or cause to be filed with the NDRC the requisite information and documents within 10 Registration Business Days (as defined in the Terms and Conditions of the Bond) after the Issue Date in accordance with the NDRC Circular and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**").

The Issuer will undertake that it will within 15 Registration Business Days after the Issue Date register or file or cause to be registered or filed with the State Administration of Foreign Exchange or its local counterpart ("**SAFE**") the Bonds pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines, effective as of 13 May 2013 and the People's Bank of China on Issues Concerning the Overall Macro Prudential Management System for Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (the "**Foreign Debt Registration**"), use its best endeavours to complete the Foreign Debt Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of the Foreign Debt Registration issued by SAFE) on or before the Registration Deadline (as defined in the Terms and Conditions of the Bonds) and comply with all applicable PRC laws and regulations in relation to the Foreign Debt Registration.

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, and subject to the extent described under "*Terms and Conditions of the Bonds — Taxation*".

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 26 January 2025 (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 (as defined in Terms and Conditions of the Bonds) in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent (as defined in Terms and Conditions of the Bonds), at their principal amount (together with any interest accrued to (but not including) 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 defined in the Terms and Conditions of the Bonds) 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 19 January 2022, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it. See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons*"

Following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Bonds), a Holder (as defined in the Terms and Conditions of the Bonds) 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 Put Settlement Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. (in the case of a redemption for a Change of Control (as defined in Terms and Conditions of the Bonds)) or 100 per cent. (in the case of a redemption for a No Registration Event (as defined in Terms and Conditions of the Bonds)) of their principal amount, together in each case with interest accrued to (but not including) the relevant Put Settlement Date. See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Relevant Events*".

For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*" beginning on page 50 of this Offering Circular.

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

**The Bonds have not been and will not be registered under the United States 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. The Bonds are being offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). 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*".**

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

Application will be made to The Stock Exchange of Hong Kong Limited (the "**SEHK**") for the listing of, and permission to deal in, 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 (the "**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 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.**

**The SEHK 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 the SEHK 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 the SEHK take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult their advisers.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this document 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.

The Bonds are being issued as "Green Bonds" under the Issuer's Green Finance Framework. See "Green Finance Framework Overview" beginning on page 74.

The Issuer has been assigned a rating of A2 (stable) by Moody's Investors Service, Inc ("**Moody's**"). The Bonds are expected to be assigned a rating of A2 by Moody's. 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. A suspension, reduction or withdrawal of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

The Bonds will initially be represented by 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 depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial 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, definitive certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

***Joint Green Structure Advisors, Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners***

**Guotai Junan International** | **DBS Bank Ltd.**

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

**Industrial Bank Co., Ltd. Hong Kong Branch** | **CNCB Capital** | **Hua Xia Bank Co., Limited Hong Kong Branch**

***Joint Lead Managers and Joint Bookrunners***

**China Zheshang Bank Co., Ltd. (Hong Kong Branch)** | **China Everbright Bank Hong Kong Branch** | **CMB Wing Lung Bank Limited** | **China Minsheng Banking Corp., Ltd., Hong Kong Branch** | **BOCOM International**

**The Hongkong and Shanghai Banking Corporation Limited** | **SPDB International** | **China Industrial Securities International** | **China Securities International** | **CLSA**

**CMBC Capital** | **Haitong International** | **ICBC International** | **ABC International**

**Standard Chartered Bank** | **China International Capital Corporation** | **Zhongtai International** | **China CITIC Bank International**

Offering Circular dated 19 January 2022

# IMPORTANT NOTICE

The Issuer having made all reasonable enquiries confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer and the Group and to the Bonds which is material in the context of the issue and offering of the Bonds; (ii) the statements contained herein are in every material particular true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and to the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Group or the Bonds, the omission of which would, in the context of the issue and offering of the Bonds make any statement in the this Offering Circular misleading; (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular; (vi) this Offering Circular does not include an untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (vii) the statistical, industry and market-related data and forward-looking statements included in this Offering Circular, are based on or derived or extracted from sources which the Issuer believes to be accurate and reliable in all material respects.

This Offering Circular has been prepared by the Issuer 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, Guotai Junan Securities (Hong Kong) Limited, DBS Bank Ltd., Industrial Bank Co., Ltd. Hong Kong Branch, CNCB (Hong Kong) Capital Limited, Hua Xia Bank Co., Limited Hong Kong Branch, China Zheshang Bank Co., Ltd. (Hong Kong Branch), China Everbright Bank Co., Ltd., Hong Kong Branch, CMB Wing Lung Bank Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, BOCOM International Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, SPDB International Capital Limited, China Industrial Securities International Brokerage Limited, China Securities (International) Corporate Finance Company Limited, CLSA Limited, CMBC Securities Company Limited, Haitong International Securities Company Limited, ICBC International Securities Limited, ABCI Capital Limited, Standard Chartered Bank, China International Capital Corporation Hong Kong Securities Limited, Zhongtai International Securities Limited and China CITIC Bank International Limited (collectively, the "**Managers**"), the Issuer, the Trustee or the Agents (as defined in the Terms and Conditions of the Bonds) or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them to subscribe for or purchase any of 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. 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 Managers, the Trustee and the Agents and each of their respective directors, officers, employees, representatives, advisers, agents or affiliates and each person who controls any of them to inform themselves about and to observe any such restrictions. None of the Issuer, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them represents that this Offering Circular may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. No action is being taken to permit a public offering of the Bonds or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Bonds 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, Singapore, Japan, the PRC and Hong Kong, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*". By purchasing the Bonds, investors represent and agree to all of those provisions contained in "*Subscription and Sale*".

No person has been or is authorised in connection with the issue, offer or sale of the Bonds 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 Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer or the Group 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 is being furnished by the Issuer solely for use in connection with the proposed 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 and the Issuer has not authorised its use for any other purpose. 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 is deemed to have agreed to these restrictions.

No representation or warranty, express or implied, is made or given by the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, affiliates 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, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them. None of the Managers, the Trustee or the Agents nor any of their respective directors, officers, employees, representatives, advisers, agents or affiliates nor any person who controls any of them have independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, true or complete.

This Offering Circular is not intended to provide the basis of any credit or other evaluation, nor should it be considered as a recommendation by any of the Issuer, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, affiliates or advisers or any person who controls any of them that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

To the fullest extent permitted by law, none of the Managers, the Trustee or the Agents nor any of their respective directors, officers, employees, representatives, advisers, agents or affiliates nor any person who controls any of them accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by any of the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them or on their behalf in connection with the Issuer, the Group or the issue and offering of the Bonds. Each of the Managers, the Trustee and the Agents and each of their respective directors, officers, employees, representatives, advisers, agents and affiliates and any person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Managers, the Trustee or any Agent nor any of their respective directors, officers, employees, representatives, advisers, agents or affiliates nor any person who controls any of them undertakes to review the financial condition or affairs of the Issuer or the Group after the date of this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Managers, the Trustee or any Agent or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them.

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

**Singapore SFA Product Classification:** In connection with Section 309B of the Securities and Futures Act 2001 of Singapore ("**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore ("**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), 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).

Each of the 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.

In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved.

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

See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds including the risk that holders could lose their entire investment in the Bonds.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision.

**Industry and market data**

Market data and certain industry forecasts and statistics used throughout this Offering Circular have been obtained from both public and private sources, including market research, internal surveys, publicly available information and industry publications. Although the Issuer believes this information to be reliable, this information has not been independently verified by the Issuer, the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them and none of the Issuer, the Managers, the Trustee or the Agents nor any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

**Presentation of financial information**

This Offering Circular contains (i) consolidated financial information of the Issuer as at and for the year ended 31 December 2018, which has been extracted from the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2019 (the "**2019 Audited Financial Statements**") and (ii) consolidated financial information of the Issuer as at and for the years ended 31 December 2019 and 2020, which has been extracted from the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2020 (the "**2020 Audited Financial Statements**", and together with the 2019 Audited Financial Statements, the "**Audited Financial Statements**"). The 2019 Audited Financial Statements have been audited by Xigema Cpas (Special General Partnership) Henan

Branch ("**Xigema CPA**") and the 2020 Audited Financial Statements have been audited by Peking Certified Public Accountants (Special General Partnership) ("**Peking CPA**"). Xigema CPA and Peking CPA are independent auditors of the Issuer in accordance with Chinese Certified Public Accountant Auditing Standards.

This Offering Circular also contains unaudited but reviewed consolidated interim financial information of the Issuer as at and for the six months ended 30 June 2020 and 2021, which has been extracted from the unaudited but reviewed interim consolidated financial statements of the Issuer as at and for the six months ended 30 June 2021 (the "**Interim Financial Statements**", together with the Audited Financial Statements, the "**Historical Financial Statements**"). The Interim Financial Statements have been reviewed by Peking CPA but have not been audited.

The Interim Financial Statements have not been audited and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. None of the Managers or their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them makes any representation or warranty, express or implied, regarding the sufficiency of such unaudited but reviewed consolidated financial statements for an assessment of, and potential investors must exercise caution when using such data to evaluate the financial condition and results of operations of the Issuer or the Group. In addition, the Interim Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2021.

Unless otherwise stated, all financial data contained herein which is stated as relating to the Issuer are referring to the consolidated data of the Issuer.

**Certain definitions, conventions and currency presentation**

Unless otherwise specified or the context requires, in this Offering Circular, references to the "**Group**" and words of similar import are to HENAN RAILWAY CONSTRUCTION & INVESTMENT GROUP CO., LTD. (河南省鐵路建設投資集團有限公司) and its subsidiaries; references to "**China**", "**Mainland**", "**Mainland China**" and the "**PRC**" are to the People's Republic of China and for the purpose of this Offering Circular only, exclude Taiwan, Macau and Hong Kong; references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; references to "**Macau**" are to the Macau Special Administrative Region of the People's Republic of China; references to "**U.S.**" and the "**United States**" are to the United States of America; references to "**UK**" are to the United Kingdom; references to "**RMB**" and "**Renminbi**" are to the lawful currency of the PRC, and references to "**U.S.$**", "**USD**" and "**U.S. dollars**" are to the lawful currency of the United States.

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

This Offering Circular contains translation of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in Renminbi has been translated into U.S. dollars or *vice versa*, it has been so translated, for convenience only, at the rate of RMB6.4566 to U.S.$1.00 (being the noon buying rate in New York City on 30 June 2021 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). All such translations in this Offering Circular are provided solely for investors' convenience and no representation is made that the amounts referred to herein have been, could have been or could be converted into U.S. dollars or Renminbi, or *vice versa*, at any particular rate or at all. Further information regarding exchange rate is set forth in "*Exchange Rate Information*" in this Offering Circular.

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

- "**IFRS**" refers to International Financial Reporting Standards;
- "**Henan SASAC**" refers to the State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government;
- "**MOF**" refers to Ministry of Finance of the PRC;
- "**NDRC**" refers to the National Development and Reform Commission of the PRC or its competent local counterparts;
- "**PBOC**" refers to the People's Bank of China, the central bank of the PRC or its competent local counterparts;
- "**PRC government**" or "**PRC Government**" refers to the central government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;
- "**SAFE**" refers to the State Administration of Foreign Exchange of the PRC or its competent local counterparts; and
- "**State Council**" refers to the State Council of the PRC.

Any reference to any PRC government authority or department includes such authority or department at central, provincial, municipal and other levels, such competent authority and their respective successor authority or department.

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.

## FORWARD-LOOKING STATEMENTS

The Issuer has made certain forward-looking statements in this Offering Circular. Such forward-looking statements are relevant to events that will be affected by significant risk and uncertainties (including risks mentioned in the "*Risk Factors*" section in this Offering Circular). Such forward-looking statements include (but are not limited to) "endeavour", "anticipate", "believe", "plan", "estimate", "expect", "intend", "forecast" and other words and expressions or similar words, expressions or statements or antonym of these statements or expressions, in particular in the "*Description of the Group*" section related to future events in this Offering Circular, including the Issuer's or the Group's strategies, plans, purposes, objectives, targets, future financial position, business or other performance and development, future development of the industry and the future development of major markets of the Group, the PRC and global economy.

These forward-looking statements are based on the Issuer's current and future business strategies, certain assumptions on future business environment of the Issuer or the Group and information available to the management of the Issuer. These forward-looking statements reflect the Issuer's current opinions on future events and the future performance may be affected by the known or unknown risks, uncertainties, assumptions and other factors (some of which are not within the control of the Issuer), which may cause significant difference between the actual results, performance or achievement or the result of the industry and any future results, performance or achievements expressed or implied by forward-looking statements. The risks and uncertainties faced by the Group include but are not limited to those stated in "*Risk Factors*" and those stated in other places of this Offering Circular and the following aspects:

- macro-political and economic conditions, including relevant conditions of the PRC;
- macroeconomic measures adopted by the PRC government to manage economic growth;
- future development, trend and environment of the industry and market in which the Group operates;
- currency exchange rate fluctuation related to the PRC and the industry in which the Group operates and the constantly evolving legal system;
- the regulatory environment in the PRC and the industry in which the Group operates;
- market competition faced by products of the Group and actions and developments of competitors;
- business prospect of the Group;
- business plans, strategies and objectives of the Group, and the Group's capability of successfully implementing these business plans, strategies and objectives;
- expansion plan and changes in estimated capital expenditure of the Group;
- financial conditions, business results and performance of the Group;
- fluctuation of handling fees of the Group; and

- dividend policy of the Group.

The Issuer reminds prospective investors that they should not over-rely on these forward-looking statements, and these forward-looking statements only reflect the views of the Issuer's management up to the date of this Offering Circular. The Issuer undertakes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur. All forward-looking statements contained in this Offering Circular are subject to the disclaimer statements listed in this section.

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*The overview below is intended only to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is an overview, it does not contain all the information that may be important to investors. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this overview. Prospective investors should therefore read this Offering Circular in its entirety.*

## OVERVIEW

The Company has been tasked with the development of Henan Province into a major railway hub in the Central China region pursuant to the 13th Five Year Plan (《十三五計劃》) and the 14th Five Year Plan (《十四五計劃》) of the PRC Government. It is the sole entity in Henan Province designated by the Henan Provincial Government to invest in railways and is responsible for the investment, construction and operation management of railways in Henan Province. The Group invests in national railways through various project companies and joint ventures with China State Railway Group Co., Ltd. (中國國家鐵路集團有限公司) ("**CSRG**," or "**China Railway**") in the construction, expansion and management of national railway projects in Henan Province with the Company having corresponding ownership of the completed projects. The Group also actively supports the construction, planning, connection of track and operation management of intercity railways to promote urbanisation in the region. For projects initiated and led by the Henan Provincial Government, the Group actively participates in the planning of the intercity railway network and spearheads the construction of special railway lines ("**SRLs**"), railway branches and dedicated lines in the province. For national railway projects, the Group plays the role of an investor. To leverage its railway resources and to maximize profitability, the Group has also diversified and expanded into land development, investment business and financial services segments.

The Group is an important developer for eight vertical and eight horizontal high-speed railway network (八縱八橫高鐵網) in the PRC and the star-shaped high-speed railway network within Henan Province.

The Group's business can be classified into five principal segments: (1) railway business, (2) land development, (3) investment business, (4) financial services and (5) smart logistics, and the following summarises the Group's major services and products for each business segment:

- *Railway Business*. Investment, construction and operation of railways within Henan Province.
- *Land Development*. Property development within proximity of the railroads, leasing and property management.
- *Investment Business*. Establishing investment funds, investing in green energy, data economy and infrastructure.
- *Financial Services*. Provision of supply chain services and supply chain financing.
- *Smart Logistics*. Construction and operation of SRLs and logistic warehouses as well as provision of delivery and transport services.

The following table sets forth the breakdown of the Group's total assets by business segment as at the dates indicated:

| | As at 31 December | | | | | | As at 30 June | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | | 2021 | |
| | *Assets* | *per cent.* | *Assets* | *per cent.* | *Assets* | *per cent.* | *Assets* | *per cent.* |
| | *RMB in millions, except for percentages* | | | | | | | |
| **Business Segments** | | | | | | | | |
| Railway Business . . . | 54,794 | 93.9% | 63,105 | 94.6% | 68,363 | 95.1% | 69,382 | 93.4% |
| Land Development . . | 2,929 | 5.0% | 2,991 | 4.5% | 2,929 | 4.1% | 3,877 | 5.2% |
| Investment Business . | — | — | — | — | — | — | — | — |
| Financial Services . . | — | — | — | — | — | — | 438 | 0.6% |
| Smart Logistics . . . . | 635 | 1.1% | 610 | 0.9% | 599 | 0.8% | 590 | 0.8% |
| **Total** . . . . . . . . . . . | **58,359** | **100.0%** | **66,707** | **100.0%** | **71,891** | **100.0%** | **74,287** | **100.0%** |

## COMPETITIVE STRENGTH

The Company believes that its competitive strengths outlined below are important to its success and future development:

- Sustained strong support from the government providing a solid base for long-term growth;
- A promising outlook for China's rail transport industry and rail transport industry in Henan Province;
- Diversification of business segments which strengthens the Group's response to risks and profitability;
- Good debt structure and diversified funding sources;
- Experienced management team and sound corporate governance structure.

## BUSINESS STRATEGIES

The Group aims to realise its vision as a main provider of provincial railway services to develop and improve the transport network in Henan Province and the PRC. The Group believes that the following strategies will enable it to leverage on its strengths to capture future growth opportunities and enhance its operations and competitiveness in Henan Province and the PRC:

- Develop and improve the transport network;
- Diversify into different industries that provides a solid foundation and generates new opportunities for the Group;
- Foresee, lead and adapt to new trends;
- Build strong teams.

## RECENT DEVELOPMENTS

***Financial performance of the Group as at and for the nine months ended 30 September 2021***

On 27 October 2021, the Issuer published its unaudited and unreviewed consolidated financial statements as at and for the nine months ended 30 September 2021 ("**2021 Third Quarter Financial Statements**") in Chinese only on the website of Shanghai Clearing House. The unaudited and unreviewed consolidated quarterly financial information contained in the 2021 Third Quarter Financial Statements may be subject to further changes and should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the Company's financial condition and results of operations. The 2021 Third Quarter Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2021. The 2021 Third Quarter Financial Statements have not been included in, and do not constitute part of, this Offering Circular. See "*Risk Factors — Risks Relating to the Group's Financial Information — Investors should be cautious and not place any reliance on financial information other than that disclosed in this Offering Circular*."

For the nine months ended 30 September 2021, the Group recorded increases in its total operating income and its total operating costs, which were primarily attributable to the operating income and operating costs associated with the supply chain business of a new subsidiary, Henan Railway Investment Capital Co., Ltd. (河南鐵投資本控股有限公司), which was established in 2021. For the nine months ended 30 September 2021, the Group recorded a net loss. As at 30 September 2021, total liabilities of the Group increased as compared to 31 December 2020, which was primarily attributable to increases in short-term borrowings, accounts payable, other payables and long-term borrowings.

***Proposed Acquisition of Henan Intercity Railway***

To implement the policy of the Henan Provincial Government to promote the railway business and in accordance with the Approval from the Henan Provincial Government on the Formation of the Group of HENAN RAILWAY CONSTRUCTION & INVESTMENT GROUP CO., LTD. [Yu Zheng (2021) 155] (河南省人民政府關於河南省鐵路建設投資集團有限公司組建方案的批復[豫政文(2021)155號]), the Issuer entered into a share transfer agreement with China Railway Zhengzhou Bureau Group Co., Ltd. (中國鐵路鄭州局集團有限公司, "**China Railway Group Zhengzhou Bureau**") and a share transfer agreement with China Railway Group Zhengzhou Bureau and China Railway Wuhan Bureau Group Co., Ltd. (中國鐵路武漢局集團有限公司, "**China Railway Group Wuhan Bureau**") (together, the "**Share Transfer Agreements**") with regard to the transfer of equity interest in Henan Intercity Railway Co., Ltd. (河南城際鐵路有限公司, "**Henan Intercity Railway**"). Pursuant to the Share Transfer Agreements, China Railway Group Zhengzhou Bureau will transfer approximately 38 per cent. of the equity interest in Henan Intercity Railway to the Issuer (the "**Proposed Transfer**"), and as consideration, the Issuer will transfer all of its minority equity interest in Jingguang Passenger Railway Line Henan Co., Ltd. (京廣鐵路客運專線河南有限責任公司) to China Railway Group Zhengzhou Bureau and transfer its ownership in the Nanjing-Xi'an Railway Second Line (寧西鐵路增二線) and the Mengmiao-Baofeng Railway Second Line (孟平鐵路增二線) to China Railway Group Zhengzhou Bureau and China Railway Group Wuhan Bureau. The Proposed Transfer is currently being reviewed by relevant PRC government authorities. There is no guarantee that all regulatory approvals can be obtained and the Proposed Transfer may not proceed to completion.

Henan Intercity Railway mainly focuses on the business of construction, operation and management of intercity railways, passenger lines and supporting facilities in the Henan Province. As at the date of this Offering Circular, Henan Intercity Railway is owned as to 50 per cent. by the Issuer and 50 per cent. by China Railway Group Zhengzhou Bureau. Following the completion of the Proposed Transfer, Henan Intercity Railway will become a consolidated subsidiary of the Issuer. The Group expects a significant increase in its total assets, total liabilities and debt-to-asset ratio following the completion of the Proposed Transfer. See "*Risk Factors — Risks relating to the Group's overall businesses — There are risks associated with any future material acquisitions by the Group*" and "*Risk Factors — Risks relating to the Group's financial information — The Group's historical consolidated financial statements do not reflect the Proposed Transfer and there is limited financial and other information relating to Henan Intercity Railway in this Offering Circular*".

***Proposed Acquisition of Two Real Property Companies***

In March 2021, the Company entered into a memorandum of understanding (the "**MOU**") regarding a potential acquisition of two real property companies (the "**Proposed Acquisition**"). The Proposed Acquisition is currently under SASAC's review and as at the date of this Offering Circular, no concrete timetable or detailed plans of the Proposed Acquisition have been formed or announced. There is no guarantee that the all regulatory approvals can be obtained and the Proposed Acquisition may not proceed to completion.

***Additional Indebtedness since 30 June 2021***

Since 30 June 2021, the Group has incurred indebtedness to replenish its working capital, to finance and refinance its business development and for other general corporate purposes. For example, on 17 November 2021, the Group entered into a financing agreement of RMB300 million with Zhongyuan Bank Co., Ltd. for a tenor of one year. On 27 December 2021, the Group entered into a financing agreement of RMB100 million with China Construction Bank Corporation for a tenor of one year.

## THE OFFERING

*The following summary contains some basic information about the Bonds and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Terms and phrases used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Bonds". Prospective investors should refer to "Terms and Conditions of the Bonds" in this Offering Circular for a detailed and complete description of the Terms and Conditions of the Bonds.*

| | |
|---|---|
| **Issuer** . . . . . . . . . . . . . . . . | HENAN RAILWAY CONSTRUCTION & INVESTMENT GROUP CO., LTD. (河南省鐵路建設投資集團有限公司) |
| **Issue** . . . . . . . . . . . . . . . . . | U.S.$400,000,000 2.20 per cent. Bonds due 2025. |
| **Interest** . . . . . . . . . . . . . . . | The Bonds will bear interest on their outstanding principal amount from and including 26 January 2022 at the rate of 2.20 per cent. per annum, payable semi-annually in arrear in equal instalments on 26 January and 26 July in each year, commencing on 26 July 2022. |
| **Issue Price** . . . . . . . . . . . . | The Bonds will be issued at 100.00 per cent. of their principal amount. |
| **Issue Date** . . . . . . . . . . . . | 26 January 2022. |
| **Maturity Date** . . . . . . . . . | 26 January 2025. |
| **Form and Denomination** . . . . . . . . | The Bonds will be issued in registered form and in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. |
| **Status** . . . . . . . . . . . . . . . . | The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) *(Negative Pledge)* of the Terms and Conditions of the Bonds) 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) *(Negative Pledge)* of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. |
| **Negative Pledge** . . . . . . . . | The Bonds will contain a negative pledge provision as further described in Condition 4(a) *(Negative Pledge)* of the Terms and Conditions of the Bonds. |

| | |
|---|---|
| **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.<br><br>Where such withholding or deduction is made by the Issuer by or within the PRC at a rate up to and including the aggregate rate applicable on 19 January 2022 (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.<br><br>If the Issuer is required to make a deduction or withholding by or within the PRC at a rate 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, save in the limited circumstances in Condition 8 *(Taxation)* of the Terms and Conditions of the Bonds. See "*Terms and Conditions of the Bonds — Taxation*". |
| **Final Redemption** . . . . . . | Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date. |
| **Redemption for Taxation Reasons** . . . . . . . . . . . . | The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 16 *(Notices)* of the Terms and Conditions of the Bonds (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with any interest accrued to (but not including) 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 provided or referred to in Condition 8 *(Taxation)* of the Terms and Conditions of the Bonds 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 19 January 2022, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, to the extent described in "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons*". |

| | |
|---|---|
| **Redemption for Relevant Events** . . . . . . . . . . . . . . | Following the occurrence of a Relevant Event, a Holder 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 Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with interest accrued to (but not including) the relevant Put Settlement Date. See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Relevant Events*". |
| **Events of Default** . . . . . . . | The Bonds will contain certain events of default provisions, including a cross default provision, as further described in Condition 9(c) *(Cross-Default)* of the Terms and Conditions of the Bonds. See "*Terms and Conditions of the Bonds — Events of Default*". |
| **Further Issues** . . . . . . . . . | The Issuer is at liberty from time to time without the consent of the Holders to 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 Foreign Debt Registration and the NDRC Post-issue Filing and the making of consequent notifications thereof) and so that the same shall be consolidated and form a single series with the outstanding Bonds. |
| **Trustee** . . . . . . . . . . . . . . . | The Bank of New York Mellon, London Branch. |
| **Principal Paying Agent** . . | The Bank of New York Mellon, London Branch. |
| **Transfer Agent and Registrar** . . . . . . . . . . . | The Bank of New York Mellon SA/NV, Dublin Branch. |
| **Listing** . . . . . . . . . . . . . . . | Application will be made to the SEHK for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on 27 January 2022. |
| **Governing Law** . . . . . . . . | English law. |
| **Jurisdiction** . . . . . . . . . . . | Exclusive jurisdiction of the courts of Hong Kong. |
| **Clearance and Settlement** | The Bonds will be accepted for clearance through Euroclear and Clearstream with the following:<br><br>ISIN: XS2406547765<br><br>Common Code: 240654776 |

| | |
|---|---|
| **Legal Entity Identifier of the Issuer** . . . . . . . . . . . | 300300EX8HF061VKMX60 |
| **Clearing Systems** . . . . . . . | The Bonds will initially be represented by the Global Certificate which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial 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, definitive certificates for Bonds will not be issued in exchange for interests in the Global Certificate. |
| **Ratings** . . . . . . . . . . . . . . . | The Issuer has been assigned a rating of A2 by Moody's. The Bonds are expected to be assigned a rating of A2 by Moody's. 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. A suspension, reduction or withdrawal of the rating assigned to the Bonds may adversely affect the market price of the Bonds. |
| **Use of Proceeds** . . . . . . . . | See "*Use of Proceeds*". |
| **Green Bonds** . . . . . . . . . . | The Bonds are being issued as "Green Bonds" under the Green Finance Framework. See "*Green Finance Framework Overview*." |
| **Selling Restrictions** . . . . . | For a description of certain restrictions on offers, sales and deliveries of the Bonds and on the distribution of offering materials in certain jurisdictions, including the United States, the United Kingdom, the PRC, Hong Kong, Singapore and Japan. See "*Subscription and Sale*". |

## SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE ISSUER

The summary audited consolidated financial information as at and for the years ended 31 December 2018, 2019 and 2020 and the summary consolidated financial information as at and for the six months ended 30 June 2020 and 2021 set forth below are derived from and should be read in conjunction with the Audited Financial Statements and the Interim Financial Statements, respectively. Each of the Audited Financial Statements and the Interim Financial Statements are included elsewhere in this Offering Circular. See "*Presentation of Financial Information.*"

The Audited Financial Statements have been audited by Xigema CPA and Peking CPA in accordance with the PRC GAAP. The Interim Financial Statements have been reviewed but not audited by Peking CPA in accordance with the PRC GAAP. PRC GAAP is substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. For a summary of certain differences, see "*Summary of Significant Differences between PRC GAAP and IFRS.*"

The summary consolidated financial information as set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant audited and/or reviewed consolidated financial statements of the Group and the notes thereto included elsewhere in this Offering Circular.

**Summary Consolidated Income Statement Data**

| | For the year ended 31 December | | | For the six months ended 30 June | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | *(RMB'000)* Audited | | *(RMB'000)* Reviewed | |
| **Total operating revenue** | **98,529** | **790,049** | **555,474** | **10,586** | **46,671** |
| **Total operating costs** | **762,232** | **1,393,436** | **1,270,862** | **474,810** | **495,354** |
| Including: Operating costs | 49,020 | 663,004 | 474,374 | 17,610 | 41,501 |
| Taxes and surcharges | 7,067 | 33,116 | 21,737 | 1,808 | 2,002 |
| Sales expenses | 1,904 | 5,269 | 4,626 | 466 | 2,390 |
| Management expenses | 70,046 | 63,336 | 70,575 | 26,047 | 50,584 |
| Research and development expenses | — | — | — | — | — |
| Financial expenses | 634,196 | 628,711 | 699,550 | 428,880 | 398,877 |
| Add: Other incomes | — | 49 | 2,772 | 4 | 91 |
| Investment income/(loss) | 56,144 | 14,373 | 81,833 | — | — |
| Including: Investment income/(loss) from associated enterprises and joint ventures | — | 14,373 | 6,832 | — | — |
| Income/(loss) from changes in fair value | — | — | 109,124 | — | (101,566) |
| Loss from impairment of assets | 358 | 291 | (94) | — | — |
| Income from disposal of assets | — | — | — | 172 | — |
| **Operating profits/(loss)** | **(607,201)** | **(588,675)** | **(521,752)** | **(464,049)** | **(550,157)** |
| Add: Non-operating revenue | 455 | 120 | 144 | 23 | 172 |
| Less: Non-operating expenditures | 55 | 72 | 352 | 340 | 9 |
| **Total profits** | **(606,801)** | **(588,627)** | **(521,960)** | **(464,366)** | **(549,995)** |
| Less: Income tax expenses | 3,498 | 20,759 | 27,054 | — | 294 |
| **Net profits/(loss)** | **(610,299)** | **(609,386)** | **(549,014)** | **(464,366)** | **(550,289)** |
| Net profits/(loss) attributable to the owner of parent company | (605,616) | (593,512) | (528,525) | (447,003) | (531,644) |
| Minority interest incomes/(loss) | (4,684) | (15,874) | (20,489) | (17,364) | (18,646) |

## Summary Consolidated Balance Sheet Data

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 |
| | | *(RMB'000)* Audited | | *(RMB'000)* Reviewed |
| **Current assets** | | | | |
| Monetary capital | 4,583,984 | 3,537,393 | 3,500,526 | 3,130,453 |
| Trading financial assets | — | — | 331,624 | 230,058 |
| Notes receivable | 400 | 150 | — | — |
| Accounts receivable | 211,321 | 254,827 | 344,636 | 366,298 |
| Prepayments | 639,588 | 986,381 | 753,593 | 1,058,780 |
| Other receivables | 3,324,043 | 3,589,759 | 4,696,831 | 4,527,063 |
| Inventories | 1,865,499 | 1,463,815 | 1,049,798 | 1,519,970 |
| Other current assets | 155,193 | 333,298 | 439,437 | 483,272 |
| **Total current assets** | **10,780,029** | **10,165,623** | **11,116,445** | **11,315,914** |
| **Non-current assets** | | | | |
| Other equity instrument investment | 36,505,338 | 43,963,111 | 46,807,897 | 47,598,297 |
| Long-term receivables | 1,723,946 | 1,914,946 | 2,914,946 | 2,914,946 |
| Long-term equity investments | 5,813,375 | 6,003,155 | 5,975,593 | 6,175,593 |
| Investment property | — | — | — | — |
| Fixed assets | 547,449 | 521,124 | 507,703 | 1,488,006 |
| Construction in progress | 2,255,990 | 3,465,473 | 5,165,153 | 4,610,273 |
| Intangible assets | 112,867 | 110,514 | 108,151 | 107,736 |
| Long-term deferred expenses | 597 | 1,841 | 10,741 | 9,094 |
| Deferred income tax assets | — | — | — | — |
| Other non-current assets | 510,641 | 524,771 | 503,685 | 1,103,719 |
| **Total non-current assets** | **47,470,203** | **56,504,934** | **61,993,869** | **64,257,663** |
| **Total assets** | **58,250,232** | **66,670,556** | **73,110,313** | **75,573,577** |
| **Current liabilities** | | | | |
| Short-term borrowings | — | 400,000 | — | 500,000 |
| Notes payable | — | — | — | — |
| Accounts payable | 22,959 | 35,748 | 59,890 | 43,314 |
| Advances from customers | 6,872 | 7,351 | 8,595 | 117,148 |
| Contract liabilities | — | 717,035 | 570,188 | 746,777 |
| Employee compensation payable | 15,525 | 19,990 | 19,398 | 17,430 |
| Taxes and fees payable | 11,404 | 7,895 | 5,300 | 778 |
| Other payables | 1,438,779 | 536,541 | 494,843 | 969,561 |
| Non-current liabilities due within one year | — | 88,746 | 1,077,089 | 372,850 |
| Other current liabilities | — | — | — | — |
| **Total current liabilities** | **1,495,539** | **1,813,306** | **2,235,302** | **2,767,859** |
| **Non-current liabilities** | | | | |
| Long-term borrowings | 10,569,700 | 10,847,700 | 10,398,500 | 11,529,500 |
| Bonds payable | 4,273,750 | 5,768,899 | 7,268,899 | 7,268,899 |
| Long-term payables | 4,000,000 | 3,081,254 | 2,737,165 | 2,737,165 |
| Deferred income | — | — | — | — |
| Deferred income tax liabilities | — | — | — | — |
| **Total non-current liabilities** | **18,843,450** | **19,697,853** | **20,404,564** | **21,535,564** |
| **Total Liabilities** | **20,338,988** | **21,511,159** | **22,639,866** | **24,303,423** |
| **Shareholders' equity** | | | | |
| Paid-in capital | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 |
| Capital reserves | 21,541,823 | 29,386,213 | 34,446,036 | 35,796,032 |
| Surplus reserve | 172,443 | 172,443 | 172,443 | 172,443 |
| Undistributed profits | (1,257,957) | (1,851,469) | (2,386,233) | (2,917,877) |
| **Total equity attributable to the owner of parent company** | **35,456,309** | **42,707,187** | **47,232,246** | **48,050,598** |
| Minority interest | 2,454,935 | 2,452,211 | 3,238,201 | 3,219,556 |
| **Total shareholders' equity** | **37,911,243** | **45,159,398** | **50,470,447** | **51,270,154** |
| **Total Liabilities and shareholders' equity** | **58,250,232** | **66,670,556** | **73,110,313** | **75,573,577** |

## Summary Consolidated Cash Flow Statement Data

| | For the year ended 31 December | | | For the six months ended 30 June | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | *(RMB'000)* Audited | | *(RMB'000)* Reviewed | |
| Net cash flows from/(used in) operating activities ....... | (282,394) | 2,321 | (1,257,577) | 219,778 | 120,652 |
| Net cash flows from/(used in) investing activities ....... | (8,011,515) | (9,685,357) | (4,681,542) | (1,630,168) | (2,416,740) |
| Net cash flows from financing activities ............... | 5,861,266 | 8,636,445 | 5,902,252 | 3,395,787 | 1,926,016 |
| Effect of foreign exchange rate changes on cash and cash equivalents ......... | — | — | — | — | — |
| **Net increase/(decrease) in cash and cash equivalents .** | **(2,432,643)** | **(1,046,591)** | **(36,867)** | **1,985,397** | **(370,073)** |
| Add: Opening balance of cash and cash equivalents ...... | 6,935,171 | 4,502,528 | 3,455,937 | 3,537,393 | 3,419,070 |
| **Closing balance of cash and cash equivalents ........** | **4,502,528** | **3,455,937** | **3,419,070** | **5,522,789** | **3,048,997** |

## Other Financial Data

| | As at and for the year ended 31 December | | | As at and for the six months ended 30 June |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 |
| | | *(RMB'000, except for percentages)* | | |
| EBITDA[1]. .................... | 142.4 | 113.1 | 340.8 | (112.7) |
| EBITDA margin (per cent.)[2] ..... | 143.9 | 14.3 | 61.4 | (241.4) |

*Notes:*

(1) EBITDA consists of net income for the year plus interest expenses (excluding capitalised amounts), income tax, depreciation of fixed assets, depreciation of investment properties, amortisation of intangible assets and amortisation of long-term deferred expenses. 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 Issuer'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 sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Issuer has included EBITDA because the Issuer believes that it is a useful supplement to cash flow data as a measure of its 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 Issuer's EBITDA with EBITDA presented by other companies because not all companies use the same definition.

(2) EBITDA margin is calculated by dividing EBITDA by operating revenue for the relevant period, expressed as a percentage.

## 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 Company 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 Company and the Group or the value of the Bonds. The Company believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Company 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 Company 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 Company 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 Company 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 OVERALL BUSINESSES

***The Group's business is heavily dependent on the level of economic development in Henan Province and the PRC.***

The Group's business and assets are highly concentrated in Henan Province. Most of the Group's assets are located in Henan Province. Furthermore, in the course of its business, the Group commits substantial amounts of capital to businesses in Henan Province as the principal market of the its business. The overall condition of Henan Province is critical for the Group's business operations and profitability. Any adverse change in the economic environment, real estate market, social conditions and government policies of Henan Province may adversely affect the Group's business, operational results and financial position. Moreover, the loss of, or any significant impairment to the operations of, the Group's projects in Henan Province, for example by fire, flooding, weather or other unforeseen factors in Henan Province, could have a material adverse impact on the Group. This concentration of assets and commitment of capital expose the Group to associated risks, including market risk, in the case of its holdings of concentrated or illiquid positions in Henan as part of the Group's investment activities. The Group's business, operational results and financial position have been and will continue to be heavily dependent on the level of economic activity in Henan Province and to a lesser extent, other regions surrounding Henan Province.

There has been a recent slowdown in the growth of China's GDP. According to the National Statistics Bureau of the PRC, China's GDP growth rate decreased from 6.7 per cent. in 2018 to 6.1 per cent. in 2019. China's economy has experienced a significant slowdown since the outbreak of COVID-19 in 2020 and China recorded a GDP growth rate of 2.3 per cent. for the year. Any further slowdown of the PRC economy, including a slowdown caused by the effects of the ongoing COVID-19 pandemic, may create a credit-tightening environment, increase the Group's financing costs, negatively affect the government's fiscal income and investment in fixed assets or reduce governmental subsidies to the Group. The national economic conditions of the PRC materially affect regional economic conditions including those of Henan Province. According to the Statistics Bureau of Henan Province, the annual growth rate of Henan's GDP decreased from 8.3 per cent. in 2015 to 1.3 per cent. in 2020.

The economic conditions and future development of the PRC and Henan Province may be affected by many factors beyond the Group's control. Continued slowdown in the PRC's and Henan Province's economic growth may affect the fiscal income and financial condition of Henan Provincial Government and its plans and budgets for urban construction and development. This may in turn decrease the demand for the Group's business and adversely affect its business, financial condition, results of operations and prospects.

***The Group's business is dependent on the level of the PRC Government's spending on transportation and other infrastructure.***

The Group's business depends on continuing spending by the relevant PRC Government agencies to build railways and other public transportation infrastructure, including roads, bridges and tunnels as well as other public projects. The PRC Government's spending on infrastructure has historically been, and will likely continue to be, cyclical in nature. Various factors affect the nature, scale, location and timing of the PRC Government's public investment plans in the transportation infrastructure sector of the PRC. These factors include the PRC Government's policy on construction of transportation infrastructure, the PRC Government's fiscal and monetary policies which affect the availability of credit and funding for projects, deregulation to encourage private sector participation in the transportation infrastructure sector and the general condition and prospects of the overall PRC economy. Any significant reduction in the PRC Government's investments in infrastructure development, particularly transportation infrastructure, could have a material and adverse effect on the Group's business.

***The Group's business and results of operations are heavily influenced by governmental decisions and actions and are inherently exposed to uncertainties associated with government policies.***

The Company is beneficially owned by Henan Provincial Government, which participates in, closely monitors and reviews the Group's decision-making process for key projects, development strategy and investment plans and appoints and conducts annual appraisals on the Group's directors, supervisors and senior management. Henan Provincial Government and Henan SASAC may have economic or business interests or considerations that are inconsistent with the Group or take actions contrary to the Group's requests, policies or objectives. Such governmental authorities and entities may change existing policies and project plans in Henan Province for reasons beyond the Group's control. For example, the Proposed Acquisition of Henan Intercity Railway (as further described in "*Overview — Recent Developments — Proposed Acquisition of Henan Intercity Railway*" was to implement the policy of the Henan Provincial Government to promote the railway business and in accordance with the Approval from the Henan Provincial Government on the Formation of Henan Railway Construction & Investment Group Co., Ltd. [Yu Zheng (2021) 155] (河南省人民政府關於河南省鐵路建設投資集團有限公司組建方案的批覆 [豫政文(2021)155號]). Please also refer to "*Risk Factors — The Group's historical consolidated financial statements do not reflect the Proposed Transfer and there is limited financial and other information relating to Henan Intercity Railway*" in this Offering Circular. There is no assurance that Henan Provincial Government and Henan SASAC will make decisions that are in the best interest of the Company or the Group and any changes to their policies may have a material adverse effect on the Group's results of operations, financial condition and prospects.

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

The Group's results of operations and financial condition may be heavily affected by changes in the regulation of the PRC Government concerning local government debts and the financing platforms of local governments. See "*Supervision and Regulation in the PRC — Regulation on Financing Platforms and Fiscal Debts of Local Governments*".

The PRC Government may continue to release new policies or amend existing regulations to control the increase in local government debt in China. There is no assurance that the Group's financing model and business model will not be materially affected by future changes in the regulatory regime concerning the financing platforms of local governments.

***A reduction or loss in governmental capital contribution and government subsidies could reduce the Group's profits.***

The Group had, in the past, received certain support from the PRC Government in various forms, including government subsidies and share capital injections for its business operations and development. For three years ended 31 December 2020 and six months ended 30 June 2021, the Group received government subsidies of approximately RMB20,600 million and RMB1,594 million, respectively, from various government authorities for its business development and operations. However, there is no assurance that the Group will continue to receive such support or in the forms in which it had received past support, since relevant government policies may change from time to time. Any loss or reduction in government subsidies or other form of government support could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group is exposed to risks associated with entering into contracts with public bodies.***

The Group's main clients include agencies or entities owned or otherwise controlled by the PRC Government, which form the largest group of investors in the domestic transportation infrastructure industry. To the extent that the Group's projects are funded by the PRC Government, they may be subject to delays or changes as a result of the changes in the PRC Government's budgets or for other policy considerations. The PRC Government's spending on infrastructure development and fixed asset investments as well as agricultural, forestry and water development activities has historically been, and will continue to be, cyclical in nature and vulnerable to fluctuations in the PRC's economic conditions and changes in the PRC Government's policies. As such, the Group has exposure to risks associated with contracting with PRC Governmental entities and other public organisations.

In addition, any disputes with PRC Governmental entities and other public organisations could potentially lead to contract termination if unresolved or may take a considerably longer period of time to resolve as compared to disputes with counterparties in the private sector, and payments due to the Group from these entities and organisations may be delayed as a result. Although the Group believes that it currently maintains close working relationship with government bodies, entities and agencies, there is no assurance that these working relationships will continue in the future. In some circumstances, PRC Governmental entities and public organisations may require the Group to change its construction methods, equipment or other performance terms, direct the Group to reconfigure its designs or purchase specific equipment for the relevant project or undertake additional obligations or change other contractual terms, resulting in increased costs in the corresponding project. Resolution of any disagreement with PRC Governmental entities and public organisations with respect to such changes may be time-consuming and may also cause the Group to incur additional costs. Changes in governmental budgets and policies relating to the Group's projects could also result in delays in project commencement or completion, adverse changes to such projects or a withholding of, or delay in, payment to the Group. If a governmental entity or other public organisation terminates a contract with the Group, the Group's order book and the external financial support could be reduced and its business plans may be materially and adversely affected. Any such adverse consequences associated with contracting with PRC Governmental entities and other public organisations could materially and adversely affect the Group's business, financial condition, results of operations and prospects. See also "*Risk Factors — The Group's business and results of operations are heavily influenced by governmental decisions and actions and are inherently exposed to uncertainties associated with government policies.*"

***The Group's businesses require substantial capital investment. Any failure to obtain sufficient funding may materially and adversely affect the Group's business, financial condition, results of operations, growth prospects and expansion plans.***

Some of the Group's businesses are capital intensive. The Group has historically met its capital requirements through (i) the cash flow generated from its operating activities, (ii) capital injection and operating subsidies for government railway project construction, (iii) proceeds from bank and other borrowings and (iv) issuance of bonds and commercial paper in the PRC capital markets. The Group believes that it will continue requiring substantial capital resources to support its business operations and expansion. As at 30 June 2021, the Group had five railway investment projects under construction with a total estimated investment undertaken by the Group of RMB13,591 million.

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 local municipal governments on infrastructure development and fixed asset investments, due performance of the Group's contractors, changes in the general market conditions and regulatory environment and competition in certain sectors in which the Group operates. Any adverse change in any of these factors may create a capital shortfall. There is no assurance that the Group's operating activities will generate sufficient cash to satisfy its cash needs at all times.

A portion of the cash requirements of the Group is funded by government subsidies. For the year ended 31 December 2020 and the six months ended 30 June 2021, the Group received government subsidies of approximately RMB20,600 million and RMB1,594 million, respectively, from various government authorities in relation to its business development and operations. There is no assurance that the Group will continue to receive such government subsidies. See "*Risk Factors — A reduction or loss in governmental capital contribution and government subsidies could reduce the Group's profits*."

Insufficient cash flow generated from the Group's operating activities will increase the Group's reliance on external financing. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the Group had total indebtedness of RMB20,339 million, RMB21,511.2 million, RMB22,639.9 million and RMB24,304.4 million, respectively, representing a debt-to-asset ratio (calculated by dividing the Group's total indebtedness by total assets) of 34.9 per cent., 32.3 per cent., 31.0 per cent. and 32.2 per cent. as at the same dates. As at 30 June 2021, the Group's short-term borrowings amounted to RMB500.0 million, accounting for 2.0 per cent. of the Group's total liabilities. These will cause great payback burden for the Group in the future. As at 30 June 2021, the Group had total credit facilities of approximately RMB38.1 billion, of which approximately RMB23.6 billion had not been utilised. 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;
- 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 business achievements and investors' confidence in the Group;
- the Group's ability to obtain the relevant governmental approvals required for domestic or international financing;
- provisions of tax and securities laws that may be applicable to the Group's efforts to raise capital; and
- political and economic conditions in the rest of the PRC generally.

There is 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. This would restrict the Group's ability to grow and, over time, may reduce the quality and reliability of the products and service the Group provides and adversely affects 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 "*Risk Factors — Substantial indebtedness may restrict the Group's business activities and increase the Group's exposure to various operational risks*".

***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 bond issuances to satisfy a portion of its capital requirements, and consequently, the Group has had a significant amount of outstanding indebtedness. As at 30 June 2021, the Group's total interest-bearing indebtedness (comprising short-term borrowings, long-term borrowings, non-current liabilities due within one year, long-term payables and bonds payables) was approximately RMB22,408.4 million, of which approximately RMB872.9 million would become due within 12 months. See "*Capitalisation and Indebtedness*." As at 31 December 2018, 2019 and 2020 and 30 June 2021, the gearing ratio of the Group (representing the ratio of total indebtedness over total assets) was approximately 34.9 per cent., 32.3 per cent., 31.0 per cent. and 32.2 per cent., respectively. In addition, the Group had outstanding guarantees with independent third parties in a total amount of approximately RMB3,576.8 million as at 30 June 2021.

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 satisfy 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.

As the Group's business scale continues to grow, its capital requirement and its reliance on external financing are likely to further increase. The Group's financial performance and operating results may be materially and adversely affected if its cash flows and capital resources are insufficient to fund its debt service obligations. Failure to service the Group's debt could result in the imposition of penalties, including increases in rates of interest that the Group pays, legal actions against the Group by its creditors, or bankruptcy.

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

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

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

Third-party security rights may also limit the Group's use of the underlying collateral assets and adversely affect its operation efficiency. As at 30 June 2021, the Group does not have restricted assets. If the Company and its subsidiaries have restricted assets in the future and are unable to service and repay their debts under such loan facilities on a timely basis, the assets provided as security for such bank loans may be subject to foreclosure, which may adversely affect the Group's business, prospects and financial condition.

***Certain members of the Group have pledged some of their equity interests in certain subsidiaries and affiliates.***

Certain members of the Group have pledged some of their equity interests in certain subsidiaries and affiliates as credit support for some of the loans of the Group. Should there be a default under the terms of the loans for which the Group has pledged such equity interests as credit support, the relevant creditors may be entitled to enforce such pledges and such member of the Group could lose such equity interests. In such an event, there could be a material adverse impact on the business, assets, revenue and financial condition of the Group.

***Some of the Group's projects are less profitable, and the Group may not be able to continue developing new projects that generate higher levels of profit in the future.***

Some of the Group's projects are less profitable than its other businesses. The Group is often affected by government policies when it undertakes major public infrastructure projects including building of railways and railway related infrastructure. As public spending on such projects may be restricted due to governmental policies on public spending, profits generated from these projects may be limited. The Group may from time to time undertake various landmark projects involving high costs, high precision requirements, tight construction schedules and substantial capital investments which could lead to increased costs and funding requirements. In addition, the Group may not be able to participate in profitable projects due to policy reasons. See also "*Risk Factors — The Group's business and results of operations are heavily influenced by governmental decisions and actions and are inherently exposed to uncertainties associated with government policies*." The undertaking of low-profit projects may expose the Group to short term losses and could adversely affect its profit-generating abilities.

***The Group's business and financial results may be adversely affected by fluctuation of operating cash flow.***

The Group has experienced negative operating cash flow in the past. For the year ended 31 December 2018 and 2020, the Group had negative operating cash flow of RMB282.4 million and RMB1,257.6 million, respectively. The Group's future liquidity, the payment of its other payables and accruals, as well as the repayment of its outstanding indebtedness when due, will primarily depend on its ability to maintain adequate cash inflows from operating activities and proceeds from external financing. In the event that the Group is unable to generate sufficient cash flows from its operations to meet the demand from its operating and capital expenditures, its operations will have to be funded by other financing activities. 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.

***The Group is subject to project development risks and cost overruns, and delays may adversely affect the Group's results of operations.***

There are certain construction, financing, operating and other risks associated with the Group's project developments. Construction projects undertaken by the Group typically require substantial capital expenditures during the construction phase and usually require a number of years before they become operational and generate revenue. The time taken and the costs involved in completing construction can be adversely affected by many factors, including but not limited to shortages of materials, equipment and labour, adverse weather conditions, natural disasters, labour disputes, disputes with subcontractors, accidents, changes in governmental priorities and other unforeseen circumstances. Any of these could give rise to delays in the completion of construction and/or cost overruns. Construction delays or failure to complete the construction of a project according to its planned specifications, schedules or budgets can result in loss of revenues, liabilities and reputational damage. There is no assurance that the Group will not experience such delays in delivery of its projects in the future or that they will not be subject to any liabilities for any such delays.

***The PRC Government extensively regulates the Group's operations and the Group's operations require permits, licences, certificates and other approvals.***

The Group's businesses are subject to a variety of international, federal, provincial, state, foreign and local laws and regulations, including, among others, environmental, health and safety, and labour laws. Given the volume and complexity of these applicable laws, regulations, rules or policies, compliance may be difficult or involve significant financial and other resources to ensure holistic and real time compliance. There is no assurance that the Group will be able to comply with all applicable laws, regulations, rules or policies or obtain the required licences, permits and certificates on a timely basis, if at all. Failure to comply with any such laws, regulations, rules or policies may result in penalties or fines, government sanctions, restrictions on the Group's business activities or, in the extreme cases, suspension or revocation of the Group's licences, permits or certificates, termination of government contracts or suspension of the Group's operations. Such events could materially and adversely affect the Group's business, financial condition, results of operations and reputation.

In addition, laws and regulations in the PRC and other jurisdictions are constantly evolving. The applicable laws, regulations, rules and policies relating to the Group's business may be subject to further changes or amendments, or uncertainties regarding their interpretation and application. The compliance costs, liabilities and requirements associated with any existing and future laws, regulations, rules and policies can have significant impacts on the Group's business, results of operations and financial condition. The Group is expected to incur continuous compliance costs, implement operational changes so as to fulfil regulatory requirements, develop and maintain internal policies, procedures and training programmes and purchase necessary insurance to ensure its compliance with any existing and future regulatory requirements. In particular, the Group may be affected by new environmental laws or regulations intended to limit or reduce emissions of gases, such as carbon dioxide and methane, that may impact its operations. As part of the national policy in promoting environmental protection, the Group is expected to comply with more and more stringent environmental laws and regulations. There can be no assurance that the PRC Government will not impose additional or stricter laws or regulations, particularly relating to environment protection, which may increase the compliance costs of the Group. The adoption of laws and regulations may increase the costs of the Group's operations and adversely affect the Group's results of operations.

***The Group is large and complex and there is no assurance that its efforts to further integrate all its business and coordinate among different subsidiaries will be successful.***

As at 30 June 2021, the Company had 20 subsidiaries operating in different industries including engineering consulting, survey, design, supply chain management. The Group is exposed to risks associated with conducting multiple business and operating through a large number of subsidiaries. Successful operation of the Company's subsidiaries requires effective management that emphasises accountability, imposes financial discipline on subsidiaries and creates value-focused incentives for management. As the Group continues to grow its businesses and expand into various industries, the Group's operations may become more complex and also more difficult to manage. Implementation of corporate governance, operational and safety standards across all members of the Group in a uniform manner may prove difficult and failure to do so may result in violations of laws, regulations or the Group's own internal policies. The Company may not be able to effectively monitor each subsidiary and prevent all non-compliance. Any violation or non-compliance could affect the Group's reputation and business prospects in the PRC, which could materially and adversely affect its financial condition and results of operations.

***The composition of the Group's business segments has been changing from time to time and may further change in the future, and the historical financial information of each segment may not be comparable from period to period or be indicative of its future financial results.***

The Group develops new business areas and expands in the fields of real estates, trade and logistics, financial services, among other, in response to the fast-changing macroeconomic environment of the PRC and changes in the PRC railway industry. The segmentation is primarily made based on the Group's business operations and development strategies. The composition of each business segment may change from time to time, based on the development of the Group's operations. Therefore, the financial information of each segment may change from time to time and may not be comparable from period to period or indicative of the future financial results of such segment. Period-to-period comparisons of the Group's historical operating results must be evaluated in light of the impact of such transactions and reclassifications.

***The Group may face unexpected difficulties in its expansion.***

The Group may consider expanding its current business by acquiring certain interests in other companies, entering into new strategic alliances and joint ventures and investing in or entering into new business opportunities. The Group may expand its operations in new industries and markets with potential for generating favourable returns, including real estate developments, financial services and trade and logistics business. The ability of the Group's operations to grow by investments in and/or acquisitions is dependent upon, and may be limited by, the requirements of the relevant regulatory authorities, the availability of attractive projects, its ability to agree commercial, technical terms and there can be no assurance that the Group will be able to identify suitable investments and acquisition targets, complete the investments and acquisitions on satisfactory terms, if at all, or that the due diligence with respect to any acquisition will reveal all relevant facts that are necessary or useful in evaluating such opportunity.

Such expansion may expose the Group to potential difficulties that could prevent it from achieving the strategic objectives for the investments and/or acquisitions or the anticipated levels of profitability from the investments and/or acquisitions. These difficulties include:

- diversion of management's attention from the Group's existing businesses;
- increases in the Group's expenses and working capital requirements, which may reduce its return on invested capital;
- difficulty of expanding into markets in different geographic locations and challenges of operating in markets and industries that the Group does not have substantial experience in;
- increases in debt, which may increase the Group's finance costs as a result of higher interest payments;
- exposure to unanticipated contingent liabilities to acquired businesses; and

- difficulties in integrating acquired businesses or investments into the Group's existing operations, which may prevent it from achieving, or may reduce, the anticipated synergies.

In addition, there might be many established incumbent players in the new markets who already enjoy significant market share and competitive market positions, and it may be difficult for the Group to win market share from them. There can be no assurance that the Group's expansion plans will be successful.

The Group has grown rapidly in terms of its business scale in the PRC in recent years. As the Group continues with such expansion, its operations will become more widespread and complex and project management may become more difficult, which could in turn result in management risks and may materially and adversely affect the Group's business, results of operations and financial condition.

***There are risks associated with any future material acquisitions by the Group.***

The Group has historically diversified its business portfolio by investing in other companies and may continue to do so in the future. For example, the Issuer entered into the Share Transfer Agreements with regard to the transfer of equity interest in Henan Intercity Railway. See "*Overview — Recent Developments — Proposed Acquisition of Henan Intercity Railway*". Although the Group conducts due diligence on target companies, the due diligence results may not reveal all facts that are necessary or material in evaluating the target company and the acquisition. Any failure to discover material risks and liabilities relating to the target company before the acquisition could increase the Group's exposure to financial and legal risks and liabilities. When determining the price for any acquisition, the Group needs to consider various factors, including the quality of the target business, estimated costs associated with the acquisition and the management of the target business, prevailing market conditions and intensity of competition. The Group needs to address different issues arising from the acquisition after the relevant transaction is completed, such as business, operation and management integration. The Group's ability to successfully integrate the acquired businesses remains subject to various risks and uncertainties, including but not limited to: (1) the acquired businesses may not generate the revenue and profitability the Group had anticipated; and (2) the acquired businesses may be subject to liabilities that are not unearthed during due diligence and other unforeseen liabilities. There is no assurance that the Group is able to address these issues effectively at all times. In addition, any major acquisition or transaction of similar nature may consume substantial management attention and financial resources of the Group or even cause the Group to incur significant indebtedness. Any material decrease in its financial resources may limit the Group's ordinary operating activities and increase pressure on its liquidity, and in turn could adversely affect its business, financial condition and results of operations.

***The Group is subject to joint venture risks.***

Certain of the Group's operations are conducted through jointly controlled entities and associated companies, such as Central China Futures Co., Ltd. (中原期貨股份有限公司). Co-operation and agreement among the Group's joint venture partners on its existing or any future projects are important factors for the smooth operation and financial success of such projects. The Group's joint venture partners may (i) have economic or business interests or goals that are inconsistent with those of the Group; (ii) be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements; or (iii) experience financial or other difficulties. Further, the Group may not be able to control the decision-making process of the joint ventures as, in some cases, it does not have majority control of the joint venture. The Group does, however, through contractual provisions or representatives appointed by it, typically have the ability to influence certain material decisions. Although the Group has not experienced any significant problems with its partners to date, no assurance can be given that disputes among its partners will not arise in the future that could adversely affect such projects.

***The Group's operations are subject to extensive regulatory requirements in the PRC, including, among others, environmental, safety and health regulations, and any failure to comply with such regulatory requirements may result in penalties, fines, governmental sanctions or suspension or revocation of its licences, permits or certificates.***

The Group's operations are subject to extensive national and local laws, regulations, rules and policies in the PRC, including, among others, environmental, safety and health regulations. Given the volume and complexity of these applicable laws, regulations, rules or policies, compliance may be difficult or involve significant financial and other resources to ensure holistic and real time compliance. There is no assurance that the Group will be able to comply with all applicable laws, regulations, rules or policies or obtain the required licences, permits and certificates on a timely basis, if at all. Failure to comply with any such laws, regulations, rules or policies may result in penalties or fines, government sanctions, restrictions on the Group's business activities or, in the extreme cases, suspension or revocation of the Group's licences, permits or certificates, termination of government contracts or suspension of the Group's operations. Such events could materially and adversely affect the Group's business, financial condition, results of operations and reputation.

In addition, PRC laws and regulations are constantly evolving. The applicable laws, regulations, rules and policies relating to the Group's business may be subject to further changes or amendments, or uncertainties regarding their interpretation and application. The compliance costs, liabilities and requirements associated with any existing and future laws, regulations, rules and policies can have significant impacts on the Group's business, results of operations and financial condition. The Group is expected to incur continuous compliance costs, implement operational changes so as to fulfil regulatory requirements, develop and maintain internal policies, procedures and training programmes and purchase necessary insurance to ensure its compliance with any existing and future regulatory requirements. Moreover, as part of the national policy in promoting environmental protection, the Group is expected to comply with more and more stringent environmental laws and regulations. There can be no assurance that the PRC Government will not impose additional or stricter laws or regulations, particularly relating to environment protection, which may increase the compliance costs of the Group.

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

The Group may from time to time be involved in disputes with governmental entities, indigenous residents, contractors, suppliers, employees and other third-party service providers during the course of its daily operations. Claims may be brought against members of the Group based on a number of causes such as defective or incomplete work, personal injuries, property damages, breach of warranty or delay in completion and delivery projects. In addition, the Group may bring up claims against project contractors for additional costs incurred as a result of the contractors' underperformance or non-performance, project defects or default by the contractors. If the disputes or claims are not resolved or settled through negotiation or mediation, the Group may be involved in lengthy and costly litigation or arbitration proceedings, which may distract the Group's financial and managerial resources. In the event that the Group prevails in those legal proceedings, there is no assurance that the judgements or awards will be effectively enforced. If a judgement or award is rendered against the Group, the amounts payable by the Group may not be fully covered by its insurance, and the amounts could differ from the provisions made by the Group based on its estimates. Any material charges associated with claims brought against the Group and material write downs associated with the Group's claims could have a material adverse impact on its financial condition, results of operations and cash flow.

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

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

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or disposal 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 bribes;
- conducting any inside dealing; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

The Group may 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 may not be able to fully detect money laundering, sanctions violations or other illegal or improper activities in its business operations.***

The Group is required to comply with applicable laws and regulations related to anti-money laundering, anti-terrorism and sanctions enforcement in the PRC and other relevant jurisdictions. The Group may not have an established system to detect all instances where the Group may be used by other parties to engage in money laundering or other illegal activities. Furthermore, the Group may fail to detect or may be unaware that a business counter-party is subject to the economic sanctions programmes implemented by the European Union, the United States, the United Nations Security Council, the United Kingdom or other relevant jurisdictions. In the event that the Group fails to detect money laundering, sanctions violations or other illegal or improper activities or fails to fully comply with applicable laws and regulations, relevant government agencies may impose fines or other penalties on the Group, certain of which could materially and adversely affect the Group's reputation, financial condition and results of operations.

Sanctions programmes are evolving. Certain PRC entities and persons have been included in the sanction programmes and lists administered by the United States in recent years. In June 2021, the current U.S. President issued an executive order with an initial list of 59 "Chinese Military-Industrial Complex Companies"("**CMICs**"). The executive order prohibits U.S. persons from purchasing or selling any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities, of companies listed as CMICs as of 60 days from the date of such company's inclusion in the CMIC list. It remains unclear whether new requirements or restrictions could come into effect which might increase scrutiny on PRC companies. There can be no assurance that the Group's business will always be free of compliance risk for violation of the extensive and evolving sanctions implemented by relevant authorities. The Group's business and reputation could be adversely affected if the United States, the European Union, the United Nations, the United Kingdom or any other governmental entity were to determine that any of the Group's activities constitutes a violation of the sanctions they impose or provides a basis for a sanction designation of the Group.

***The Group faces competition with existing and new market participants in the markets it operates.***

The Group faces competition in the markets in which it operates. For example, the Group not only competes with other state-owned enterprises in the PRC with regard to railway construction and operation but also faces competition from companies operating other means of transportation including air and road transportation. The Group's competitors include large PRC state-owned enterprises, privately-owned domestic companies and leading international companies. As a result of the PRC's accession to the World Trade Organisation, the PRC Government has opened up domestic markets to foreign competition, and foreign invested companies are now allowed to participate in various types of infrastructure projects. The Group also competes with both local and international companies in capturing new business opportunities in the PRC. Some of these companies have significant financial resources, marketing and other capabilities. In the PRC, some of the local companies have extensive local knowledge and business relationships and a longer operational track record in the relevant local markets than the Group. The international companies are able to capitalise on their overseas experience to compete in the PRC markets. The Group's market position depends on its ability to anticipate and respond to various competitive factors, including pricing strategies adopted by competitors, changes in customer preferences, availability of capital and financing resources and the introduction of new or improved products and services.

There is no assurance that the Group's current or potential competitors will not offer services or products comparable or superior to those that the Group offers and at the same or lower prices or adapt more quickly than the Group to evolving industry trends or changing market conditions. The Group may lose its customers to its competitors if, among other things, it fails to keep up with competitive pricing or to sustain and upgrade its capacity and technology. Increased competition may result in price reductions, reduced profit margins and loss of market share.

***There may be circumstances where the Group is not fully covered by insurance policies for third-party liability, business interruption or loss of profit arising from disruptions of its operations.***

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

- operating limitations imposed by environmental or other regulatory requirements;
- mechanical production or operational interruptions, electricity outages and equipment failure;
- 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 business, financial condition and results of operations may be affected by adverse weather conditions, natural disasters, acts of war, trade wars and terrorist attacks.***

The Group's business could be adversely affected by the effects of force majeure events, natural disasters, catastrophe, epidemics, pandemic and other outbreaks, such as the coronavirus (COVID-19), avian influenza, severe acute respiratory syndrome (SARS), influenza A (H1N1), Ebola and other acts of God which are beyond the Group's control. Any such occurrences could adversely affect the Group's business, financial condition and results of operations, cause delays in the estimated completion dates for the Group's construction projects, increase the costs associated with its operations and could in turn, materially and adversely affect its revenue, profit and cash flows and, accordingly, adversely affect its ability to repay any debt. Since early 2020, COVID-19 has spread globally throughout Asia, Europe, North America and other regions. A prolonged outbreak of COVID-19 has had and may continue to have a material adverse impact on China's economy, the global economy and financial markets in general. Furthermore, there is significant uncertainty relating to future developments of the COVID-19 pandemic, particularly in light of the recent resurgence of reported infections, including in Europe and the PRC, as well as the emergence and spread of new variants of the COVID-19 virus globally. The COVID-19 pandemic may further create negative economic impact and increase volatility in the PRC and the global market and continue to cause increasing concerns over the forward-looking assessment of the performance of the PRC residential property market, which may materially and adversely affect the demand for properties and property prices in China. The Group's business operations and financial condition may be materially and adversely affected as a result of the changes in the outlook of the property market, any slowdown in economic growth, negative business sentiment or other factors that the Group cannot foresee.

In addition to the outbreaks of contagious diseases, the Group's business may also be adversely affected by 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 disasters, accidents, catastrophes or other events, the Group's operations may be 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 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. Any adverse impact on the economic and social conditions in Henan Province may have a material adverse effect on the Group's business, financial condition and results of operations. Furthermore, some of the Group's contracts may have force majeure provisions that permit contractual parties to suspend, terminate or otherwise not perform their obligations under the relevant contracts upon the occurrence of certain events, all of which are beyond the control of the party asserting such force majeure event. If one or more of the Group's 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.

***The Group is reliant on independent contractors, subcontractors and other service providers.***

The Group engages independent third-party contractors and subcontractors and other service providers to provide various services including construction, transportation, storage and other services. There is no assurance that such independent third-party contractors or subcontractors will perform their obligations pursuant to the respective contracts and render satisfactory service. Failure by such third-party contractors, subcontractors or other service providers to perform such obligations or render satisfactory service may result in material disruption to the Group's operations and significant losses of revenue and increases in costs to the Group. The Group is also exposed to the risk that such service providers may require additional capital to complete an engagement in excess of the price originally tendered and the Group may have to bear additional costs as a result. The Group's service providers may experience financial or other difficulties that may affect their ability to discharge their obligations, thus delaying the completion of the Group's projects, impacting the operation of certain businesses or resulting in additional costs for the Group. The timely performance by these service providers may also be impacted by natural and human factors such as natural disasters, strikes and other industrial or labour disturbances, terrorism, restraints of government, civil disturbances, accidents or breakages of machinery or equipment, failure of suppliers, interruption or delays in transportation, all of which are beyond the Group's control. Any of these factors could materially and adversely affect the business, financial condition and results of operations of the Group.

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

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

***Labour shortages, labour disputes or increases in labour costs could have a material adverse effect on the Group's business, financial condition and results of operations.***

The Group is subject to risks of labour shortages, increases in labour costs, strikes or other labour problems. If the Group's employees were to engage in a strike or other work stoppage, the Group could experience significant disruption in its operations and/or higher on-going labour costs, which may have a material adverse effect on the Group's business, financial condition and results of operations. Similarly, any labour shortages, labour disputes or increases in labour costs of the Group's third-party contractors could cause an extension of the construction progress and an increase in the Group's fees payable to the contractors, which could in turn materially and adversely affect the Group's business and results of operations.

***The Group relies on information technology systems for its business and any information technology system limitations or failures could adversely affect its business, financial condition and results of operations.***

The Group's business depends on the integration and performance of the business, accounting and other data processing systems amongst the members of the Group. If the Group's information and technology systems cannot adapt with increased demand or otherwise fail to perform, the Group could experience unanticipated disruptions in business, slower response and limitations on its ability to monitor and manage data and risk exposures, control financial and operational conditions and keep accurate records. These consequences could result in operating outages, poor operating performance, financial losses and the intervention of regulatory authorities.

The Group's information and technology systems may be vulnerable to unauthorized access, computer viruses or other disruptive problems that may affect the proper functioning of its information technology systems. There is no assurance that business activities would not be materially disrupted in the even of a failure of information technology or communications systems, which could be caused by, among others, software bugs, computer virus attacks or conversion errors due to system upgrading. Costs incurred in rectifying any such disruptive problems may be high and may adversely affect the Group's business, reputation, financial condition and results of operations.

***The Company's corporate governance may expose the Group to additional risks.***

The Group seeks to establish risk management and internal control systems consisting of organisational frameworks, policies, procedures and risk management methods that are appropriate for its business operations and also seeks to continue to improve these systems. However, the Group may not fully carry out the corporate governance policies. In addition, there are inherent limitations in the design and implementation of risk management and internal control systems, and due to the significant size of the Group's operations, such implementation may involve human error or mistakes. There is no assurance that the Group's risk management and internal control systems will be able to identify, prevent and manage all risks, which may materially affect the Group's business and results of operations. As a result, the Group may need to establish and implement additional risk management and internal control policies and procedures to further improve its systems from time to time.

There is no assurance that such assumptions are always reliable. In addition, although the Group has established what it believes to be an advanced information technology system and has the benefit of industry and company data accumulated in its operations, the Group's information technology systems may not be adequate in the collection, analysis and processing of these data, and its historical data and experience may not be able to adequately reflect risks that may emerge from time to time in the future. As a result, the Group's risk management methods and techniques may not be effective in directing it to take timely and appropriate measures in risk management and internal controls. The Group's risk management and internal controls also depend on effective implementation by its employees.

## RISKS RELATING TO THE GROUP'S RAILWAY BUSINESS

***The Group's railway investment and construction projects may expose the Group to additional risks.***

The Group is involved in and plans to continue exploring opportunities in projects involving ownership and operation of the railways and railway-related infrastructure in domestic markets. The introduction of infrastructure investment and operation projects in the PRC's infrastructure construction industry is relatively recent and there is no assurance that the Group will be able to successfully and profitably carry out infrastructure investment and operation projects. The nature of infrastructure investment and operation projects requires the Group to fund the project upfront and make payments to suppliers and subcontractors. However, the Group may be exposed to payment delays or default of payment. In addition, the Group may make an inaccurate forecast concerning the timing and the amount of cash inflows to be derived from the completed projects. Undertaking infrastructure investment and operation projects also requires significant outlay of the Group's working capital over extended periods. During the construction, the Group may face unpredicted risks arising from unpredictable natural disasters and accidents. As such, the Group's outlay of its working capital may not conduce the best benefit for the business. Investment in railway and railway-related infrastructure is also dependent on government policies, laws and regulations relating to public and private operations of the such construction projects as well as participation and sharing of risks and returns of such projects. Any regulatory and governmental restrictions to execute or handle such projects may adversely affect the Group's business and results of operations.

***The Group's railway business may not generate operating income or any profits at the early stages and its low asset turnover rate may adversely affect its business and financial results.***

The Group's railway business may not generate any operating income or any return of profits at the early stage. Although the Group is entitled to a certain percentage of shares of the operating profits of the railway projects once they are completed, most of these projects have not started generating profits at the moment. In 2020, the Group has not received any investment dividend from its railway investment. For three years ended 31 December 2018, 2019 and 2020, the Group has recorded net losses of RMB610.3 million, RMB609.4 million and RMB549.0 million, respectively. The Group may fail to generate profits in the future. Furthermore, the Group may not have enough cash to implement its business plans or enhance other segments of its business. In the future, it may also fail to run business efficiently. The low asset turnover rate due to the Group's railway business may adversely affect the Group's business and financial results. The Group faces risks associated with equity participation in rail projects.

Henan Provincial Government and CSRG play the role of the controlling shareholder in the Group's national railway development projects. Municipal governments of cities along the rail lines serve as other shareholders and receive their operating income in the form of dividends. The Group, as one of the shareholders, exercises limited control over operations and cannot ensure the distribution of dividends to, among others, itself, that will be sufficient to cover the front-load costs or at all. If the rail line generates low profits or does not generate profits at all, the Group may not secure any pre-anticipated investment gains. The lack of predominant control over railway investments may lead to unsatisfactory returns on investment for the Group.

***The Group may be adversely affected by policy changes in rail development and pricing mechanism designed by the government.***

The PRC has boosted its investment in infrastructure, railways, highways and aviation to address the impact of any financial crisis and economic downturn and taken measures to control local and regional investing activities. To alleviate rail operating difficulty caused by low freight rates, the NDRC relaxed the pricing of certain rail services in 2014. However, the price liberalisation is limited to bulk cargo express and parcel delivery rates only. The Group remains passive in determining the rest of the rail service rates. Any future price reduction in rail service rates may affect the operating income of the Group.

Additionally, following the accident involving Qingdao-Jinan Railway in 2008 and the train collision in Wenzhou in 2011, rail operation safety became a matter of grave concern in the general public. The PRC Government lowered the speed of the rail speed in its initial operations and temporarily held the approval for new railway projects. Accordingly, the Group will have to strengthen its safety management to minimize such risk. In addition, there is no guarantee that such freeze on new projects will not happen. Therefore, any changes in policy to address such concerns of the general public may incur additional costs and require procedures that have adverse effects on the operation and business of the Group.

***The Group may be adversely affected by structural reform in the rail industry.***

The establishment of CSRG on 14 March 2013 signalled the beginning of a structural reform in the rail industry in the PRC. As substantially all national rail projects of the Group are jointly led by CSRG, this structural reform will, to a certain extent, affect the operations of such project companies and subsequent financing due to CSRG's strong role. As the CSRG is usually the majority or controlling shareholder of a project, there is a risk that it may cause certain business decisions to be made that are not in the best interest of the Group and the Group, being one of the minority shareholders, may not be able to vote against or otherwise veto such a decision. As the majority shareholder and supported by the PRC Government, the CSRG may also have larger bargaining power in negotiating any shareholder agreements and the Group may not be able to argue successfully for its interests in such negotiations.

## RISKS RELATING TO THE GROUP'S LAND DEVELOPMENT BUSINESS

***Failure to complete property development projects on time or to applicable standards could adversely affect the Group's business.***

The complication of property development generally involves large number of parties and great amount of capital and requires many permits, licences, certificates and other approvals from the relevant administrative authorities at various stages of property development. Due to its complication, the progress and costs of a property development project can be adversely affected by many factors, including delays in obtaining necessary licences, permits, certificates or approvals from government agencies or authorities, shortages of materials, equipment, contractors and skilled labours, labour disputes, construction accidents, natural catastrophes, adverse weather conditions, and changes in government policies. Failure to complete construction of a property development project on time, to specifications or within budget as a result of any or all of the above factors may materially and adversely affect the Group's business, financial condition and results of operations and may also cause reputational damage. There is no assurance that the Group will not experience any significant delays in completion or delivery of any of its property development projects or that the Group will not be subject to any liabilities for any such delays. Moreover, if the design or construction of a property development fails to meet applicable requirements, the Group's sales and brand name could be adversely affected. To the extent such failure is found to interfere with normal use of the property, the purchaser would be entitled to terminate the commercial property sale and purchase contract. The occurrence of any of the above-mentioned incidents could bring the Group into legal disputes, which in turn could have an adverse effect on the Group's business, financial condition and results of operations.

***The PRC property market has been cyclical and the Group's property development activities are susceptible to fluctuations.***

The Group relies on its land development business to generate income. For the years ended 31 December 2018, 2019 and 2020, operating income generated by the Group from this business amounted to RMB39.0 million, RMB754.0 million and RMB532.0 million, respectively, accounting for 39.6 per cent., 95.4 per cent. and 95.8 per cent. of the Group's total operating income for the same periods. The Group's operating income for this business is susceptible to changes in the PRC property market.

The overall demand for residential and commercial properties in China has grown rapidly in recent years. However, the market has also experienced fluctuations in property prices during this period in response to PRC Government policies and trends in the PRC and world economies. There have been increasing concerns over the affordability of housing and the sustainability of the real estate market growth in China. As a result, the PRC Government has in recent years promulgated various control measures aimed at cooling the property sector. The Group cannot assure that such measures will not have a negative impact on its business or that the demand for new properties in the cities where the Group has operations will continue to grow in the future or that there will not be over-development or a market downturn in the PRC property sector. Recently, the property market in the PRC has witnessed signs of a slowdown, with some developers reported to have lowered prices in order to stimulate sales and some local governments reported to have relaxed property purchase restrictions previously imposed as cooling measures to help boost demand. Any continuing adverse development and the ensuing decline in property sales or decrease in property prices in China may adversely affect the Group's business and financial condition.

***The Group's results of operations may be adversely affected if it fails to obtain, or there are material delays in obtaining, requisite governmental approvals for its property developments or its construction projects.***

The Group is required to obtain various permits, licenses, certificates and other approvals from the relevant PRC Government authorities at various stages of project development including, but not limited to, state-owned land use rights certificates, planning permit for construction land, planning permits for construction works, permits for commencement of construction works, pre-sale permits for commodity properties and certificates or confirmations of completion and acceptance. In particular, the Group is required to obtain state-owned land use rights certificates before commencing any property development and such certificates would generally only be issued after certain conditions have been satisfied. Such conditions include the relevant project company having executed the state-owned land use rights granting contracts (國有土地權出讓合同) with the relevant authorities whereby the land use rights are granted to the relevant project company, provided the Group has paid the land premium in full.

There is no guarantee that the Group will not encounter problems with respect to obtaining the relevant permits, licenses, certificates and approvals from the relevant PRC Government authorities in the future or making scheduled land premium payments on time going forward for certain reasons. For example, as at the date of this Offering Circular, the Group has not obtained the required licenses and/or permits for Zhengzhou Airport to Zhengzhou South Station Railway (鄭州機場至鄭州南站城際鐵路) and certain road construction and road repair projects. In addition, Henan Tongsheng Real Estate Co., Ltd. (河南同晟置業有限公司) is in the process of updating its Real Estate Enterprise Development Qualification Certificate. In addition, the Group cannot assure that it will receive the various permits, licenses, certificates and approvals from the relevant PRC Government authorities within the expected time frame, because the timing of issuance of such certificates may be subject to factors out of its control, including the relevant government resettlement schedules. If the Group fails to receive such certificates, its development schedule may be disrupted, penalties on the Group may be imposed by governmental authorities and the Group may be involved in legal and administrative proceedings, which, in turn, may have a material and adverse effect on its business, results of operations and financial condition. There is also no guarantee that the Group will not encounter problems in obtaining other government approvals or in fulfilling the conditions required for obtaining other government approvals and certificates. If the Group fails to obtain the relevant approvals or to fulfil the conditions of the approvals and certificates for its property development, those developments may not proceed on schedule. As a result, its business, results of operations and financial condition may be materially and adversely affected.

***The Group's land development activities are exposed to certain risks associated with resettlement of local residents.***

Some of the past projects developed by the Group such as West Plaza of Zhumadian High-speed Railway Project (駐馬店高鐵西廣場項目) and Antang New City Project (安湯新城項目) involved resettlement of local residents and businesses, and similar situations may recur when the Group develops its future projects. There is no assurance that such resettlement of local residents or businesses will proceed smoothly, or they will agree to the resettlement plan approved by the government authority. If any local resident or business disagrees with the resettlement plan, the disagreement will be submitted to the relevant township government for the authority's determination. The relevant governmental authority will then decide on the proper resettlement compensation which may differ from the original proposal and result in higher compensation payment and delays in the development schedules. In addition, the amount of compensation to be paid is subject to PRC regulations and is subject to change at any time. Any increases of compensations required or delays of such relocations may result in increase of the Group's project development costs and overall delays in the Group's development schedules, which may in turn materially and adversely affect the Group's business, financial condition and results of operations.

***The Group may not be able to obtain sites that are suitable for property developments at commercially suitable prices or at all.***

The Group derives a substantial portion of its revenue from land development. To maintain and grow business in the future, the Group will have to replenish and increase its land bank with suitable sites at reasonable cost. The Group's ability to identify and acquire suitable sites is subject to a number of factors that are beyond its control. The Group's business, financial condition and results of operations may be materially and adversely affected if it is unable to obtain land sites for development that allow it to achieve reasonable returns upon the sale or leasing of developed properties.

The PRC government controls land supply in the PRC and regulates land sales in the secondary market. As a result, PRC government policies toward land supply affect the Group's ability to acquire land use rights for sites the Group identifies for development and may increase costs of any acquisition. The PRC central and local governments may regulate the means by which the Group obtains land sites for land developments. In addition, land prices in the PRC have increased significantly in recent years and may continue to increase in the future, and there may not be land available at reasonable cost or at all in attractive locations in the Group's target for new development or re-development. If the Group fails to identify and acquire sufficient and appropriate sites in the future, such failure would result in uncertainties in its future development schedules, which in turn would have a material adverse effect on the Group's business, prospects, profitability and results of operations.

***The Group's business and property sales may be affected if the Group fails to obtain the record of acceptance examination for its completed projects.***

After completion of work for a project and the subsequent acceptance examination, a real estate developer shall apply to the government property development authority at or above the county level for a record of acceptance examination, according to the Regulations on Administration of Development and Operations of Urban Real Estate (城市房地產開發經營管理條例) (the "**Development Regulations**") enacted by the State Council on 20 July 1998, amended on 8 January 2011 and subsequently amended on 19 March 2018, 24 March 2019, 27 March 2020, and 29 November 2020, the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例) enacted by the State Council on 30 January

2000 and amended on 7 October 2017 and 23 April 2019, the Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) enacted by the Ministry of Construction on 4 April 2000 and subsequently amended on 19 October 2009 and the Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收規定), effective on 2 December 2013. For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and where such a project is developed in phases, separate acceptance examinations may be carried out for each completed phase. The Group cannot assure that it will be able to obtain the record of acceptance examination for its completed projects in a timely manner, or at all. In such event, the Group's business, property sales and financial condition may be materially and adversely affected.

## RISKS RELATING TO THE GROUP'S FINANCIAL SERVICES BUSINESS

***The Group's financial services business could be affected by material changes and fluctuations in the PRC banking industry.***

The Group's financial services may be subject to the material changes and fluctuations in the banking industry, such as material fluctuation in the interbank rates and media reports on any increase in non-performing loans in the PRC banking industry. These factors which generally affect the banking industry may result in a liquidity crunch and the subsequent reductions in the amount of, or tightened approval requirements for loans available to the Group's customers or the Group. If the customers' businesses are negatively affected as a result of tightened liquidity, the default risk in respect of the Group's customers may increase. In addition, the business performance in the small and medium-sized enterprises ("**SME**") sector may be adversely affected by turmoil in regional financial markets, such as what has been widely reported in Wenzhou and Henan in recent years, as well as changes in global credit policies. This may result in a reduction in the amount of, or tightened approval requirements for, funding from banks or other financial institutions to SMEs in the PRC which may consequently be exposed to greater liquidity risks. In this situation, the quality of the Group's loan portfolio and related results of operations may be adversely and materially affected.

***The Group has limited information on its clients to which it provides financial services, and there can be no assurance that the Group's customer due diligence is sufficient to uncover material risks relating to its loans and guarantees.***

A majority of the customers of the Group's financial services are corporate clients and information about such clients is sometimes limited. For example, the accounting records or other financial information of the customers might not have been well maintained, their business model and procedures might not have been documented and they may not have effective internal controls as larger corporate entities. Inadequate information not only could result in additional work and related costs, it may also undermine the effectiveness of its customer due diligence. The Group normally conducts customer due diligence independently. The Group's investigation may not be able to procure all material information necessary to make a fully informed decision and its due diligence may fail to detect customer fraud. If the Group fails to perform thorough due diligence or discover customer fraud or intentional deceit, the quality of its credit evaluation may be compromised. The Group's failure to effectively measure and limit the credit risk associated with its credit guarantee and loan portfolio could have a material adverse effect on the Group's financial services business, financial condition and results of operations. If its customers engage in any illegal transactions, such as money laundering activities, the Group may face administrative and criminal liabilities and suffer financial and/or reputational damage.

## RISKS RELATING TO THE GROUP'S SMART LOGISTICS BUSINESS

***The Group's relatively short history in its smart logistics business may make it difficult to evaluate future prospects and financial performance.***

The Group's smart logistics business has a relatively short operating history and its current plans to develop this business is still subject to change. For details, see "*Description of the Group — The Group's Business Segments — Smart Logistics.*" The expansion of the Group's smart logistics service portfolio involves overhead investments for the construction of transportation hubs and warehouses and there is no guarantee of the timing and sufficiency of income to be generated therefrom. In addition, the Group may not have enough experience or knowledge in the sub-markets it plans to expand into. Consequently, the Group may not be able to fully capture the opportunities associated with smart logistics or recover the associated costs expended, which in turn could negatively impact its business prospects and future profitability for this segment. Any failure to grow this business as planned may adversely affect the Group's business, financial conditions and results of operations.

***The Group does not have full control over the pricing of its smart logistics services.***

The Group's smart logistics business is affected by various factors, including macroeconomics and government policies, and may not generate steady income. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, operating income generated by the Group from its smart logistics operations was RMB39.9 million, RMB39.0 million, RMB24.2 million, RMB10.6 million and RMB20.3 million, respectively. The Group's smart logistics business is regulated by the Henan Development and Reform Commission (河南發展和改革委員會) (the "**HDRC**") and the pricing of its services is restricted by rules and regulations stipulated by the HDRC under the guidance of the NDRC. Such pricing may not fully reflect the costs of labour or fuel incurred, and may affect the revenue and profitability of this business segment, which in turn may adversely affect the Group's business, financial conditions and results of operations.

## RISKS RELATING TO THE GROUP'S FINANCIAL INFORMATION

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

Members of the Group from time to time issue medium-term and short-term bonds in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, members of the Group need to publish its semi-annual and quarterly financial information to satisfy their continuing disclosure obligations relating to its medium-term and short-term bonds. The quarterly and semi-annual financial information published by the Company in the PRC is normally derived from its 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 Company is not responsible to Bondholders for the unaudited and unreviewed financial information from time to time published in the PRC and therefore investors should not place any reliance on any such financial information.

***The Company's historical financial information is not directly comparable with its future financial information.***

The historical financial information of the Company included in this Offering Circular is not indicative of its future financial results and is sometimes adjusted or restated to address subsequent changes in accounting standards, accounting policies and/or applicable laws and regulations with retrospective impact on the Company's financial reporting or to reflect the comments provided by the Company's independent auditors during the course of their audit or review in subsequent financial periods. The historical financial information is not intended to represent or predict the results of operations of any future periods. The Company'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 and PRC environmental rules and regulations.

***The Group's historical consolidated financial statements do not reflect the Proposed Transfer and there is limited financial and other information relating to Henan Intercity Railway in this Offering Circular.***

The Group's historical consolidated financial statements do not reflect the Proposed Transfer. After the Proposed Transfer is consummated, Henan Intercity Railway will be a consolidated subsidiary of the Company and the Company's consolidated financial statement will be significantly different as compared to its historical consolidated financial statements. See "*Overview — Recent Developments — Proposed Acquisition of Henan Intercity Railway*".

***The Company's financial statements were prepared in accordance with PRC GAAP which may be different from IFRS.***

The Audited Financial Statements and Interim Financial Statements were prepared in accordance with the PRC GAAP. PRC GAAP are, to a certain extent, different from IFRS. See "*Summary of Significant 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. Potential 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.

***The Group's auditors have limited international capital markets experience.***

The Group's current independent auditor, Peking CPA, and the Group's previous independent auditor, Xigema CPA, are registered members of The Chinese Institute of Certified Public Accountants and although they have significant audit experience in the PRC, each of them has limited international capital markets experience. Prospective investors should consider this prior to making any investment decision.

***The Group's auditors have received adverse regulatory investigations and/or warnings issued by relevant PRC authorities in recent years.***

In recent years, as part of an effort to improve effective regulatory oversight, PRC regulators have increased their examinations of PRC public accountants. As a result, auditors in the PRC have been subject to more frequent examinations by regulatory authorities such as the China Securities Regulatory Commission (the "**CSRC**"). The CSRC's investigations are mainly focused on the independence of the auditors, the appropriateness of the implementation of accounting standards, the adequacy of professional skepticism in the auditing process, and the reasonableness of the judgement made by the auditors. Each of Xigema CPA and Peking CPA has been subject to administrative sanctions by the CSRC in the past few years. For example, in December 2020, the Xinjiang Regulatory Bureau of CSRC issued a warning letter to Xigema CPA on the ground that it has breached the Corporate Bond Issuance and Trading Management Measures. In November 2020, the Shaanxi Regulatory Bureau of CSRC issued a warning letter to Xigema CPA on the ground that it was not diligent in certain aspects when performing the audit of the financial statements of Shaanxi Construction Machinery Co. Ltd. ( 陝西建設機械股份有限公司). In November 2020, Xigema CPA was investigated by CSRC in relation to its auditing work concerning Yongcheng Coal and Electricity Holding Group Co. Ltd. (永城煤電控股集團有限公司). In December 2019, the Hubei Regulatory Bureau of CSRC issued a warning letter to Peking CPA on the ground that it was not diligent in certain aspects when performing the audit of the financial statements of Hubei Three Gorges New Building Materials Co. Ltd. (湖北三峽新型建材股份有限公司). In August 2019, the Guangdong Regulatory Bureau of CSRC issued a warning letter to Peking CPA on the ground that it was not diligent in certain aspects when performing the audit of the financial statements of Guangzhou Dongling International Investment Co. Ltd. (廣州東凌國際投資股份有限公司).

Each of Xigema CPA and Peking CPA has confirmed to the Group that its auditing or reviewing work is not affected by the above incidents and the audit or review reports included elsewhere in this Offering Circular are valid and effective. However, there can be no assurance that there will not be prolonged, broadened or new investigations against its independent auditors, or what the results or impact of the investigations will be. Furthermore, the can be no assurance that there would be no additional negative news about its independent auditors and that negative news about its auditors would not have a material and adverse effect on the Group.

## RISKS RELATING TO 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 the PRC, the annual growth rate of China's GDP decreased from 7.3 per cent. in 2014 to 6.1 per. cent in 2019. In 2020, China's GDP growth rate shrank to 2.3 per cent. as a result of the outbreak of the COVID-19 pandemic and large-scale quarantine and shutdown measures implemented by the PRC Government. In May 2017, Moody's changed China's long-term sovereign credit rating and foreign currency issuer ratings to A1 from Aa3. In September 2017, S&P Global Ratings also downgraded China's long-term sovereign credit rating to A+ from AA-, citing increasing economic and financial risks from a prolonged period of strong credit growth.

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. There is substantial uncertainty relating to China's ongoing trade dispute with the United States and the impact of Brexit.

***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. 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, deleveraging the economy by reducing borrowing levels 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 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 cities and in the infrastructure construction demand in the PRC and other industries that the Group operates depends heavily on economic growth. If the PRC's economic growth slows down or if the economy of the PRC experiences a recession, such growth may also slow down, and the Group's business and prospects may be materially and adversely affected. The Group's operations and financial results, as well as the Company's 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.***

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 be cited for 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, because many 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 can involve significant 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 and some of which may be enforced with a retroactive effect). As a result, the Group may not be aware of a violation of a policy or rule 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. It may also be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of a judgment by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to the Bondholders.

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

The Company is incorporated under the laws of the PRC. A majority of its assets are located in the PRC. In addition, all of its directors, supervisors and senior management reside within the PRC and the assets of its directors and officers are located within the PRC. As a result, it may not be possible for investors to effect service of process outside the PRC upon all of its 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 the PRC or if judgments of the courts in the PRC have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. 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 the Hong Kong courts. In addition, on 18 January 2019, the Supreme People's Court (the "**SPC**") and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**New Arrangement**"). The New Arrangement extends the scope of judicial assistance, and the effective date shall be announced by the SPC and Hong Kong after SPC issued the judicial interpretation and Hong Kong completed relevant procedures. 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 Hong Kong 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.

***The Group is subject to the PRC Government's controls on currency conversion and future movements in foreign currency exchange rates.***

Renminbi is currently not freely convertible to other foreign currencies, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Under current PRC laws and regulations, payments of current account items, including profit distributions, interest payments and operation-related expenditures, may be made in foreign currencies without prior approval from SAFE, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions and conducting such transactions at designated foreign exchange banks within China that have the licences to carry out foreign exchange business. Strict foreign exchange control continues to apply to capital account transactions. These transactions must be approved by or registered with SAFE, and repayment of loan principal, distribution of return on direct capital investment and investment in negotiable instruments are also subject to restrictions.

Substantially all of the Group's operating revenue is denominated in Renminbi, which is also the reporting currency. A portion of the Group's cash may be required to be converted into other currencies in order to meet the Group's foreign currency needs, including cash payments under the Bonds. However, the PRC Government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, the Group might not be able to pay principal, premium and interests to the holders of the Bonds in foreign currencies. On the other hand, foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of SAFE. These limitations could affect the Group's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures.

***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 and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. The PRC Labour Contract Law imposes greater liabilities on employers and significantly increases the cost to an employer for workforce reduction. It formalises workers' rights concerning layoffs, employment contracts and the role of trade unions and provides for specific standards and procedures for the termination of an employment contract. In addition, the PRC Labour Contract Law requires a statutory severance payment upon the termination of an employment contract in most cases, including in cases of the expiration of a fixed term employment contract. In the event that the Group decides to change or decrease its workforce, the PRC Labour Contract Law could adversely limit the Group's ability to effect such changes in a timely and cost-effective manner, and may adversely affect its business and results of operations. See "*Risk Factors — Labour shortages, labour disputes or increases in labour costs could have a material adverse effect 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 are likely to increase. In such circumstances, its profit margin may decrease and its 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 as to the accuracy or comparability of facts and statistics contained in this Offering Circular with respect to the PRC, its economy or the Group's industry.***

Facts and other statistics in this Offering Circular relating to the PRC, its economy or the industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources. Although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials which have not been prepared or independently verified by the Company, the Managers, the Trustee or the Agents, or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them.

***The operations of the Group may be affected by rising inflation rates within the PRC.***

Economic growth in China has historically been accompanied by periods of high inflation. The PRC Government has from time to time implemented various policies to control inflation and introduced measures in certain sectors to avoid overheating of the economy, including tighter bank lending policies, increases in bank interest rates, and measures to curb inflation, which have resulted in a decrease in the rate of inflation. However, inflation rates within China have been on a sharp uptrend in recent years. Increasing inflation rates are due to many factors beyond the Group's control, such as rising food prices, rising production and labour costs, high lending levels, the PRC and foreign governmental policies and regulations, and movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. As a result, further inflationary pressures within China may have a material adverse effect on the Group's business and financial condition and results of operations, as well as its liquidity and profitability.

## RISKS RELATING TO THE BONDS

***The PRC government has no obligations to pay any amount under the Bonds.***

The PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds. This position has been reinforced by MOF Circular 23, Circular 666 and Joint Circular 706.

The PRC government, as the ultimate shareholder of the Issuer, only has limited liability in the form of its equity contribution in the Issuer. As such, the PRC government does not have any payment obligations under the Bonds or the Trust Deed if the Issuer fails to meet its obligations. The Bonds are solely to be repaid by the Issuer as an obligor under the relevant transaction documents and as an independent legal person. In addition, any ownership or control by the PRC government does not necessarily correlate to, or provide any assurance as to, any of the Issuer's financial condition. Investments in the Bonds are reliant solely on the credit risk of the Issuer. 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 audited consolidated financial statements. In the event the Issuer does not fulfil its obligations under the Bonds, investors will only be able to claim as unsecured creditors against the Issuer and its assets, and not any other person including the PRC government, Henan Provincial Government or any other provincial, local or municipal government. As MOF Circular 23, Circular 666 and Joint Circular 706 are relatively new and given the limited volume of published decisions related to these circulars, the interpretation and enforcement of these laws and regulations involve uncertainties.

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

Each potential investor in the Bonds must determine the suitability of the 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 or amendment;

- 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, including where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments. Sophisticated investors generally do not purchase complex financial instruments as standalone investments but rather purchase such complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless it has 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. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Offering Circular.

***The Bonds being issued as "Green Bonds" may not be a suitable investment for all investors seeking exposure to green assets.***

The Group has developed its Green Finance Framework (the "**Green Finance Framework**") and intends to issue the Bonds as "*Green Bonds*" to finance, refinance and replenish the working capital of Eligible Green Projects in accordance with the Green Finance Framework. Please refer to "*Green Finance Framework Overview*". The Company has on 14 January 2022 received from S&P Global Ratings an independent opinion (the "**Second-Party Opinion**") confirming that the Green Finance Framework is in compliance with the Green Bond Principles 2021 (GBP 2021) of the International Capital Market Association (the "**ICMA Green Bond Principles**") and the the Green Loan Principles 2021 (the "**Green Loan Principles**") by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association, for loans. The ICMA Green Bond Principles and the LMA Green Loan Principles are sets of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bonds and green loans market.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as "green", and therefore no assurance can be provided to potential investors that the relevant Eligible Green Projects will meet or continue to meet the relevant eligibility criteria. Although applicable green projects are expected to be selected in in accordance with the categories recognised under the ICMA Green Bond Principles and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green projects. Where any negative impacts are insufficiently mitigated, green projects may become controversial, and/or may be criticised by activist groups or other stakeholders.

The Second-Party Opinion is not incorporated into, and does not form part of, this Offering Circular. Any second-party opinion provider and providers of similar opinions, certifications and validations are not currently subject to any specific regulatory or other regime or oversight. Any such opinion, certification or validation is not, nor should be deemed to be, a recommendation by the Issuer, the Group or the Managers in relation to the Bonds, any second-party opinion provider or any other person to buy, sell or hold the Bonds. Bondholders have no recourse against the Issuer, the Group or any of the Managers in relation to the Bonds or the provider of any such opinion, certification or validation for the contents of any such opinion, certification or validation, which is only current as at the date it was initially issued and is subject to certain disclaimers set out therein. Furthermore, the Second-Party Opinion is for information purposes only and none of the Issuer, the Group or the relevant Managers accepts any form of liability for the substance of the Second-Party Opinion and/or any liability for loss arising from the use of the Second-Party Opinion and/or the information provided therein. Prospective investors must determine for themselves the relevance of any such opinion, certification or validation and/or the information contained therein and/or the provider of such opinion, certification or validation for the purpose of any investment in the Bonds. Any withdrawal of any such opinion, certification or validation or any such opinion, certification or validation attesting that the Group or the Issuer is not complying in whole or in part with any matters for which such opinion, certification or validation is opining on or certifying on may have a material adverse effect on the value of the Bonds and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose. The Second-Party Opinion will be made available to investors on the Issuer's website.

Whilst the Issuer has agreed to certain obligations relating to reporting and use of proceeds as described under the sections entitled "*Use of Proceeds*" and "*Green Finance Framework Overview*", it would not be an Event of Default under the Terms and Conditions of the Bonds if (i) the Issuer were to fail to comply with such obligations or were to fail to use the proceeds of the issue of the Bonds in the manner specified in this Offering Circular and/or (ii) the Second-Party Opinion issued in connection with such Bonds were to be withdrawn. Any failure to use the net proceeds of the issue of the Bonds in connection with eligible green projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with environmental and/or social concerns with respect to such Bonds, may affect the value and/or trading price of such Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in green projects. In the event that the Bonds are included in any dedicated "green", "environmental", "social", "sustainable" or other equivalently-labelled index, no representation or assurance is given by the Issuer or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates.

None of the Issuer, the Group or the Managers makes any representation as to (i) the suitability for any purpose of the Second-Party Opinion, (ii) whether the Bonds will meet investor criteria and expectations regarding environmental impact and sustainability performance for any investors, (iii) whether the net proceeds will be used in the manner as described in the sections entitled "*Use of Proceeds*" and "*Green Finance Framework Overview*", or (iv) the characteristics of Eligible Green Projects, including their relevant environmental and sustainability criteria. Each potential purchaser of the Bonds should have regard to the relevant projects and eligibility criteria described under the sections entitled "*Green Finance Framework Overview*". Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular regarding the use of proceeds, and its purchase of any Bonds should be based upon such investigation as it deems necessary.

***Any failure to complete 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.***

In accordance with the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) (the "**Foreign Debt Registration Measures**") issued by SAFE on 28 April 2013, which came into effect on 13 May 2013 and was amended on 4 May 2015, an issuer of foreign debts shall complete the foreign debt registration in respect of its issue of foreign debts with the local branch of SAFE in accordance with applicable laws and regulations. According to the Operation Guidelines for Administration of Foreign Debt Registration (外債登記管理操作指引) promulgated together with the Foreign Debt Registration Measures, the Issuer is required to register its foreign debt issue within 15 working days after the execution of the financing documents and to complete such registration in accordance with the Foreign Debt Registration Measures.

The Issuer will undertake to within 15 Registration Business Days (as defined in the Terms and Conditions of the Bonds) after the Issue Date, register or file or cause to be registered or filed with SAFE the Bonds pursuant to the Foreign Debt Registration Measures and its operating guidelines, effective as of 13 May 2013 and the Circular of the People's Bank of China on Issues Concerning the Overall Macro Prudential Management System for Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) ("**Foreign Debt Registration**"), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of the Foreign Debt Registration issued by SAFE) on or before the Registration Deadline (being the day falling 120 days after the Issue Date); and (iii) comply with all applicable PRC laws and regulations in relation to the Foreign Debt Registration. Before such registration of the Bonds is completed, it is uncertain whether the Bonds will have legal effects under the PRC laws. If the Issuer, in the unlikely event, fails to complete such registration within the abovementioned timeframe after having exercised its best endeavours, the Issuer may have difficulty in remitting funds offshore to service payments in respect of the Bonds and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Bonds and the Trust Deed in the PRC. Failure to complete such registration within the abovementioned timeframe will also trigger a put option under the Terms and Conditions of the Bonds, which gives the Bondholders a right to put.

***Any failure to complete the relevant filings with the NDRC Circular within the prescribed time frame following the completion of the issuance of the Bonds may have adverse consequences for the Issuer and/or 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 over one year outside the PRC with the NDRC prior to the issue of the securities and notify 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 noncompliance with the pre-issue registration requirement. The Issuer has obtained the NDRC Pre-issuance Registration Certificate on 1 December 2021 together with confirmation from NDRC relating to company name change dated 31 December 2021. Similarly, the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular are unclear. 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 Terms and Conditions of the Bonds. 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 the prescribed timeframe after the date of issuance and shall comply with all applicable PRC laws and regulations in connection with the NDRC Post-issue Filing.

***The Bonds will be unsecured obligations***

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

- the Issuer enters into bankruptcy, liquidation, re-organisation 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.

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

The Bonds will be a new issue of securities for which there is currently no trading market. Although an application will be made to the SEHK for the listing of, and permission to deal in, the Bonds on the SEHK, no assurance can be given that such application will be approved or, even if the Bonds become so listed, that an active trading market for the Bonds will develop or be sustained. No assurance can be given as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds. The Managers are not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Managers. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders 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. In addition, one or more initial investors in the Bonds may purchase a significant portion of the aggregate principal amount of the Bonds pursuant to the offering. The existence of any such significant Bondholder(s) may reduce the liquidity of the Bonds in the secondary trading market.

Accordingly, there can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities.

***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 global economic downturn. 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 issues in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility, such as that caused in recent years by the global financial and economic crisis including the European debt crisis, the United Kingdom's withdrawal from the European Union, the recent US-China trade tensions, and the ongoing Covid-19 pandemic. 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 Bonds will carry a fixed interest rate. 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.

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

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Group's turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable entities, changes in government regulations and changes thereof applicable to the industry the Group operates 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 is no assurance that these developments will not occur in the future.

*Investment in the Bonds is subject to exchange rate 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 Group 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.

*Legal investment considerations may restrict certain investments*

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

*Gains on the transfer of the Bonds may become subject to income taxes under PRC tax laws and Value-added Tax ("VAT")*

Under the PRC Enterprise Income Tax Law which took effect on 1 January 2008 and was later amended on 24 February 2017 and 29 December 2018, and its implementation rules which took effect on 1 January 2008 and was later amended on 23 April 2019, any gain realised on the transfer of the Bonds by non-resident enterprise holders may be subject to enterprise income tax if such gain is regarded as income derived from sources within the PRC. However, there remains uncertainty as to whether the gain realised from the transfer of the Bonds would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law and its implementation rules. According to the arrangement between the PRC and Hong Kong for the avoidance of double taxation, residents of Hong Kong, including enterprise holders and individual holders, will not be subject to PRC tax on any capital gains derived from a sale or exchange of the Bonds. Therefore, if non-resident enterprise holders are required to pay PRC income tax on gains on the transfer of the Bonds (such enterprise income tax is currently levied at the rate of 10 per cent. of the gross proceeds, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-resident enterprise holders of the Bonds reside that reduces or exempts the relevant tax), the value of their investment in the Bonds may be materially and adversely affected.

On 23 March 2016, the MOF and the State Administration of Taxation ("**SAT**") issued the Circular of Full Implementation of Business Tax to VAT Reform (Caishui [2016] No. 36) (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) ("**Circular 36**"). According to the Tentative Regulations on the VAT of the PRC which was introduced by the State Council on 13 December 1993 and amended by the State Council on 10 November 2008, 6 February 2016 and 19 November 2017 and the Circular 36, the entities and individuals providing the services within China shall be subject to VAT. Services are treated as being provided within China where either the service provider or the service recipient is located in China; however, where the services are provided by offshore entities or individuals to onshore entities or individuals and such services take place solely outside the PRC, they should not be deemed as services provided within the territory of China. Services subject to VAT include the provision of financial services, such as the provision of loans. It is further clarified under Circular 36 that the definition "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Bonds is likely to be treated as a provision of loans by the holders of the Bonds to the Issuer.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to another 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 the VAT prescribed under Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

There is uncertainty as to the application of Circular 36 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.

***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 Terms and Conditions of the Bonds or the Agency Agreement by the Issuer or less than all of the holders of the Bonds.***

The Terms and Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders 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 Terms and Conditions of the Bonds provide that the Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of the Terms and Conditions of the Bonds or any of the provisions of the Trust Deed or the Agency Agreement which in its opinion is 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, or any failure to comply with any of the Terms and Conditions of the Bonds 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 interests of the Bondholders.

***A change in English law which governs the Bonds may adversely affect Bondholders***

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

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

The Issuer was incorporated under the laws of the PRC. Any bankruptcy proceeding relating to the Issuer would likely involve PRC bankruptcy laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Bondholders are familiar.

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

The Issuer may, from time to time, and, without prior consent of the Bondholders, create and issue further bonds or otherwise raise additional capital (see "*Terms and Conditions of the Bonds — Further Issues*") through such means and in such manner as the Issuer may consider necessary. The Issuer's issuing additional bonds or otherwise raising capital may adversely affect the market price of the Bonds or the Issuer's ability to satisfy its obligations under the Bonds. In particular, there is no restriction on the amount of debt securities that the Issuer may issue that rank *pari passu* with the Bonds. The issue of any such additional bonds or the incurrence of other debt may reduce the amount recoverable by investors in the Bonds upon the Issuer's bankruptcy, winding-up or liquidation.

***The rating on the Bonds may be changed at any time and may adversely affect the market price of the Bonds.***

The Bonds are expected to be rated "A2" by Moody's. The ratings reflect the Issuer's ability to perform its obligations under the terms of the Bonds and credit risks in determining the likelihood that payments will be made when due under the Bonds. A rating is not a recommendation to purchase, hold or sell the Bonds. There is no assurance that a rating will remain in effect for any given period of time. A rating agency may decide to lower or withdraw its rating. The Issuer has no obligation to inform holders of the Bonds of any downgrade or withdrawal of a rating other than the obligation to maintain a rating on the Bonds by at least one Rating Agency (as defined in the Terms and Conditions of the Bonds). If a rating agency lowers or withdraws the rating initially assigned to the Bonds for any reason, no person or entity will be required to provide any additional credit enhancement with respect to the Bonds. A reduction or withdrawal of a rating may adversely affect the liquidity and market price of the Bonds.

***The Issuer will have the option to redeem the Bonds, in whole but not in part, at their principal amount upon certain changes in tax laws***

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to their principal amount, together with any interest accrued to (but not including) 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 Terms and Conditions of the Bonds). See "*Terms and Conditions of the Bonds — Redemption and Repurchase — Redemption for Taxation Reasons*". If the Issuer redeems the Bonds prior to their Maturity Date, investors in the Bonds may not receive the same 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.

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

The Terms and Conditions of the Bonds, the Trust Deed and the Agency Agreement are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, the Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement, judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the 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 Reciprocal Recognition Arrangement.

While it is expected that the PRC courts may recognise and enforce a judgment given by the Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgments. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holders' ability to initiate a claim outside of Hong Kong will be limited.

***The Bonds will initially 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 the Global Certificate. The Global Certificate will be deposited with a common depositary 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 relevant Clearing System 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 relevant Clearing System for distribution to their accountholders. 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 does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in a Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

## TERMS AND CONDITIONS OF THE BONDS

*The following are the terms and conditions of the Bonds substantially in the form in which they (other than the text in italics) will be endorsed on the definitive certificates and referred to in the Global Certificate.*

The issue of U.S.$400,000,000 2.20 per cent. bonds due 2025 (the "**Bonds**", which expression, unless the context requires otherwise, includes any further bonds issued pursuant to Condition 15 and to be consolidated and forming a single series therewith) of HENAN RAILWAY CONSTRUCTION & INVESTMENT GROUP CO., LTD. (河南省鐵路建設投資集團有限公司) (the "**Issuer**") was authorised by a resolution of the board of directors of the Issuer on 15 September 2021. The Bonds are constituted by a trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated 26 January 2022 (the "**Issue Date**") made 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 (as defined below). These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds.

The Bonds are the subject of the agency agreement (as amended and/or supplemented from time to time, the "**Agency Agreement**") dated the Issue Date made between the Issuer, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**" which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds), The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the "**Registrar**" which expression includes any successor registrar appointed from time to time in connection with the Bonds) and as transfer agent (the "**Transfer Agent**" which expression includes any successor or additional transfer agent appointed from time to time in connection with the Bonds) and any other agents appointed thereunder. References herein to "**Paying Agents**" include the Principal Paying Agent and any other paying agent appointed from time to time under the Agency Agreement, and "**Agents**" means the Paying Agents, 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 the Agency Agreement are available for inspection 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 for the time being of the Principal Paying Agent following prior written request and proof of holding and identity satisfactory to the Trustee or, as the case may be, the Principal Paying Agent. The Bondholders are entitled to the benefit of, are bound by, and are 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 Conditions have the meanings given to them in the Trust Deed.

### 1 FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued in registered form and in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each an "**Authorised Denomination**"). The Bonds are represented by registered certificates (the "**Certificates**") and, save as provided in Condition 3(b), 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 as described in Condition 3. The Holder of any Bond shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) 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 representing it (other than the endorsed form of transfer, duly completed) or the theft or loss of such Certificate and no person shall be liable for so treating the Holder.

In these Conditions, "**Bondholder**" or, in respect of any 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 and Clearstream Banking S.A. 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 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.

## 3 TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

### (a) Register

The Issuer will cause the register (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

Subject to the Agency Agreement and Conditions 3(e) and 3(f) herein, a Bond may be transferred (in whole or in part, but in any case in an Authorised Denomination) by surrendering the Certificate issued in respect of that Bond, with the form of transfer on the back of the Certificate duly completed and signed, and any other evidence as the Registrar or Transfer Agent may require, at the specified office of the Registrar or any Transfer Agent.

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, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

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

**(c) Delivery of New Certificates**

Each new Certificate to be issued upon transfer of Bonds pursuant to Condition 3(b) 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 any 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 (and by airmail if overseas) 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 3(c), "**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).

**(d) Formalities Free of Charge**

Registration of transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any Agent but upon (i) payment (or the giving of such indemnity and/or security and/or pre-funding as the Issuer or any Agent may require) in respect of any tax, duty or other governmental charges which may be imposed in relation to such transfer; (ii) the Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the relevant Agent being satisfied that the regulations concerning transfer and registration of Bonds have been complied with.

**(e) Closed Periods**

No Bondholder may require the transfer of a Bond to be registered (i) during the period of five Payment Business Day ending on (and including) the due date for redemption of that Bond; or (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)); or (iii) after a Tax Redemption Notice (as defined in Condition 6(b)) has been delivered by the Issuer pursuant to Condition 6(b); or (iv) after a Put Exercise Notice (as defined in Condition 6(c)) in respect of such Bond has been deposited by any such Bondholder pursuant to Condition 6(c).

**(f) Regulations**

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds scheduled to the

Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the Holders and at the Issuer's expense) by the Registrar to any Holder who requests one in writing, following proof of holding and identity satisfactory to the Registrar.

## 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 (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity, or (ii) such other security or arrangement as either (A) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Bondholders or (B) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

### (b) Undertakings relating to Foreign Debt Registration

The Issuer undertakes that it will (i) within 15 Registration Business Days after the Issue Date, register or file or cause to be registered or filed with SAFE the Bonds pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines, effective as of 13 May 2013 and the circular of the People's Bank of China on Issues Concerning the Overall Macro Prudential Management System for Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) ("**Foreign Debt Registration**"), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of the Foreign Debt Registration issued by SAFE) on or before the Registration Deadline; and (iii) comply with all applicable PRC laws and regulations in relation to the Foreign Debt Registration.

### (c) Notification to the NDRC

The Issuer undertakes that it will (i) within 10 Registration 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**") and (ii) comply with all applicable PRC laws and regulations in relation to the Bonds.

### (d) Notification of Completion of the Foreign Debt Registration and the NDRC Post-issue Filing

The Issuer shall on or before the Registration Deadline and within 10 Registration Business Days after the later of (i) submission of the NDRC Post-issue Filing and (ii) receipt of the registration certificate from SAFE (or any other document evidencing the completion of the Foreign Debt Registration issued by SAFE), provide the Trustee with (A) a certificate in English substantially in the form scheduled to the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer confirming (aa) the completion of the NDRC Post-issue Filing and the Foreign Debt Registration and (bb) no Change of Control, Event of Default or Potential Event of Default has occurred; and (B) copies of the relevant documents evidencing the NDRC Post-issue Filing (if any) and the Foreign Debt Registration, each certified in English by an Authorised Signatory of the Issuer as a true and complete copy of the original (the items specified in (A) and (B) together, the "**Registration Documents**"). In addition, the Issuer shall, within five Registration Business Days after 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 Foreign Debt Registration.

The Trustee shall have no obligation to monitor or ensure the Foreign Debt Registration with SAFE 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 Foreign Debt Registration or to verify the accuracy, 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 Foreign Debt 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) a Compliance Certificate (on which the Trustee may rely conclusively and without liability as to such compliance) and a copy of the relevant Audited Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with the Accounting Standards for Business Enterprises in the PRC (audited by a nationally or internationally recognised firm of independent accountants) and if such reports shall be in the Chinese language, together with an English translation of the same translated by (A) a nationally or internationally recognised firm of independent accountants or (B) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together in each case with a certificate in English signed by an Authorised Signatory of the Issuer certifying that such translation is complete and accurate; and (ii) a copy of the Unaudited Financial Reports within 90 days of the end of each Relevant Period prepared on a basis consistent with the Audited Financial Reports and if such reports shall be in the Chinese language, together with an English translation of the same translated by (A) a nationally or internationally recognised firm of independent accountants or (B) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together in each case with a certificate in English signed by an Authorised Signatory of the Issuer certifying that such translation is complete and accurate.

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 on the same without liability to the Issuer, any Bondholder or any other person for not doing so.

**(f) Rating**

So long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution of the Bondholders, the Issuer shall maintain a rating on the Bonds by at least one Rating Agency.

**(g) Definitions**

In these Conditions:

"**Audited Financial Reports**" means the annual audited consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in owners' equity 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;

"**Compliance Certificate**" means a certificate in English of the Issuer substantially in the form scheduled to the Trust Deed signed by any Authorised Signatory of the Issuer that, having made all reasonable enquiries, to the best of the 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 Change of Control, 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 of its 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, company, firm, undertaking, association, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

"**Potential Event of Default**" means any event or circumstance which could, with the giving of notice, lapse of time, the issuing 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;

"**Rating Agency**" means (1) Fitch Ratings, Inc. and its successors, (2) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors, (3) S&P Global Ratings, and its successors or (4) any other reputable credit rating agency of international standing;

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

"**Registration Deadline**" means the day falling 120 days after the Issue Date;

"**Relevant Indebtedness**" means any indebtedness issued 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;

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

"**SAFE**" means the State Administration of Foreign Exchange of the PRC or its local counterpart;

"**Subsidiary**" means, with respect to any person, (a) any corporation, association or other business entity of which more than 50 per cent. of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such person; or (b) any corporation, association 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;

"**Unaudited Financial Reports**" means the semi-annual unaudited consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in owners' equity of the Issuer together with any statements, reports (including any directors' and auditors' review reports, if any) and any notes attached to or intended to be read with any of them, if any; and

"**Voting Stock**" means, with respect to any person, capital stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such person.

## 5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 2.20 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$11.00 per Calculation Amount (as defined below) on 26 January and 26 July in each year (each an "**Interest Payment Date**") commencing on 26 July 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 Bondholders, 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**".

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). If interest is required to be calculated for a period of less than a complete Interest Period (as defined above), 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.

## 6 REDEMPTION AND PURCHASE

### (a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 26 January 2025 (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 (a "**Tax Redemption 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 any interest accrued to (but not including) 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 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 19 January 2022, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice 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 the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (A) a certificate in English signed by any Authorised Signatory of the Issuer 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 and rely upon 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 they shall be conclusive and binding on the Bondholders.

**(c) Redemption for Relevant Events**

Following the occurrence of a Relevant Event, a Holder will have the right (the "**Relevant Event Put Right**"), at such Holder's option, to require the Issuer to redeem all, but not some only, of such Holder's Bonds on the Put Settlement Date (as defined below in this Condition 6(c)) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with interest accrued to (but not including) the relevant Put Settlement Date. To exercise such right, the Holder 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 for the time being current, obtainable from the specified office of the Principal Paying Agent or any other Paying Agent (a "**Put Exercise Notice**"), together with the Certificate representing the Bonds to be redeemed, by not later than 30 days following a Relevant Event (the "**Initial Exercise Period**"), or, if later, within 30 days following the date upon which notice of such Relevant Event is given to Bondholders by the Issuer in accordance with Condition 16 (the "**Substituted Exercise Period**").

The "**Put Settlement Date**" shall be the fourteenth day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a No Registration Event) after the expiry of (1) the Initial Exercise Period where the option is exercised during the Initial Exercise Period and the Substituted Exercise Period does not commence before expiry of the Initial Exercise Period or (2) in all other circumstances, the Substituted Exercise Period.

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

The Issuer shall give notice in writing to the Bondholders in accordance with Condition 16 and to the Trustee and the Principal Paying Agent in writing by not later than 14 days (in the case of a redemption for a Change of Control) or five days (in the case of a redemption for a No Registration Event) following the first day on which it becomes aware of a Relevant Event, 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).

The Trustee shall have no obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the Registration Conditions and none of them shall be liable to Holders, the Issuer or any other person for not doing so.

For the purpose of these Conditions:

(A) "**Control**" means (where applicable) (i) the ownership or control of at least 75 per cent. of the voting rights of the issued share capital of a Person, whether obtained directly or indirectly, or (ii) the right to appoint and/or remove all or three quarters 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; and the term "**Controlled**" has meanings correlative to the foregoing;

(B) a "**Change of Control**" occurs when:

(i) (X) the PRC Government Person(s) and (Y) any Person(s) Controlled by the PRC Government Person(s) together, cease(s) to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or

(ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to one or more Persons other than (X) any PRC Government Person and/or (Y) any Person(s) Controlled by the PRC Government Person(s);

(C) a "**No Registration Event**" occurs when the Registration Conditions are not satisfied;

(D) 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);

(E) "**PRC Government Person(s)**" mean the People's Government of Henan Province or the central or local government of the PRC and all political subdivisions;

(F) "**Registration Conditions**" means the receipt by the Trustee of the Registration Documents on or before the Registration Deadline as set forth in Condition 4(d); and

(G) a "**Relevant Event**" will be deemed to occur if:

(i) there is a No Registration Event; or

(ii) there is a Change of Control.

**(d) Purchase**

The Issuer or any of its Subsidiaries 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 Holders and shall not be deemed to be outstanding for certain purposes, including (without limitation) for the purpose of calculating quorums at meetings of the Holders or for the purposes of Condition 9, Condition 12(a) and Condition 13.

**(e) Notice 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 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 Put Exercise Notice and none of them shall be liable to Holders, the Issuer or any other person for not doing so.

**(f) Cancellation**

All Certificates representing Bonds which are redeemed or purchased by or on behalf of the Issuer and its Subsidiaries 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.

**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 Transfer 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).

(ii) Interest on each Bond shall be paid to the Holder 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 a registered account of the Bondholder. For the purposes of these Conditions, 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.

*So long as the Global Certificate representing the Bonds is held on behalf of Euroclear Bank SA/NV or Clearstream Banking S.A. or any Alternative Clearing System (as defined in "Summary of Provisions relating to the Bonds in Global Form"), each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the Holder in the Register at the close of business of the relevant clearing system on the record date which is 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.*

(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.

**(b)** **Payments subject to Fiscal Laws**: Payments will be subject in all cases to (i) any fiscal or other laws, regulations and directives applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(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, 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 Transfer Agent or of 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, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar with a specified office outside the United Kingdom, (iii) a Transfer Agent and (iv) 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 termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders.

**(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 a rate up to and including the aggregate rate applicable on 19 January 2022 (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 at a rate 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:

(i) **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

(ii) **Presentation or surrender more than 30 days after the Relevant Date**: in respect of which the Certificate representing it is presented or surrendered (where presentation or 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 presenting or, as the case may be, surrendering the Certificate presenting such Bond for payment on the last day of such period of 30 days.

References in these Conditions to principal, premium and interest shall be deemed also to refer to any additional 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.

"**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.

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 "**Event 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 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 or premium (if any) of any of the Bonds when due or (ii) any 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 (other than where such default gives rise to a redemption pursuant to Condition 6(c)), and such default (i) is in the opinion of the Trustee incapable of remedy or, (ii) if such default is in the opinion of the Trustee capable of remedy, is not remedied within 30 days after the Trustee has given written notice thereof to the Issuer; 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 (or becomes capable of being declared) 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.$25,000,000 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 Principal Subsidiary 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 Principal Subsidiary on the whole or any material part of its property, assets or revenues 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 or stayed within 45 days; or

(f) **Insolvency**: (i) the Issuer or any Principal Subsidiary is (or is deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt, or unable to pay its debts as and when such debts fall due, (ii) the Issuer or any of its Principal Subsidiaries stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, (iii) the Issuer or any of its Principal Subsidiaries proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, (iv) the Issuer or any of its Principal Subsidiaries 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 (v) a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer or any Principal Subsidiary, as the case may be; or

(g) **Winding-up**: an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer or any Principal Subsidiary (except for the voluntary solvent winding-up of any Principal Subsidiary where the net assets (whether in cash or otherwise) are transferred to or otherwise vested in the Issuer or any of its Subsidiaries), 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 (A) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee or an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or any of its Subsidiary, or (B) any disposal or sale of a Principal Subsidiary to any other person on arm's length terms where the assets or proceeds (whether in cash or otherwise) resulting from such disposal or sale are transferred to or otherwise vested in the Issuer or any of its Subsidiaries; or

(h) **Nationalisation**: any step is taken by any person acting under the authority of any national, regional or local government with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the undertaking, assets or revenues of the Issuer or any Principal Subsidiary; 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 and/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 (h) (both inclusive).

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

(a) whose total operating revenues or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total operating revenue, as shown by its latest audited income statement, are at least 3 per cent. of the consolidated total operating revenues as shown by the latest published audited consolidated income statement of the Issuer including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of revenue of associates and of jointly controlled entities and after adjustments for minority interests; or

(b) whose net profits or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profits, as shown by its latest audited income statement, are at least 3 per cent. of the consolidated net profits as shown by the latest published audited consolidated income statement of the Issuer including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of associates 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 3 per cent. of the consolidated total assets as shown by the latest published audited consolidated balance sheet of the Issuer including 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 financial statements (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 financial statements 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 financial statements of the Issuer relate, the reference to the then latest consolidated audited financial statements of the Issuer for the purposes of the calculation above shall, until consolidated audited financial statements 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 financial statements of the Issuer adjusted to consolidate the latest audited financial statements (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such financial statements;

(ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated financial statements are prepared and audited, total operating revenues, net profits or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated financial statements prepared for this purpose by or on behalf of the Issuer;

(iii) if at any relevant time in relation to any Subsidiary, no financial statements are audited, its total operating revenues, net profits or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma financial statements (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by or on behalf of the Issuer; and

(iv) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) 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 financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the Issuer prepared for this purpose by or on behalf of the Issuer.

A certificate in English signed by any Authorised Signatory, accompanied with relevant audited financial statements (consolidated, if appropriate) or, as the case may be, the pro forma financial statements (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 may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## 12 MEETINGS OF HOLDERS, MODIFICATION, WAIVER, AUTHORISATION, DETERMINATION AND ENTITLEMENT OF TRUSTEE

### (a) Meetings of Holders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Trustee or the Issuer and shall be convened by the Trustee upon request in writing from 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 Date 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, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to Condition 6(b) or 6(c), 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 such meeting adjourned for lack of quorum not less than 25 per cent., in aggregate principal amount of the Bonds then outstanding (as defined in the Trust Deed). 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 Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding (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. 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.

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear Bank SA/NV, Clearstream Banking S.A. 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 or the Agency Agreement which in its opinion is 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, or any failure to comply with any of these 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 interests of the Bondholders. Any such modification, waiver or authorisation shall be binding on the Bondholders and, unless the Trustee agrees otherwise, such modification, waiver or authorisation 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 then 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, for its relief from responsibility, and its payment of costs and expenses in priority to the claims of Holders. 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 or any other person on any report, information, confirmation or certificate 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, information, confirmation, certificate, opinion or advice, in which case such report, information, confirmation, certificate, opinion or advice shall be binding on the Issuer and the Bondholders (and in the case of the Issuer, provided that the report, information, confirmation, certificate, opinion or advice is procured or issued by the Issuer, or the Issuer expressly agreed to be bound by it).

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 as a result of seeking such direction from the Bondholders or in the event that no direction is given to the Trustee by the Bondholders.

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 it has written notice from the Issuer 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 Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, directions or requests of the Bondholders. The Trustee shall be entitled to rely on any instruction, direction, request or resolution of Bondholders 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 these Conditions.

The Trustee shall have no obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions or whether an Event of Default or a Potential Event of Default or a Relevant Event has occurred, and shall not 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 and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and/or any of its Subsidiaries, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

## 15 FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Holders to 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 Foreign Debt Registration and the NDRC Post-issue Filing and the making of consequent notifications thereof) and so that the same shall be consolidated and form a single series with the outstanding Bonds. Any further bonds shall be constituted by a deed supplemental to the Trust Deed.

## 16 NOTICES

All notices to the Holders will be valid if 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. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given, on the date of such publication or, if published more than once, on the first date on which publication is made.

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear Bank SA/NV, Clearstream Banking S.A. or the Alternative Clearing System, notices to the Holders shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV or Clearstream Banking S.A. or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by these Conditions.*

## 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 exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed or the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed or the Agency Agreement ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed, irrevocably submitted to the exclusive 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 for the Bonds 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.*

The Bonds will be issued in registered form and represented by a Global Certificate registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay to the Holder of the Bonds represented by the Global Certificate (subject to surrender of the Global Certificate if no further payment falls to be made in respect of such Bonds) on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Terms and Conditions of the Bonds may become repayable in accordance with the Terms and Conditions of the Bonds) the amount payable upon redemption under the Terms and Conditions of the Bonds in respect of the Bonds represented by the Global Certificate and 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 Terms and Conditions of the Bonds, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions of the Bonds, in accordance with the Terms and Conditions of the Bonds.

So long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment will be made to, or to the order of, the person shown as the Holder in the Register at the close of business of the relevant clearing system on the record date 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.

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 selected by the Issuer and approved in writing by the Trustee, the Principal Paying Agent and the Registrar through which the Bonds are held (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, 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.

So long as the Global Certificate is held on behalf of Euroclear or Clearstream or an Alternative Clearing System, notices to holders of the Bonds represented by the Global Certificate shall be 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 Terms and Conditions of the Bonds.

Transfers of the beneficial interests in the Bonds represented by the Global Certificate 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 of any Bond represented by the Global Certificate by the Issuer following its redemption or purchase by or on behalf of the Issuer or any of 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 (for information only) in the Global Certificate.

For the purposes of any meeting of Bondholders, the Holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents 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 this Global Certificate is issued.

**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.

## USE OF PROCEEDS

The gross proceeds from the offering of the Bonds are U.S.$400,000,000. The net proceeds from the offering of the Bonds will be used to finance, refinance and replenish the working capital of Eligible Green Projects in accordance with the Green Finance Framework. See "*Green Finance Framework Overview*" for details.

## GREEN FINANCE FRAMEWORK OVERVIEW

## PURPOSE

The Green Finance Framework (the "**Framework**") has been developed to show that the Company intends to issue green financing instruments ("**GFIs**"), including green bonds, green loans or any other debt-like green instruments, to finance projects that have a positive environmental impact and synergise its business strategy and mission, and in doing so contribute to positive environmental impacts. The proceeds of GFIs will be applied exclusively to Eligible Green Projects that will deliver environmental benefits to support the Company's business strategy and green mission.

The Framework aligns with voluntary guidelines in Green Bond Principles (2021) by the International Capital Markets Association's ("**ICMA**") for bonds, and Green Loan Principles ("**GLP**") 2021 by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association, for loans. The Framework is made public on the Company's website.

### Use of Proceeds

The net proceeds raised under this Framework or an amount equal to these net proceeds will be exclusively used to finance or refinance in whole or in part, new or existing Eligible Green Projects that meet one or more of the following Eligible Green Project Categories with eligibility criteria set out below. The Eligible Green Projects, including (1) low carbon transportation, (2) pollution prevention and control, (3) energy efficiency, and (4) renewable energy will further decrease the emission amount of the carbon dioxide, and therefore contribute to environmental objectives including climate change mitigation, climate change adaption, natural resource conservation, biodiversity conservation, and/or pollution prevention and control. Refinancing of Eligible Green Projects will have a look-back period of no longer than 36 months from the time of issuance.

| **Categories** | **Corresponding Sustainable Development Goals published by the United Nations** | **Eligibility Criteria** |
|---|---|---|
| a. Low Carbon Transportation . . . | Goal 9 – Industry, innovation and infrastructure;<br><br>Goal 11 – Sustainable cities and communities | research costs associated with but not limited to surveying, planning and assessing site suitability, for the purpose of developing low carbon transportation solutions/projects including:<br><br>• Electric Rail Infrastructure and Rolling Stock.<br><br>• Associated Rail Infrastructure.<br><br>• Rail Transit Stations.<br><br>With a considerable research and comprehensive preliminary planning, the Company can achieve a better performance on its green projects and therefore a profound impact on the decrease of emission amount of carbon dioxide. |

| Categories | Corresponding Sustainable Development Goals published by the United Nations | Eligibility Criteria |
|---|---|---|
| b. Pollution Prevention and Control . . . . . | Goal 11 – Sustainable cities and communities;<br><br>Goal 12 – Responsible Consumption and Production | technologies related to enhancing air quality in the train stations and the surroundings such as to increase air circulation and air filtration, noise reduction such as noise barriers, modification of turnouts, rail dampers and insulation booths, and modernisation and maintenance of ventilation and drainage system. |
| c. Energy Efficiency | Goal 7 – Affordable and Clean Energy | design, manufacture and installation of energy-efficient systems, products and technology associated with low-carbon transportation systems that reduce energy consumption or improve operational energy efficiency by at least 20 per cent. and modernise lighting systems such as upgrades to LED. |
| d. Renewable Energy . . . . . . . . | Goal 7 – Affordable and Clean Energy | design, manufacture and installation of renewable energy systems, products and technology, such as solar panels, rooftop photovoltaic and pumped storage, at transit stations, buildings, real estate properties and facilities. |

**Exclusion Criteria**

In any case, Eligible Green Projects will exclude the following types of activities listed in the latest International Finance Corporation Exclusion List:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, Polychlorinated biphenyls, wildlife or products regulated under the Convention on International Trade in Endangered Species.

- Production or trade in weapons and munitions.

- Production or trade in alcoholic beverages (excluding beer and wine)

- Production or trade in tobacco.

- Gambling, casinos and equivalent enterprises.

- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.

- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

- Drift net fishing in the marine environment using nets in excess of 2.5 kilometers in length.

- Production or activities involving harmful or exploitative forms of forced labor/harmful child labor.

- Commercial logging operations for use in primary tropical moist forest.

- Production or trade in wood or other forestry products other than from sustainably managed forests.

**Process for Project Evaluation and Selection**

The Eligible Green Projects are identified and selected via a process that involves participants from various functional areas. An Environmental Working Group ("**EWG**") has been set up comprising senior members in various departments of the Company. The EWG will meet at least every 12 months to discuss and select Eligible Green Projects according to the eligibility and exclusion criteria under this Framework. EWG will prefer selecting projects that comply with Energy Saving Regulations of the People's Republic of China (中華人民共和國節約能源法), Green Building Evaluation Standard (綠色建築評價標準), Railway energy-saving technology policy, Codes for Energy-saving Design of Railway engineering (鐵路工程節能設計規範) and other related regulations and policies in PRC related to sustainability development. EWG will measure the score of each project by its feasibility report. The projects with higher scores will be shortlisted and presented to the Board of Directors of the Company for approval.

EWG will ensure that the selected Eligible Green Project to comply not only with the Use of Proceeds under the Framework but also the environmental guidelines applicable for the Company, as well as all applicable national and international environmental standards and local laws and regulations. Projects will also be selected with United Nations Sustainable Development Goals of the United Nations in mind. EWG will be responsible for managing any future updates of the Framework, including any expansion of requirements of use of proceeds.

**Management of Proceeds**

The net proceeds from each GFI will be managed by Company's finance team and the proceeds from each GFI will be deposited in general funding accounts and be earmarked to Eligible Green Projects. The Company will maintain a register to keep track of the use of proceeds for each GFI. It is Company's intention to deploy proceeds of each green finance transaction to Eligible Green Projects within two years. The Company will monitor the net proceeds of all outstanding green bond transactions, which includes appropriately tracking the proceeds and adjusting the balance of net proceeds to match allocations to Eligible Green Projects. Any balance of issuance proceeds which are not yet allocated to Eligible Green Projects will be held for short term time deposits. The Company will disclose to investors the types of temporary placement they use for unallocated proceeds. The Company commits not to invest unallocated proceeds to any high pollution activities or any projects that are in conflict with the eligibility criteria under the Framework.

During the life of the GFIs issued, if the designated Eligible Green Projects cease to fulfil the eligibility criteria, the net proceeds or an amount equal to these net proceeds will be re-allocated to replacement Eligible Green Projects that comply with the eligibility criteria, as soon as reasonably practicable. The Company strives to maintain an amount of Eligible Green Projects at least equal of the total net proceeds of all GFIs outstanding. If any material and critical controversies emerge in relation to a specific project, the Company commits to substitute that project with an alternative Eligible Green Project.

**Reporting**

The Company will provide information on the allocation of the net proceeds from each GFI publicly available on the Company's website. Such information will be provided on an annual basis until all the net proceeds or an amount equal to these net proceeds have been allocated and in the event of any material changes until the relevant maturity date. The EWG will review and approve the allocation and impact reports.

Allocation reporting will include (1) the share of financing and refinancing; (2) details of outstanding GFIs; (3) the aggregate amount of proceeds from each GFI that has been allocated to Eligible Green Projects and geographical distribution; (4) the balance of unallocated proceeds from each GFI and its temporary treatment; and (5) a list of Eligible Green Projects to which proceeds from each GFI have been allocated, summary information on such projects, including information necessary to determine alignment with the Eligibility Criteria such as energy performance data.

The Company will provide reporting on the environmental benefits of the Eligible Green Projects potentially with the following impact indicators subject to the data availability. In addition, calculation methodologies and key assumptions will be disclosed.

a. Low Carbon Transportation: the length of tracks built in kilometres, the number of passengers, and annual GHG emissions reduced or avoided;

b. Pollution Prevention and Control: the number of noise barriers installed, the annual reduction in NOx, PM10 and PM2.5 emissions;

c. Energy Efficiency: the amount of energy saved, the percentage annual energy efficiency gain relative to an established baseline; and

d. Renewable Energy: the installed renewable energy production capacity, the annual GHG emissions avoided.

Further to the above indicators, the Company will, to the extend appropriate, consider aligning the impact indicators with the recommendations in ICMA's Harmonized Framework for Impact Reporting.

The Company has engaged S&P Global Ratings as external reviewer to evaluate the appropriateness of the Framework and alignment with the Green Bond Principles and Green Loan Principles. The assessment result document(s) will be available on Company's website.

## CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation and indebtedness of the Issuer as at 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 by the Issuer in connection with the offering of the Bonds.

The following table should be read in conjunction with the unaudited but reviewed consolidated interim financial statements of the Issuer as at and for the six months ended 30 June 2021 and the notes included thereto, which are included elsewhere in this Offering Circular.

| | As at 30 June 2021 | | | |
|---|---|---|---|---|
| | Actual | | As adjusted | |
| | *(RMB'000)* | *(U.S.$'000)* | *(RMB'000)* | *(U.S.$'000)* |
| **Short-term indebtedness** | | | | |
| Short-term borrowings | 500,000 | 77,440 | 500,000 | 77,440 |
| Non-current liabilities due within one year | 372,850 | 57,747 | 372,850 | 57,747 |
| **Total short-term indebtedness** | **872,850** | **135,187** | **872,850** | **135,187** |
| **Long-term indebtedness** | | | | |
| Long-term borrowings | 11,529,500 | 1,785,692 | 11,529,500 | 1,785,692 |
| Bonds payable | 7,268,899 | 1,125,809 | 7,268,899 | 1,125,809 |
| Long-term payables | 2,737,165 | 423,933 | 2,737,165 | 423,933 |
| Bonds to be issued(1) | — | — | 2,582,640 | 400,000 |
| **Total long-term indebtedness** | **21,535,564** | **3,335,434** | **24,118,204** | **3,735,434** |
| **Total indebtedness(2)** | **22,408,414** | **3,470,621** | **24,991,054** | **3,870,621** |
| Total shareholders' equity | 51,270,154 | 7,940,736 | 51,270,154 | 7,940,736 |
| **Total capitalisation(3)** | **73,678,568** | **11,411,357** | **76,261,208** | **11,811,357** |

*Notes:*

(1) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting the commissions and other estimated expenses payable in connection with the offering of the Bonds.

(2) Total indebtedness equals the sum of short-term indebtedness and long-term indebtedness.

(3) Total capitalisation equals the sum of total indebtedness and total owners' equity.

(4) For convenience only, all translations from Renminbi into U.S. dollars and from U.S. dollars to Renminbi are made at the rate of RMB6.4566 to U.S.$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 June 2021.

Since 30 June 2021, the Group has incurred indebtedness to replenish its working capital, to finance and refinance its business development and for other general corporate purposes. For example, on 17 November 2021, the Group entered into a financing agreement of RMB300 million with Zhongyuan Bank Co., Ltd. for a tenor of one year. On 27 December 2021, the Group entered into a financing agreement of RMB100 million with China Construction Bank Corporation for a tenor of one year.

Except as disclosed above, there has been no material change in the total capitalisation of the Issuer since 30 June 2021.

## EXCHANGE RATE INFORMATION

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. 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, the China Foreign Exchange Trading Centre (the "**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 per cent. against the U.S. dollar.

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

| | **Exchange Rate** | | | |
|---|---|---|---|---|
| **Period** | **Period End** | **Average(1)** | **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 | 6.8878 | 7.1348 | 6.5250 |
| 2021 . . . . . . . . . . . . . . . . . . . . . . | 6.3726 | 6.4508 | 6.5716 | 6.3435 |
| 2022 | | | | |
| January (through 7 January) . . | 6.3769 | 6.3700 | 6.3822 | 6.3550 |

*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.

## DESCRIPTION OF THE GROUP

### OVERVIEW

The Company has been tasked with the development of Henan Province into a major railway hub in the Central China region pursuant to the 13th Five Year Plan and the 14th Five Year Plan of the PRC Government. It is the sole entity in Henan Province designated by the Henan Provincial Government to invest in railways and is responsible for the investment, construction and operation management of railways in Henan Province. The Group invests in national railways through various project companies and joint ventures with CSRG in the construction, expansion and management of national railway projects in Henan Province with the Company having corresponding ownership of the completed projects. The Group also actively supports the construction, planning, connection of track and operation management of intercity railways to promote urbanisation in the region. For projects initiated and led by the Henan Provincial Government, the Group actively participates in the planning of the intercity railway network and spearheads the construction of SRLs, railway branches and dedicated lines in the province. For national railway projects, the Group plays the role of an investor. To leverage its railway resources and to maximize profitability, the Group has also diversified and expanded into land development, investment business and financial services segments.

The Group is an important developer for eight vertical and eight horizontal high-speed railway network in the PRC and the star-shaped high-speed railway network within Henan Province.

The Group's business can be classified into five principal segments: (1) railway business, (2) land development, (3) investment business, (4) financial services and (5) smart logistics, and the following summarises the Group's major services and products for each business segment:

- *Railway Business*. Investment, construction and operation of railways within Henan Province.

- *Land Development*. Property development within proximity of the railroads, leasing and property management.

- *Investment Business*. Establishing investment funds, investing in green energy, data economy and infrastructure.

- *Financial Services*. Provision of supply chain services and supply chain financing.

- *Smart Logistics*. Construction and operation of SRLs and logistic warehouses as well as provision of delivery and transport services.

The following table sets forth the breakdown of the Group's total assets by business segment for the periods indicated:

| | As at 31 December | | | | | | As at 30 June | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | | 2021 | |
| | *Assets* | *per cent.* | *Assets* | *per cent.* | *Assets* | *per cent.* | *Assets* | *per cent.* |
| | *RMB in millions, except for percentages* | | | | | | | |
| **Business Segments** | | | | | | | | |
| Railway Business . . . | 54,794 | 93.9% | 63,105 | 94.6% | 68,363 | 95.1% | 69,382 | 93.4% |
| Land Development . . | 2,929 | 5.0% | 2,991 | 4.5% | 2,929 | 4.1% | 3,877 | 5.2% |
| Investment Business . | — | — | — | — | — | — | — | — |
| Financial Services . . | — | — | — | — | — | — | 438 | 0.6% |
| Smart logistics . . . . . | 635 | 1.1% | 610 | 0.9% | 599 | 0.8% | 590 | 0.8% |
| **Total** . . . . . . . . . . . | **58,359** | **100.0%** | **66,707** | **100.0%** | **71,891** | **100.0%** | **74,287** | **100.0%** |

## OVERVIEW OF HENAN PROVINCE, ZHENGZHOU AND HENAN RAILWAY DEVELOPMENT

Henan Province is located in the Central China region and on the southern bank of the Yellow River. It is a major traffic hub in China for railways, highways, airlines, and river transportation. Henan Province abounds in natural resources, such as coal, natural gas and petroleum. According to the Statistical Communique on National Economic and Social Development of Henan Province of 2020 (《2020年河南省國民經濟和社會發展統計公報》), as at 31 December 2020, 144 kinds of minerals were available in Henan Province of which the reserves of 110 kinds were proven and 93 kinds had been mined and utilised. The extensive transportation system and abundant natural resources have laid a solid foundation for the industrial development of Henan Province. Being the third largest province in China in terms of registered population according to the National Bureau of Statistics of China, Henan Province also enjoys a sufficient supply of labour resources and a large consumer market.

Zhengzhou is the capital city of Henan Province. According to the Zhengzhou Municipal Statistics Bureau, as at 31 December 2020, the added value of industries above a designated size (enterprises with an annual operating income over RMB20 billion) in Zhengzhou increased 6.1 per cent. as compared to 2019, and the added value of high-tech industry in Zhengzhou increased 12.7 per cent. as compared to 2019. Zhengzhou is one of the first batch of cross-border e-commerce experimental cities designated by the State Council. In 2012, the State Council promulgated the Plan for the Central China Economic Zone (2012-2020) (《中原經濟區規劃(2012-2020年)》), in which it approved the establishment of the Zhengzhou Airport Economic Zone with an aim to foster an integrated transportation hub as well as a multi-purpose economic demonstration zone in China. Centred around the Zhengzhou Xinzheng International Airport, the Zhengzhou Airport Economic Zone is situated to the southeast of downtown Zhengzhou, bordering Wansan Highway (萬三高速公路) to the east, Beijing-Hong Kong-Macau Highway (京港澳高速公路) to the west, Zhengzhou-Minquan Highway (鄭民高速公路) to the north and Yanhuang Avenue (炎黃大道) to the south. It occupies an area of approximately 415 square kilometres.

On 13 July 2016, in alignment with the PRC's 13th Five Year Plan, the National Development and Reform Commission (中國人民共和國國家發展和改革委員會), together with the Ministry of Transport of the PRC (中華人民共和國交通運輸部) and China State Railway Group Co., Ltd. (中國國家鐵路集團有限公司) issued the Medium- to Long-Term Rail Network Plan (《中長期鐵路網規劃》) (the "**Plan**") to envision the development of the rail network in the PRC from 2016 to 2025. In the Plan, the PRC will establish a network with major lines to connect domestic city clusters and have transit webs covering the mid-to-west region of the country. Henan Province, positioned as the central transportation hub in the PRC, has completed 3,366 k.m. of railways since the establishment of the Company, of which 1,819 k.m. are high-speed railways, as at the date of this Offering Circular. During the 13th Five Year Plan of the PRC, Henan Province, as the pilot province for the PRC's 13th Five Year Plan, established its star-shaped high-speed railway network, anchored by Zhengzhou in the middle and extended outward to the neighboring cities.

In the 14th Five-Year Plan, the PRC follows the strategy of building a strong transit network and sets out further aspirations for a fuller-coverage high-speed transit network, integrated transit methods for city clusters, construction of regional railways and establishment of transportation hubs for the CHINA RAILWAY Express (中歐列車) connecting China and Europe. According to the current plan for the 14th Five-Year, Henan will have 8,500 k.m. of railways consisting of 3,400 k.m. of high-speed rail lines by 2025. By 2035, Henan will further increase its size of railway network to a mileage of 10,000 k.m. with 3,400 k.m. of high-speed rail lines, covering 96 per cent. of the counties and regions within the province.

## COMPETITIVE STRENGTHS

### Sustained strong support from the government providing a solid base for long-term growth.

The Group plays a critical role in the Henan railway industry. The Company has been tasked with the development of Henan Province into a major railway hub in the Central China region pursuant to the 13th Five Year Plan and the 14th Five Year Plan of the PRC Government. It is the sole entity in Henan Province designated by the Henan Provincial Government to invest in railways and is responsible for the investment, construction and operation management of railways therein. The Henan Provincial Government provides strong support in the form of capital injection and government subsidies and policy support. As at 30 June 2021, the Company was rated "AAA" by China Chengxin International Credit Rating Co., Ltd. ("**CCXI**").

#### *Capital injection and government subsidies*

The Group receives capital injection and government subsidies from the Henan Provincial Government. Based on government documents such as Notice on the Subsidies for the Operation of Intercity Railroads by the General Office of the Henan Provincial Government (Yu Zheng [2014] No. 166) (《河南省人民政府辦公廳關於印發河南省城際鐵路運營虧損補貼暫行辦法的通知》豫政辦 [2014]166號), the government of provincial, city and county levels will be responsible for providing capital for railway operation. For three years ended 31 December 2020 and six months ended 30 June 2021, the Group received government subsidies of approximately RMB20,600 million and RMB1,594 million, respectively, from various government authorities in relation to its business development and operations.

#### *Government supported corporate governance*

The Group has received strong support from the Henan Provincial Government in terms of corporate governance. The structure of the management was designed by the Standing Committee of the Chinese Communist Party Henan Provincial Committee (中共河南省委常委) based on the Notification on the Decisions by the Standing Committee of the Chinese Communist Party Henan Provincial Committee (VIII [2009] No. 173) (《中共河南省委常委會議決定事項通知》八屆第173號). The appointment and removal of the chairman, general manager and deputy general managers is to be made in accordance with the Company's articles of association and relevant laws and regulations. According to the Henan Provincial State-owned Non-Industrial Enterprise Reform Promotion Program (Yu Fa [2017] No. 5) (《河南省省屬國有非工業企業改革推進方案》(豫發[2017]5號)) issued in December 2017 and Notice on Approval of the Articles of Association of Henan Railway Investment Company Limited (Yu Cai Ban [2017] No. 53) (《關於核准河南鐵路投資有限責任公司章程的通知》(豫財辦 [2017]53號)) issued thereunder by the Henan Provincial Department of Finance (河南財政廳), the Henan Provincial Government supervised the Company's operation plans and appoint or remove the management. The Henan Provincial Government assesses the fulfillment of the Group's commitments, including its investment plans and progress of intercity projects. Additionally, the Group also receives consolidated support from all levels of government, which are required under Opinions of the Henan Provincial Government on Accelerating Railway Construction (Yu Zheng [2010] No. 42) (《河南省人民政府關於加快推進鐵路建設的意見》豫政 [2010]42號) to fully cooperate on Henan Province's railway construction and to support the work of the Group. This includes the establishment of funding channels, ensuring the full development and utilization of all kinds of resources including land and equipment, and provision of subsidies. The PRC Government's solid and strong support facilitates the coordination of the Group and the related government departments, which further ensures the smooth operation of the Group.

**A promising outlook for China's rail transport industry and rail transport industry in Henan Province.**

The growing demands for the interconnection between cities and smaller counties and the growth of the railway passenger traffic have been spurred by economic development and urbanisation in the PRC. The PRC Government has advocated for further development of national railways. According to the Medium-and Long-Term Rail Network Plan (2016-2030) (《中長期鐵路規劃網2016-2030》) issued by the NDRC, the Ministry of Transport of the PRC and CSRG jointly, by 2025, the mileage is expected to increase to 175,000 km, with the length of high-speed railways at about 38,000 km; and by 2030, all major Chinese cities (including provincial capitals) are expected to become connected by HSR, all prefecture-level cities accessible by express rail, and all counties basically covered by the network.

As an important hub in the national rail network located at the central PRC region, Henan Province connects provinces and cities in the PRC by rail lines. It hosts critical sections of lines of the PRC's eight vertical and eight horizontal high-speed railway network. It also plays an important role in carrying out the One Belt One Road Initiative and opening up parts of China from the west to the east. It neighbours Shanxi Province to the west and connects to Anhui Province and Shandong Province to the east. It also reaches Beijing to the north and Guangdong Province and Hong Kong to the south.

As the sole entity in Henan Province designated by the Henan Provincial Government to invest in railways and responsible for the investment, construction and operation management of railways in Henan Province, the Company takes advantage of the national and provincial policies to promote railway development. The Henan Provincial Government in its 14th Five Year Plan made a declaration to construct an integrated transportation system that is smoothly operated and convenient. The Company has constructed important lines for Henan Province's star-shaped network. It has been an active participant in the development of inter-city and inter-province railway network within Henan Province and in the PRC.

**Diversification of business segments which strengthens the Group's response to risks and profitability.**

The Group has a diversified business portfolio and asset base which provides it with steady operating income and cash flows from its businesses and enhances its risk resilience. The Group is primarily involved in national railway projects as the sole entity in Henan Province for railway investment, construction and management. As at 30 June 2021, the Group has invested in 23 railway projects. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the assets from the Group's railway business segment amounted to approximately RMB54,794 million, RMB63,105 million, RMB68,363 million and RMB69,382 million, representing 93.9 per cent., 95.5 per cent., 95.9 per cent. and 93.4 per cent. of the Group's total assets as at the same dates.

The Group has also expanded into diversified businesses in various industries, including land development, financial services, investments and smart logistics. The Group operates its land development business and smart logistics business by leveraging its access to railway resources, by which it improves its business model and profitability and procures sufficient capital for its railway development. Such businesses complement the Group's railway business and help enhance synergies among the Group's business segments. They enable the Group's to optimize its resource allocation, to capture business opportunities for growth and profits and to increase competitiveness. The diversified business portfolio provides the Group with more flexibility and stability in its business operation and management, minimises the Group's risk of business concentration and decreases the volatility brought by possible changes in industrial conditions.

**Good debt structure and diversified funding sources.**

The Group has access to various sources of funding, including bank loans, corporate bonds, medium-term notes and private placement bonds. In addition to cash generated from its operations, the Group has established and maintained good relationships with a number of banks. As at 30 June 2021, the Group had RMB872.9 million of short-term interest-bearing debt and RMB21,535.6 million of long-term interest-bearing debt. As at 30 June 2021, the Group had total credit facilities of approximately RMB38.1 billion, of which approximately RMB23.6 billion had not been utilised. As at 30 September 2021, the Group had undrawn bank credit facilities of RMB23.5 billion. In 2020, the Group issued seven-year private placement bonds with a principal amount of RMB1.5 billion. The Group's financing costs had decreased for the years ended 31 December 2018, 2019 and 2020, being 4.35 per cent., 4.34 per cent. and 4.18 per cent., respectively. The Group believes it has a good debt structure and sufficient funding sources to fulfil its needs for daily operation and growth.

**Experienced management team and sound corporate governance structure.**

The Company's board of directors and senior management team possess strong expertise and extensive experience in the sectors in which the Group operates. The Group believes its success is largely attributable to its experienced management team. A majority of the management team have served in various positions of the Henan Provincial Government. Please see "*Directors, Supervisors and Senior Management*" for further information on the Group's management team. The Company's board members and senior management team have strong commercial awareness and have proven their ability to capitalise on opportunities, maximise the Group's profitability and improve cost efficiency and synergies. The Group believes that its board members' and senior management team's extensive experience in a broad range of industries and strong execution capabilities will continue to be instrumental in executing its business strategies and capturing market opportunities as they arise and contribute to its sustainable growth.

Furthermore, the Company has not only accumulated extensive experience in the investment, operation and management of its business but also established a comprehensive investment decision-making and operational management system. The Company has established a standardised, transparent and effective corporate governance structure to enhance its market competitiveness and to build a solid foundation for maintaining steady development in the long term. Its internal departments include integrated management department, party-public relations department, discipline inspection department, strategic planning department, finance management department, human resources department, investment management department, construction management department, operation management department and legal and audit department. The aforementioned departments coordinate and are responsible for all-level work of the Company.

## BUSINESS STRATEGIES

The Group aims to realise its vision as a main provider of provincial railway services to develop and improve the transport network in Henan Province and the PRC. The Group believes that the following strategies will enable it to leverage on its strengths to capture future growth opportunities and enhance its operations and competitiveness in Henan Province and the PRC.

***Develop and improve the transport network.***

Investment in the national and provincial railway lines is the Group's major orientation in the future. The Group aims to seize the historical opportunities presented by the national railway boom to accelerate railway construction in Henan Province, specifically the traffic network constituting eight vertical and eight horizontal high-speed railway network in the PRC and the star-shaped high-speed railway network within Henan Province. The Henan Provincial Government made plans that by 2025, the railroad network in Henan Province will reach 8,500 k.m., of which the high-speed railway will reach 3,400 k.m.; and by 2035, the railroad mileage within Henan Province will reach more than 10,000 k.m., of which the high-speed railway will reach 5,000 k.m. The Henan Provincial Government plans to transform the railway stations and logistics bases into integrated transportation hubs that provides convenience transportation services for passengers. The Group will fully utilise and integrate its current and future resources and develop business with the support of government policies.

The Group aims to strengthen its highway operation business by adopting the following key strategies:

- undertake more key projects: the Group strives to seize the opportunity presented in the current trend of integrated transportation by proactively undertaking more national and provincial railway projects;

- continue to improve the operating management: the Group intends to further improve its construction technology and quality control to further improve the quality of its construction projects; and

- to establish an intelligent transportation system: using information technologies to conventional industries, the Group plans to establish an intelligent transportation system to optimise the supply capability of its transportation infrastructure and improve its service quality and efficiency and achieve better cost-effectiveness.

***Diversify into different industries that provides a solid foundation and generates new opportunities for the Group.***

Driven by the railway business, the Group aims to expand into different industries and to attract funding from other sectors thereby reducing dependence on various forms of government support, shaping an organic system in which the business generates cash flows for the Group to invest in projects creating values for the society.

The Group plans to expand its businesses with a focus on the railway businesses. Aiming at developing organic symbiosis between its railway business and its land development business, the Group develops properties within proximity of the railroads to facilitate the population aggregation and movement in the relevant areas and invests with income generated from its land development business into its railway business. To fully deploy the resources generated in the railway businesses, the Group also plans to strengthen its smart logistics segment, which will lay a solid foundation for the industrial chain development of the Group.

To further support the investment and development of its core business, the Group plans to give full play to the role of capital operation and take capital operation as the driving force so as to fuel the growth of industrial operations, which, in turn, help promote capital gains. The Group aims to offer a wide range of financial services, including supply chain services, financial guarantee and lending services and asset management services. By building a strong platform that provides high-quality financial services, the Group can discover new opportunities that facilitates the operation of its core business.

***Foresee, lead and adapt to new trends.***

The Group was able to seize the historical opportunities presented by the national railway boom to accelerate railway construction in Henan Province. It plays a leading role in investing in and developing the railway projects in the province and participating in the national railway projects. While continuing to grow its railway business at a faster pace, the Group also sets its eyes on expanding into a diverse range of industrial segments that can yield synergies with its core operations. The Group aims to stay aware of and foresee trends in emerging urban lifestyle operations, further boost investment in the construction, operations and management of an integrated transport network.

The Group aims to fully engage the strengths of railway businesses and to broaden and expand into related industries both in breadth and in depth. By concentrating and optimising its resources and using economies of scale, the Group aims to increase strengths and competitiveness of core businesses while tapping into the synergies of the related and ancillary business segments. The Group also aims to cooperate with parties with a shared interest to build strong partnership with a common goal of success and realise synergy among different businesses. The ancillary businesses shall supplement and complement the core businesses with the same principles as the main segments. For example, the land development segment aims to develop transit-oriented development that provides real estate and infrastructure near railways and rail stations.

***Build strong teams.***

The Group builds a strong management team by leveraging strong government support, attracting managerial and operations professionals, developing a sound professional development program, and increasing and deepening exchanges and cooperation with leading industry players and government bodies. The Group focuses on the enhancement of managerial abilities in design of corporate strategies, corporate governance, integration of resources, operation of capital and risk control. It also pays attention to talent management and intends to implement talent initiatives to boost corporate growth. Such initiatives include identification of the requirements on roles and capabilities based on corporate development strategies, business profile and organisation and human resource strategies, assessment of the current talent status and formulation of candidate recruitment plan so as to create a corporate culture emphasising continuity and sustainable development.

## RECENT DEVELOPMENTS

***Financial performance of the Group as at and for the nine months ended 30 September 2021***

On 27 October 2021, the Issuer published its 2021 Third Quarter Financial Statements in Chinese only on the website of Shanghai Clearing House. The financial information in the 2021 Third Quarter Financial Statements may differ from future audited or reviewed information and the 2021 Third Quarter Financial Statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. The 2021 Third Quarter Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2021. The 2021 Third Quarter Financial Statements have not been included in, and do not constitute part of, this Offering Circular. See "*Risk Factors — Risks Relating to the Group's Financial Information — Investors should be cautious and not place any reliance on financial information other than that disclosed in this Offering Circular*."

For the nine months ended 30 September 2021, the Group recorded increases in its total operating income and its total operating costs, which were primarily attributable to the operating income and operating costs associated with the supply chain business of a new subsidiary, Henan Railway Investment Capital Co., Ltd, which was established in 2021. As at 30 September 2021, total liabilities of the Group increased as compared to 31 December 2020, which was primarily attributable to increases in short-term borrowings, accounts payable, other payables and long-term borrowings.

***Proposed Acquisition of Henan Intercity Railway***

To implement the policy of the Henan Provincial Government to promote the railway business and in accordance with the Approval from the Henan Provincial Government on the Formation of the Group of HENAN RAILWAY CONSTRUCTION & INVESTMENT GROUP CO., LTD. [Yu Zheng (2021) 155] (河南省人民政府關於河南省鐵路建設投資集團有限公司組建方案的批復[豫政文(2021)155號]), the Issuer entered into the Share Transfer Agreements with regard to the transfer of equity interest in Henan Intercity Railway. Pursuant to the Share Transfer Agreements, China Railway Group Zhengzhou Bureau will transfer approximately 38 per cent. of the equity interest in Henan Intercity Railway to the Issuer, and as consideration, the Issuer will transfer all of its minority equity interest in Jingguang Passenger Railway Line Henan Co., Ltd. (京廣鐵路客運專線河南有限責任公司) to China Railway Group Zhengzhou Bureau and transfer its ownership in the Nanjing-Xi'an Railway Second Line and the Mengmiao-Baofeng Railway Second Line to China Railway Group Zhengzhou Bureau and China Railway Group Wuhan Bureau. The Proposed Transfer is currently expected to complete in the first half of 2022, subject to the satisfaction of certain closing conditions, including that all regulatory approvals have been obtained from the relevant PRC governmental authorities. There is no guarantee that all regulatory approvals can be obtained and the Proposed Transfer may not proceed to completion.

Henan Intercity Railway mainly focuses on the business of construction, operation and management of intercity railways, passenger lines and supporting facilities in the Henan Province. As at the date of this Offering Circular, Henan Intercity Railway is owned as to 50 per cent. by the Issuer and 50 per cent. by China Railway Group Zhengzhou Bureau. Following the completion of the Proposed Transfer, Henan Intercity Railway will become a subsidiary of the Issuer. The Group expects a significant increase in its total assets, total liabilities and debt-to-asset ratio following the completion of the Proposed Transfer. See "*Risk Factors — Risks relating to the Group's overall businesses — There are risks associated with any future material acquisitions by the Group*" and "*Risk Factors — Risks relating to the Group's financial information — The Group's historical consolidated financial statements do not reflect the Proposed Transfer and there is limited financial and other information relating to Henan Intercity Railway in this Offering Circular*".

***Proposed Acquisition of Two Real Property Companies***

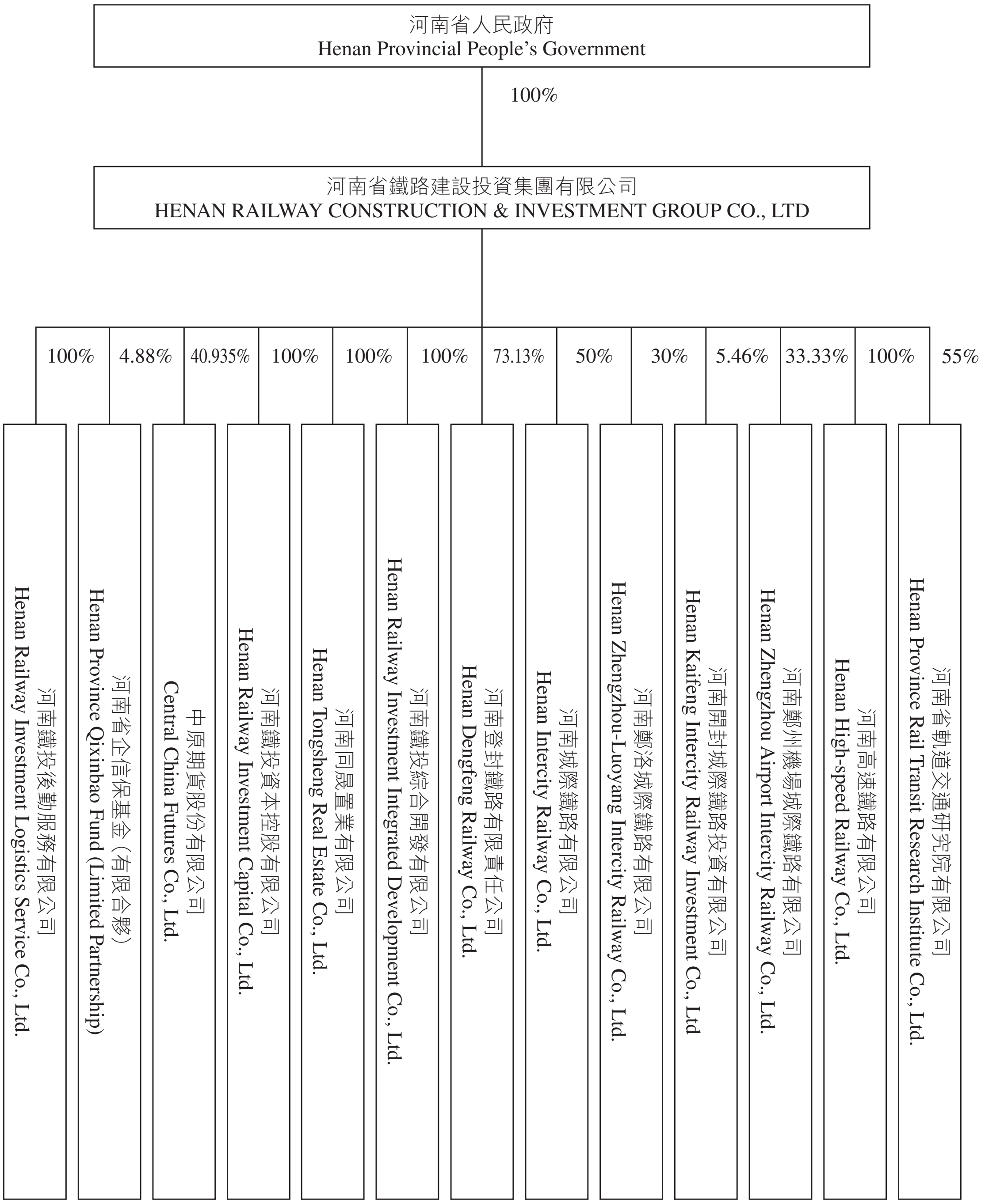
In March 2021, the Company entered into the MOU regarding the Possible Acquisition. The Proposed Acquisition is currently under SASAC's review and as at the date of this Offering Circular, no concrete timetable or detailed plans of the Proposed Acquisition have been formed or announced. There is no guarantee that all regulatory approvals can be obtained and the Proposed Acquisition may not proceed to completion.

***Additional Indebtedness since 30 June 2021***

Since 30 June 2021, the Group has incurred indebtedness to replenish its working capital, to finance and refinance its business development and for other general corporate purposes. For example, on 17 November 2021, the Group entered into a financing agreement of RMB300 million with Zhongyuan Bank Co., Ltd. for a tenor of one year. On 27 December 2021, the Group entered into a financing agreement of RMB100 million with China Construction Bank Corporation for a tenor of one year.

## CORPORATE STRUCTURE

The following chart presents the shareholding structure of the Issuer and the Group as at 30 June 2021:



## CORPORATE MILESTONES

The Company was founded in 2009 under the name of "Henan Railway Investment Co., Ltd. (河南鐵路投資有限責任公司)". Subsequently, a change of name of the Company to "HENAN RAILWAY CONSTRUCTION & INVESTMENT GROUP CO., LTD. (河南省鐵路建設投資集團有限公司)" was effected in December 2021. At the time of its establishment, the Company had registered capital of RMB10.0 billion. The Company is 100 per cent. owned by the Henan Provincial Government. As at the date of this Offering Circular, the registered capital of the Company is RMB60.0 billion of which RMB47.7 billion has been paid up.

The following table sets out the major milestones during the Group's development:

| Year | Milestone |
|---|---|
| 2009 . . . . . | In 2009, the Company was founded under the name of Henan Railway Investment Co., Ltd. (河南鐵路投資有限責任公司) and its registered capital was RMB10.0 billion. |
| 2010 . . . . . | The Company completed the construction of the Henan section of the Zhengzhou to Xi'an Passenger Line (鄭州到西安客運專線), which was put into operation in the same year. |
| 2012 . . . . . | The Company's registered capital was further increased to RMB15.0 billion. |
| | The Company completed the construction of the Henan section of the Shijiazhuang to Wuhan Passenger Line (石家莊到武漢客運專線), which was put into operation in the same year. |
| | The Company obtained a credit rating of "AA+" from China Chengxin International Credit Rating Co., Ltd. ("**CCXI**"). |
| 2016 . . . . . | The Company completed the construction of the Henan section of the Zhengzhou to Xuzhou Passenger Line (鄭州至徐州客運專線), which was put into operation in the same year. |
| 2019 . . . . . | The Company completed the construction of the Henan section of the Zhengzhou-Wanzhou High-speed Railway (鄭萬快速鐵路), which was put into operation in the same year. |
| | The Company completed the construction of the Zhengzhou-Zhoukou-Fuyang High-speed Railway (鄭州至周口至阜陽高速鐵路), which was put into operation in the same year. |
| | The Company also completed the Henan section of the Shangqiu-Hefei-Hangzhou High-speed Railway (商合杭快速鐵路), which was put into operation in the same year. |
| 2020 . . . . . | The Company's credit rating was raised to "AAA" by CCXI. |
| 2021 . . . . . | In December 2021, the change of the name of the Company to "HENAN RAILWAY CONSTRUCTION & INVESTMENT GROUP CO., LTD. (河南省鐵路建設投資集團有限公司)" was effected, and the registered capital of the Company was increased to RMB60.0 billion. The registered address of the Company was also updated. |

## THE GROUP'S BUSINESS SEGMENTS

### *Railway Business*

The Group, as the sole entity designated by the Henan Provincial Government for investment and financing in the railway sector as part of the overarching mission to fully implement the PRC Government's strategy to promote the development of the Central China region, undertakes investment, financing and operation of railways on behalf of the local government. The Group conducts its railway investment and construction business primarily through the Company, which is the provincial government's entrusted entity to build and enhance Henan Province's railway network. In particular, the Company represents the Henan Provincial Government in fulfilling the Henan Provincial Government's rights and obligations in its railway construction projects with CSRG.

As at 30 June 2021, the Group had invested in 23 railway projects, with total mileage of 3,716 k.m. As at 30 June 2021, the Group completed 17 railway lines, with total operational mileage of approximately 3,366 k.m. Among them, eight are high-speed railways with a total mileage of 1,819 k.m.; three are intercity railways with a total mileage of 104 k.m.; five are mainline railways with a total mileage of 1,353 k.m.; and one is an SRL with a total mileage of 90 k.m. As at 31 December 2018, 2019 and 2020 and 30 June 2021, total assets of the Group's railway business segment amounted to RMB54,794 million, RMB63,105 million, RMB68,363 million and RMB69,382 million, respectively, representing 93.9 per cent., 95.5 per cent., 95.9 per cent. and 93.4 per cent. of the Group's total assets as at the same dates.

*Business model*

The Group collaborates with various parties, including CSRG, which acts as the controlling shareholder, and the municipal governments of cities along the rail lines as the other participating shareholders. As the sole investment platform in Henan Province for railway investment, construction and management, the Group is responsible for the use and management of funds injected by the provincial government for the purpose of railway development, to raise funds for railway construction, and to apportion and deploy funds sourced to the relevant project companies based on project plans and progress. After the railways are completed, profits from such railways are apportioned and distributed according to the relevant parties' shareholdings as investment gains.

The Group's responsibility in investment and management of a railway project varies, depending on project categories as shown below:

- *Passenger railway lines*. The Group is responsible for contributing the funds injected by the Henan Provincial Government. The amount injected by the Henan Provincial Government is to the extent required and expended toward land acquisition and relocation of residents.

- *Trunk lines*. Municipal governments of the relevant cities, which the railway passes through, will be responsible for funds required for land acquisition and resident relocation, while any financing shortfall will be raised by the Group.

- *Intercity lines*. For lines invested by both the Henan Provincial Government and CSRG, the portion borne by the Henan Provincial Government will be contributed by the Group and the relevant municipal governments. For the latest intercity line projects, CSRG no longer participates in development and the Group is responsible for raising and managing the funds. 70 per cent. of the funds managed by the Group comes from the municipal governments of the cities through which the line passes through.

*Completed projects*

As at 30 June 2021, the Group completed 17 railway lines, with total operational mileage of approximately 3,366 k.m. Among them, eight are high-speed railways with a total mileage of 1,819 k.m.; three are intercity railways with a total mileage of 104 k.m.; five are mainline railways with a total mileage of 1,353 k.m.; and one is an SRL with a total mileage of 90 k.m. The completed railways of the Group carried a passenger volume of approximately 88.5 million in 2020 and a freight traffic volume of approximately 165.5 million tons in 2020.

The following table sets out the completed railway projects of the Group as at 30 June 2021:

| **Project name** | **Total Distance in Henan Province** | **Investment made by the Group** | **Construction period** |
|---|---|---|---|
| | *(k.m.)* | *(RMB'000,000)* | |
| Zhengzhou-Xi'an Passenger Line (Henan Section) (鄭州到西安客運專線(河南段)) | 320 | 2,051 | 2005-2010 |
| Shijiazhuang-Wuhan Passenger Line (Henan Section) (石家莊到武漢客運專線(河南段)) | 526 | 4,544 | 2008-2012 |
| Zhengzhou-Xuzhou Passenger Line (Henan Section) (鄭州至徐州客運專線(河南段)) | 253 | 3,780 | 2012-2016 |
| Shangqiu-Hefei-Hangzhou High-speed Railway (Henan Section) (商合杭高速鐵路(河南段)) | 48 | 2,152 | 2015-2019 |
| Zhengzhou-Hefei High-speed Railway (Henan Section) (鄭合高速鐵路(河南段)) | 211 | 6,500 | 2015-2019 |
| Zhengzhou-Wanzhou High-speed Railway (Henan Section) (鄭萬高速鐵路(河南段)) | 351 | 6,750 | 2015-2019 |
| Zhengzhou-Kaifeng Intercity Railway (鄭州至開封城際鐵路) | 50 | 1,416 | 2010-2014 |
| Zhengzhou-Jiaozuo Railway (鄭州至焦作鐵路) | 77 | 2,542 | 2010-2015 |
| Zhengzhou to Airport Intercity Railway (鄭州至機場城際鐵路) | 43 | 1,819 | 2012-2015 |
| Jin-Yu-Lu Railroad Corridor (Henan section) (晉豫魯鐵路通道(河南段)) | 246 | 2,416 | 2009-2014 |
| Luohe-Fuyang Railway Electrification Reline (Henan Section) (漯阜鐵路複綫化改造(河南段)) | 136 | 753 | 2008-2013 |
| Mengxi-Central China Railroad Corridor (Henan section) (蒙西至華中鐵路通道(河南段)) | 345 | 2,194 | 2015-2019 |
| Nanjing-Xi'an Railway Electrification Reline (Henan section) (寧西鐵路複綫電氣化工程(河南段)) | 527 | 1,915 | 2012-2015 |
| Mengmiao-Baofeng Railway (孟平鐵路) | 99 | 234 | 2013-2017 |
| Taiyuan-Jiaozuo Railway (Henan Section) (太原至焦作鐵路) | 33 | 1,606 | 2016-2020 |
| Zhengzhou Airport to Zhengzhou South Station Railway (鄭州機場至鄭州南站城際鐵路) | 11 | 2,885 | 2015-2020 |
| Dengfeng Special Rail Line (登封鐵路專用線) | 90 | 310 | 1995-2009 |
| **Total** | **3,366** | **43,867** | **—** |

High-speed railway projects

Among the high-speed railway projects, Zhengzhou-Xi'an Passenger Line, Shijiazhuang-Wuhan Passenger Line, Zhengzhou-Xuzhou Passenger Line, Shangqiu-Hefei-Hangzhou High-speed Railway are four major lines of the PRC's eight vertical and eight horizontal high-speed railway network and also form essential components of Henan Province's star-shaped railway network.

Zhengzhou-Wanzhou High-speed Railway is a major section that connects Zhengzhou with Chongqing and is also an important part of the province's star-shaped railway network. The project makes the west-southern part of Henan Province readily accessible by high-speed rail and shortens the train distance of Nanyang and Pingdingshan from Zhengzhou within two hours. Given the size of the province, this is a distinct improvement in terms of connectivity and very much contributes to the continuous urbanisation of Henan Province.

Zhengzhou-Hefei High-speed Railway enhances the connection between the Central China region and the coastal areas by linking Zhengzhou to Hefei, Anhui.

Zhengzhou-Jiaozuo Railway starts from Zhengzhou, Henan Province to Jiaozuo, Henan Province. It shortens the train distance of Zhengzhou from Jiaozuo and is an important component that enhances the integrated regional development at the central PRC region.

Taiyuan-Jiaozuo Railway (Henan Section) starts from Taiyuan, Shanxi Province to Jiaozuo, Henan Province and is an important component of the PRC's eight vertical and eight horizontal high-speed railway network. It shortens the train distance of Taiyuan from Zhengzhou within approximately two hours and improves the connectivity between Shanxi Province and Henan Province.

Intercity railway projects

Zhengzhou-Kaifeng Intercity Railway carries passengers between Zhengzhou and Kaifeng and is an important section of the rail network among city clusters within the Central China region. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, the passenger turnover of Zhengzhou-Kaifeng Intercity Railway was approximately 1.9 million, 2.3 million, 0.9 million and 1.2 million, respectively.

Zhengzhou to Airport Intercity Railway carries passengers between Zhengzhou and Zhengzhou Xinzheng International Airport and is an important section of the rail network among city clusters within the Central China region. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, the passenger turnover of Zhengzhou to Airport Intercity Railway was approximately 3.3 million, 3.9 million, 1.9 million and 1.6 million, respectively.

Zhengzhou Airport to Zhengzhou South Station Railway carries passengers between Zhengzhou Xinzheng International Airport and Zhengzhou South Station. It is an important part of the province's star-shaped railway network.

Main line projects

Jin-Yu-Lu Railroad Corridor runs across Henan Province, Shanxi Province and Shandong Province. It is a heavy-haul railroad and serves as a major east westwards transit line for coal in the PRC. As at 31 December 2018, 2019 and 2020 and 30 June 2021, freight traffic volume for this project reached approximately 37.7 million, 64.4 million tonnes, 73.5 tonnes and 44.0 tonnes, respectively.

Luohe-Fuyang Railway Electrification Reline connects Henan Province and Anhui Province. As at 31 December 2018, 2019 and 2020 and 30 June 2021, freight traffic volume for this project reached approximately 48.0 million tonnes, 62.9 million tonnes, 65.8 million tonnes and 40.5 million tonnes, respectively.

Mengxi-Central China Railroad Corridor connects Inner Mongolia and Ji'an, Jiangxi and is a class I railway of the PRC. It is a major corridor that transports coal from the northern part of the PRC to the southern part. As at 31 December 2019 and 2020 and 30 June 2021, freight traffic volume for this project reached approximately 4.0 million tonnes, 26.2 million tonnes and 27.2 million tonnes, respectively.

Nanjing-Xi'an Railway Electrification Reline starts from Shaanxi Province, passing through Henan Province and ending at Hubei Province.

Mengmiao-Baofeng Railway starts from the Mengmiao Station of Beijing-Guangzhou Railway and connects with the West Pingdingshan Station, running through several counties within Henan Province.

*Projects under construction*

As at 30 June 2021, the Group had five railway lines under construction with a total mileage of 321 k.m. within Henan Province and a total estimated investment of RMB13.6 billion by the Group:

| Project name | Mileage in Henan | Total estimated investment | Estimated investment undertaken by the Group | Construction period |
|---|---|---|---|---|
| | *(kilometre)* | *(RMB'000,000,000)* | *(RMB'000,000,000)* | |
| Zhengzhou-Jinan High-speed Railway (Zhengzhou-Puyang Section) (鄭州至濟南快速鐵路(鄭州至濮陽段)) . . . | 197 | 34.5 | 12.6 | 2016–2021 |
| Zhengzhou-Jinan High-speed Railway (Puyang-Provincial Border Section) (鄭州至濟南快速鐵路(濮陽至省界段)) . . | 40 | 5.4 | 0.07 | 2019–2023 |
| Heze-Lankao Railway (Henan Section) (菏澤至蘭考鐵路項目(河南段)) . . . . . . | 41 | 5.5 | 0.05 | 2020–2024 |
| Zhengkai Intercity Railway Extension (鄭開城際鐵路延長線)[1] . . . . . . . . . . . . | 7 | 1.5 | 0.7 | — |
| Hua County Special Rail Line (滑縣鐵路專用線) . . . . . . . . . . . . . . . | 36 | 1.1 | 0.2 | 2020–2023 |
| **Total** . . . . . . . . . . . . . . . . . . . . . . . . | **321** | **48.0** | **13.6** | |

*Notes:*

1. The plan for Zhengkai Intercity Railway Extension is under discussion. The construction period is yet to be confirmed.

- Zhengzhou-Jinan High-speed Railway (鄭州至濟南快速鐵路): It includes the Zhengzhou-Puyang Section and the Puyang-Provincial Border Section. Of the total investment of RMB39.9 billion, the Company undertakes RMB12.6 billion. This railway is a strategic component of Henan Province's star-shaped railway network and connects Henan Province with Jinan, the provincial capital city of Shandong Province. As at the date of this Offering Circular, the construction of Zhengzhou-Puyang Section is completed and it is expected to start operation in 2022.

- Heze-Lankao Railway (Henan Section) (菏澤至蘭考鐵路項目(河南段)): Of the total investment of RMB5.5 billion, the Group undertakes RMB0.05 billion. It is expected to start operation in 2024. It will run cross-rail trains between Zhengzhou-Xuzhou High-speed Railway (鄭徐高鐵) and Lunan Intercity Lines (魯南高鐵).

- Zhengkai Intercity Railway Extension (鄭開城際鐵路延長線): It is estimated to have a mileage of 11.1 k.m.. Of the total investment of RMB1.5 billion, the Group undertakes RMB0.7 billion. The plan for Zhengkai Intercity Railway Extension is under discussion and the construction period is yet to be confirmed.

- Hua County Special Rail Line (滑縣鐵路專用線): It is estimated to have a mileage of 36 k.m. Of the total investment of RMB1.1 billion, the Group undertakes RMB0.2 billion. The construction started in 2020 and it is expected to start operation 2023.

*Pipeline railway projects*

As at 30 June 2021, the Group had the following key pipeline railway projects:

- Beijing-Xiong'an-Shangqiu High-speed Railway (京雄商高速鐵路) is estimated to have a mileage of 26 k.m. for its Henan section. The total estimated investment for construction is RMB4,200 million, 60 per cent. of which will be undertaken by the Henan Provincial Government. The construction period is yet to be confirmed. It is an important section of the main channel of the PRC's medium- to long-term railway network and a major transportation corridor for the south-north bound rail passengers within the Central China region.

- Beijing-Hong Kong (Taipei) High-speed Railway (京港台高速鐵路) is estimated to have a total mileage of 324 k.m. and its Henan section is estimated to be 105 k.m. long. The total estimated investment for construction is RMB14,600 million and the Henan Provincial Government will contribute RMB0.36 million. The construction period is yet to be confirmed. It is an important component of the PRC's eight vertical and eight horizontal high-speed railway network.

- Hohhot-Nanning High-speed Railway, Jiaozuo-Luoyang-Pingdingshan section (呼南高速鐵路焦作經洛陽至平頂山段) is estimated to have a total mileage of 255 k.m. The total estimated investment for construction is RMB39,300 million and the Henan Provincial Government will contribute RMB1.6 million. It is expected to start construction in 2022. It is an important component of the PRC's blueprint of eight vertical and eight horizontal high-speed railway network and an essential line within the Central-West China region.

- Pingdingshan-Luohe-Zhoukou High-speed Railway (平漯周高速鐵路) is estimated to have a total mileage of 186 k.m. The total estimated investment for construction is RMB34,000 million and the Henan Provincial Government will contribute RMB1.7 million. It is expected to start construction in 2022. It is a strategic line to improve the intercity connectivity among the city clusters within the Central China region.

- Xinxiang-Jiaozuo Intercity Railway (新鄉至焦作鐵路) is estimated to have a mileage of 68 k.m.. The total estimated investment is RMB6,800 million. The construction period is yet to be confirmed. It is an essential project for the establishment of transportation network among the city clusters within the Central China region.

***Land Development***

The Group's land development business comprises the development of real estate projects and provision of property management services. The Group conducts its land development business primarily through Henan Tongsheng Real Property Co., Ltd. (河南同晟置業有限公司) ("**Henan Tongsheng**") and Henan Railway Investment Integrated Development Co., Ltd. (河南鐵投綜合開發有限公司), both of which are wholly owned subsidiaries of the Company.

As at 31 December 2018, 2019 and 2020 and 30 June 2021, total assets of the Group's land development business segment amounted to RMB2,929 million, RMB2,991 million, RMB2,929 million and RMB3,877 million, respectively, representing 5.0 per cent., 4.5 per cent., 4.1 per cent. and 5.3 per cent. of the Group's total assets as at the same dates.

*Business model*

The Group aims at developing organic symbiosis between its railway business and its land development business and uses a "transit-oriented development" ("**TOD**") strategy to achieve this objective. Essentially, the Group develops properties within proximity of the railroads and with income generated from its land development business into its railway business.

The Group forms strategic partnerships with local governments to acquire non-reclaimable land near the railways and is responsible for any reclamation expenses and compensation for half-grown crops (青苗補償費) associated with such acquisitions. It establishes joint venture companies with investors appointed by the relevant municipal government, which are then entrusted by the government to develop the land. At the end of each year, the Group receives a percentage of its investment in the current year and the previous year, based on its agreement with the municipal governments.

*Projects under construction*

As at 30 June 2021, the Group had five projects under construction:

- West Plaza of Zhumadian High-speed Railway (駐馬店高鐵西廣場) is located at the central business district within Zhumadian's urban-rural integration pilot zone (城鄉一體化示範區). The site area of the project is approximately 2,509 mu (equivalent to approximately 1,672,666.7 square metres) and total planned investment is RMB6,500 million.

- Antang New City Project (安湯新城項目) is located at the core area within Antang New City. The gross floor area of the project is approximately 10,000,000 square metres and its total planned investment is RMB3,400 million.

- Lancheng Chengyuan Project (藍城•誠園) is a residential estate development distinguished as high-end medium-height housing with scenic views and convenient transportation. The site area of the project is approximately 170 mu (equivalent to approximately 113,333.3 square metres) and its total planned investment is RMB2,250 million.

- Integrated Development Project of Bianxi Station (汴西站綜合開發專案) is located within the free trade zone in Kaifeng. This project is designed to be a versatile integrated development with residential and retail properties, and even intercity station projects. The gross floor area of the project is approximately 206 mu (equivalent to approximately 137,333.3 square metres) and its total planned investment is RMB2,460 million.

- Integrated Development Project of Dameng Station (中牟大孟站綜合開發項目) is located within the Zhengzhou International Cultural and Creative Industry Park (鄭州國際文化創意產業園). This project is designed to be a versatile integrated development with residential, retail and station properties. It is the pilot project of the "one station one city" (一站一城) integrated development of intercity stations. The site area of the project is approximately 193 mu (equivalent to approximately 128,666.7 square metres) and its total planned investment is RMB2,400 million.

Other strategies considered by the Group to further grow its land development business and better capitalise on opportunities presented include, among others:

- construct and lease apartments located near rail stations and attract purchasers with comprehensive municipal facilities and convenient transportation;

- invest in high quality land development projects in the open market; and

- undertake joint development efforts with seasoned real estate corporates and state-owned enterprises ("**SOE**").

*Investment Business*

The Group makes investments that can facilitate its railway business, diversify its investment portfolios and uncover new business opportunities that can generate steady income in the future. The Group's investment business segment aims to deepen and facilitate the reform of SOEs and strongly promote development of railway infrastructure, with a specific focus on railway projects while simultaneously pursuing all-round development of its business through diversified project investments. As part of such efforts, the Group has set up the Henan Railway Industry Investment Fund. The sub-fund will select well-known investment institutions nationwide as its managers.

The Henan Railway Industry Investment Fund is targeted to have a total asset under management of RMB30 billion. It is expected that the first phase of fundraising, which will be RMB10 billion, will be completed in the first half of 2022. The manager of the Henan Railway Industry Investment Fund is Henan Railway Investment Private Equity Management Co., Ltd. (河南鐵投私募基金管理有限公司) ("**Henan RIPE Management**"), which is a wholly owned subsidiary of the Company. The partners of the Henan Railway Industry Investment Fund include:

- Henan Provincial Government will contribute RMB2 billion in the first phase of fundraising, in the form of capital injection in the Group;
- the Company will contribute RMB2 billion in the first phase of fundraising; and
- financial institutions as well as industry leaders will contribute RMB6 billion in the first phase of fundraising.

The Group used to make investments in the energy industry. The Group intends to further grow and broaden its investment portfolio in the future. Below is a blueprint showing the areas the Group is entering into:

- *Green energy*. Investments will focus on photovoltaic power generation and wind power generation along the rail lines as well as the generation, storage and transportation of the hydrogen fuel.
- *Data economy*. Investments will fully focus on the application of big data in railway operations, logistics and industry finance which promotes operational and economic efficiencies.
- *Infrastructure*. Investments will focus on businesses such as construction of railways and real properties, municipal facilities, survey and design and railway maintenance.

*Financial Services*

The Group offers financial services, including supply chain services to state-owned and private coal enterprises, power plants, steel mills, PRC central government-owned construction companies, large oil and grease production enterprises. The Group conducts its financial services through Henan Railway Investment Capital Co., Ltd. (河南鐵投資本控股有限公司), a wholly owned subsidiary of the Company.

As at 30 June 2021, total assets of the Group's financial services business segment amounted to RMB438.0 million, representing 0.6 per cent. of the Group's total assets as at the same date.

*Supply chain services*

The Group establishes joint venture companies with PRC central government-owned enterprises (央企), SOEs and seasoned non-state-controlled corporations to provide supply chain services ranging from construction materials to agricultural products and non-ferrous metals. The Group has plans to expand into the following specific sub-markets:

- *Construction materials*. The Group will establish a joint venture company to provide services in direct supply for construction projects and consignment.

- *Agricultural products.* The Group will establish a joint venture company to provide services of entrusted procurement (代采) and trade management.

- *Non-ferrous metals*. The Group will establish a joint venture company to provide settlement services.

- *Land and property*. The Group will collaborate with local developers to obtain land and it will design blueprint as well as provide risk management services.

- *Coal supply*. The Group intends to establish independent supply chain companies to provide supply chain management.

***Smart Logistics***

Leveraging the benefits and advantages derived from its extensive railway network, the Group intends to grow its smart logistics business through expanding its warehousing network, continuously improving its offering of logistics solutions and exploring new logistics methods such as air-rail intermodal transportation. The Group has established the Logistics Division (物流事業部) to develop its smart logistics business. The business segment was conducted primarily through Henan Dengfeng Railway Co., Ltd. (河南登封鐵路有限責任公司). The Group actively seeks cooperation with leading highway logistics players in the PRC. It invests in railway lines, freight yards, warehouses as well as office facilities and provides coordination of transportation capacity, cloud computing and other resources to facilitate smart logistics. As at 31 December 2018, 2019 and 2020 and 30 June 2021, total assets of the Group's smart logistics business segment amounted to RMB635 million, RMB610 million, RMB599 million and RMB590 million, respectively, representing 1.1 per cent., 0.9 per cent., 0.8 per cent. and 0.8 per cent. of the Group's total assets as at the same dates.

*Operation of SRLs*

In addition to the Group's key role in the development of national railways in Henan Province, the Group also promotes the boost of local intercity connectivity. Within Henan Province, the Group supports the construction, planning, connection of tracks, and the operation and management of SRLs. SRLs are intercity railway lines that provide efficient transportation service to a certain specialised production base as well as businesses along the main railway lines.

*Future development*

Future plans contemplated by the Group for its smart logistics business include, among others:

- *Construction of high-speed railway logistic bases.* The Group plans to enhance its logistic network with constructed railways, provide efficient transportation and promote smooth transition between different modes of transportation.

- *Establishment of cold chain logistics.* The Group plans to build a quality and efficient modern cold chain logistics system that deploys compatible warehouses and multimodal transportation for reefer containers.

- *Realisation of multimodal transportation*. The Group plans to connect different logistic bases, optimise allocation of resources, train and develop efficient operators and establish a convenient and specialised service network.

## ENVIRONMENTAL MATTERS

The Group is subject to PRC national, provincial and local environmental laws and regulations governing water and solid waste discharge, noise, gas emission and other environmental matters. The Group has established the safety and environmental protection department and adopted and implemented environmental protection procedures to comply with applicable environmental laws and regulations.

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

## EMPLOYEES

As at 30 June 2021, the Group had approximately 660 employees.

In accordance with the applicable regulations of local governments in regions where the Group has business operations, the Group makes contributions to the pension contribution plan, medical insurance, unemployment insurance, maternity insurance and personal injury insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group provides annual bonuses and supplemental commercial insurance policies to employees. The Group enters into an employment contract with each of its employees in accordance with applicable PRC laws. Such contracts include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination.

## HEALTH AND SAFETY

The Group has taken measures to ensure compliance with applicable national and local laws and regulations concerning workspace safety. It has full-time safety management personnel responsible for supervising workplace safety and occupational health, hygiene and safety, as well as performing internal safety checks during the production process to minimise accidents, injuries and occupational diseases. In order to further strengthen workplace safety compliance policies, the Group has established operational rules for employees, and dedicate more training resources to prevent implementation of policies and practices in violation of relevant laws and regulations, and to prevent employees from committing violations of the Group's workplace safety policies and procedures. In addition, the Group provides safety education to employees and has established safety standards in relation to matters such as purchasing, installing and operating new equipment, constructing new facilities and improving existing facilities. The Group imposes safety measures, as well as regular internal safety inspections at all stages of its operational process to minimise the possibility of work-related accidents and injuries and occupational illness.

As at the date of this Offering Circular, the Group had not experienced any major workplace or industrial accidents.

## INSURANCE

The Group maintains insurance coverage in amounts that it believes are commensurate with the Group's risk exposure and industry practice. However, consistent with what the Group believes to be customary practice in the PRC, it does not carry any key-man insurance, business interruption insurance, insurance covering potential environmental damage claims and contractor's all-risk and third-party liability insurance. There is a risk that the Group does not have sufficient insurance coverage for losses, damages and liabilities that may arise from its business operations. See "*Risk Factors — Risks Relating to the Group's Overall Businesses — There may be circumstances where the Group is not fully covered by insurance policies for third-party liability, business interruption or loss of profit arising from disruptions of its operations.*"

## LEGAL PROCEEDINGS

The Group is from time to time involved in disputes and legal proceedings arising in the ordinary course of its business.

As at the date of this Offering Circular, the Group is not aware of any material legal proceedings, claims, disputes, penalties or liabilities currently existing or pending against it that may have a material adverse impact on its business, financial condition or results of operations. See "*Risk factors — Risks Relating to the Group's Overall Businesses — The Group faces litigation risks in the course of its business.*"

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Directors

The board of directors of the Company is responsible for and has general powers over the management and conduct of the Company's business. The Company's board of directors currently consists of five directors. The term of appointment of a director shall not exceed three years. Upon expiry of the term of appointment, a director may be re-elected. The table below sets forth the Company's directors as at the date of this Offering Circular:

| Name | Year of Birth | Position |
|---|---|---|
| Mr. Yue Guoyong (悦國勇) . . . . . | 1973 | Chairman and Secretary of the Party Committee |
| Mr. Zhao Chaofeng (趙超峰) . . . . | 1963 | Director, General Manager and Deputy Secretary of the Party Committee |
| Mr. Liu Junzhou (劉軍洲) . . . . . . | 1964 | Director, Deputy Secretary of the Party Committee and Chairman of the Union |
| Mr. Wang Taigang (王太鋼) . . . . | 1981 | Director and Chief Accountant |
| Mr. Zhang Hongmin (張宏敏) . . . | 1972 | External Director |

**Mr. Yue Guoyong (悦國勇)**, born in 1973, has been the chairman of the board of directors and the secretary of the party committee (黨委) of the Company since January 2020. Mr. Yue has served as a deputy general manager, the general manager and a director and legal representative of Yuxin International Co., Ltd. (豫新國際有限公司) and a deputy general manager and a member of the party committee of Henan Civil Aviation Development & Investment Co., Ltd. (河南民航發展投資有限公司). Mr. Yue was temporarily assigned a position at China Railway Construction Corporation Limited (中國鐵建股份有限公司). Mr. Yue obtained an MBA degree from Zhengzhou University (鄭州大學) and is currently studying for a doctoral degree in Shanghai Jiao Tong University (上海交通大學). Mr. Yue was appointed by the Organisation Department of Henan Provincial Party Committee (河南省委組織部) to study in University of Maryland in the United States in 2006. He is a senior economist.

**Mr. Zhao Chaofeng (趙超峰)**, born in 1963, has been the director, general manager and deputy secretary of the Party Committee of the Company since December 2021. Mr. Zhao has served as a deputy division chief, a deputy chief engineer, the chief engineer and a member of the Party Committee of Zhengzhou Railway Bureau Transportation Division (鄭州鐵路局運輸處) and the general manager and the secretary of the Party Committee of Henan Intercity Railway. Mr. Zhao obtained a master's degree in engineering. He is a senior engineer (正高級工程師).

**Mr. Liu Junzhou (劉軍洲)**, born in 1964, has been a director, deputy secretary of the party committee and chairman of the Union since 2020. Mr. Liu has been employed as a deputy investigator and chief member of the National Economic Mobilization office of Henan Province (河南省國民經濟動員辦公室) and has served as a supervisor of the inspection committee of the CPC Commission, Henan Province (中共河南省紀委), of the discipline inspection group (紀檢組) of the Henan Supervision Department (河南省監察廳) stationing at Henan Provincial Development and Reform Commission (省發展改革委) ("**HDRC**") and of the supervision office (監察室), and a deputy secretary of the party committee and the secretary of the inspection committee (紀委) of the Company. Mr. Liu obtained a master's degree from the Party School (黨校). He is a senior economist.

**Mr. Wang Taigang (王太鋼)**, born in 1981, has been a director and chief accountant of the Company since 2020. Mr. Wang has served as a deputy director of the department of investment and development (投資發展部) of Henan Water Conservancy Construction Investment Co., Ltd. (河南水利建設投資有限公司), a director of the first and the second investment departments of Henan Water Conservancy Investment Group Co., Ltd. (河南水利投資集團有限公司), the chairman of the board of directors of Henan Water Investment Huaizhou Water Ecology Co., Ltd. (河南水投懷州水生態有限公司), the chairman of the board of directors of Jiaozuo Jiudou Reservoir Construction Management Co., Ltd. (焦作九渡水庫建設管理有限公司) and the chairman of the board of directors of Henan River Diversion Project Co., Ltd. (河南引江濟淮工程有限公司). Mr. Wang was temporarily assigned the position of Deputy Mayor of Qinyang City, Henan Province from December 2017 to December 2019. Mr. Wang obtained master in administrative management from Henan University (河南大學). He is a senior accountant and senior corporate risk manager.

**Mr. Zhang Hongmin (張宏敏)**, born in 1972, has been the external director of the Company since December 2021. Mr. Zhang has been employed as a teacher of Henan Zhengzhou Water Conservancy School (河南鄭州水利學校) and a project manager of Henan Xingyu Accountants Firm (河南興豫會計事務所), and has served as a deputy general manager of Henan Hongxun Accountants Firm (河南鴻訊會計事務所) and the managing partner of the Henan office of Peking Certified Public Accountants (Special General Partnership). Mr. Zhang obtained a master's degree in management from Zhengzhou University (鄭州大學). He is a senior accountant.

## Supervisors

The Company's board of supervisors currently consists of two supervisors. The table below sets forth information relating to the members of the board of supervisors of the Company as at the date of this Offering Circular:

| Name | Year of Birth | Position |
|---|---|---|
| Mr. Jin Lei (金雷) . . . . . . . . . . . . | 1972 | Chairman of the Board of Supervisors |
| Ms. Wang Fei (王飛) . . . . . . . . . . | 1979 | Supervisor, Deputy Secretary of the Inspection Committee and Chief of Party Group Work Committee |
| Mr. Wang Yi (王燚) . . . . . . . . . . . | 1973 | Supervisor and Deputy Chief of Legal Audit Department |
| Ms. Zhao Mingqiang (趙明強) . . . | 1987 | Employee Supervisor and Manager of Legal Audit Department |
| Mr. Wu Xin (吳鑫). . . . . . . . . . . . | 1992 | Employee Supervisor and Manager of Legal Audit Department |

**Mr. Jin Lei (金雷)**, born in 1972, has been the chairman of the board of supervisors since December 2021. Mr. Jin has served as the deputy chief of the engineering department of Department of Transport of Henan Province (河南省交通廳), the director, the general manager and a member of the Party Committee of Henan Expressway Development Corporation Ltd. (河南高速公路發展有限責任公司), the chairman of the board of directors, the general manager and a deputy secretary of the party committee of Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) and a member of the party committee and a deputy general manager of Henan Transport Investment Group Co., Ltd. (河

南交通投資集團有限公司). Mr. Jin obtained a master's degree in transportation engineering from Changsha University of Science & Technology (長沙理工大學). He is a senior engineer and a special allowance expert of the State Council (國務院特殊津貼專家).

**Ms. Wang Fei (王飛)**, born in 1979, has been a supervisor, deputy secretary of the inspection committee and chief of Party Group Work Committee (黨群工作部) since December 2021.

**Mr. Wang Yi (王燚)**, born in 1973, has been a supervisor and deputy chief of Legal Audit Department (法律審計部) since December 2021.

**Ms. Zhao Mingqiang (趙明強)**, born in 1987, has been an employee supervisor and manager of Legal Audit Department since December 2021.

Mr. **Wu Xin (吳鑫)**, born in 1992, has been an employee supervisor and manager of Legal Audit Department since December 2021.

**Senior Management**

The Company's current senior management consists of seven people. The term of appointment of a general manager shall not exceed three years. Upon expiry of the term of appointment, a general manager may be re-elected. The table below sets forth the information relating to the senior management of the Company as at the date of this Offering Circular:

| Name | Year of Birth | Position |
|---|---|---|
| Mr. Liu Junzhou (劉軍洲) . . . . . . | 1964 | Director, Deputy Secretary of the Party Committee and Chairman of the Union |
| Mr. Yue Baoshan (岳保山) . . . . . | 1963 | Deputy General Manager |
| Mr. Guo Yongjun (郭擁軍) . . . . . | 1962 | Deputy General Manager |
| Mr. Liu Yongchuan (劉永川) . . . . | 1969 | Secretary of the Inspection Committee |
| Mr. Sun Weiliang (孫偉良) . . . . . | 1975 | Deputy General Manager |
| Mr. Wang Taigang (王太鋼) . . . . | 1981 | Chief Accountant |

**Mr. Liu Junzhou (劉軍洲)**, born in 1966, has been a director, deputy secretary of the party committee and chairman of the Union since 2020. See "— *Directors.*"

**Mr. Yue Baoshan (岳保山)**, born in 1963, has been a deputy general manager of the Company since September 2014. Mr. Yue has served as a deputy secretary general of Henan Association of Certified Public Accountants (河南註冊會計師協會), a deputy secretary general of Henan Asset Appraisal Association (河南省資產評估協會), a deputy general manager, the chief financial officer and a member of the party committee of the Company. Mr. Yue obtained a bachelor's degree in finance from Zhongnan University of Economics and Law (中南財經政法大學)[1]. He is a senior auditor.

**Mr. Guo Yongjun (郭擁軍)**, born in 1962, has been a deputy general manager of the Company since September 2015. Mr. Guo has served as a deputy director and the director of the office of general engineering (總工室) of Henan Railway Bureau, the general manager of

1 Zhongnan University of Economics and Law was previously known as Hubei Finance & Economics College (湖北財經學院).

Henan Railway Construction Co., Ltd. (河南省鐵路建設總公司), a deputy chief of Henan Railway Bureau, the general manager of Henan Dengfeng Railway Co., Ltd. (河南登封鐵路有限公司), the general manager of Henan Tangtai Railway Co., Ltd. (河南湯台鐵路有限公司) and the secretary of the party committee, the chairman of the board of directors and the general manager of Zhengzhou Rail Transit Co., Ltd. (鄭州市軌道交通有限公司). Mr. Guo obtained a master's degree. He is a senior engineer.

**Mr. Liu Yongchuan (劉永川)**, born in 1969, has been a secretary of the inspection committee of the Company since November 2021. Mr. Liu has served as a deputy director and the director of the office of discipline (紀律辦公室) of China Pingmei Shenma Group (中國平煤神馬集團), a discipline supervisor at director level (正處級紀檢監察員) of the inspection committee of the State-owned Assets Supervision and Administration Commission of Henan Provincial Government (河南省政府國資委), a discipline inspector at director level (正處級紀律檢查員) of the inspection committee of Henan Province (河南省紀委) stationing at the commerce department's (商務廳) discipline inspection group and a discipline supervisor at director level and second level researcher of the discipline supervision group (紀檢監察組). Mr. Liu obtained a bachelor's degree in physics from Huaibei Coal Normal College (淮北煤炭師範學院) and a master's degree in education.

**Mr. Sun Weiliang (孫偉良)**, born in 1975, has been a deputy general manager of the Company since October 2020. Mr. Sun has served as the secretary of the youth committee (團委), a member of the party committee and a deputy chief engineer of China Rail Way 20th Bureau Group Co., Ltd. (中鐵二十局集團有限公司), a secretary of the party committee of Electrical Engineering Co., Ltd. of China Railway 12th Bureau Group (中鐵十二局集團電氣化工程有限公司), a member of the party committee and an assistant to the general manager of the Company and the secretary of the party branch (黨支部), the chairman of the board of directors and the general manager of Zhengzhou Airport Intercity Railway Co., Ltd. (鄭州機場城際鐵路有限公司). Mr. Sun obtained a bachelor's degree in heating, ventilation and air conditioning engineering from Shijiazhuang Tiedao University and a master's degree in construction and civil engineering from Shanghai Jiao Tong University (上海交通大學). He is a senior engineer.

**Mr. Wang Taigang (王太鋼)**, born in 1981, has been a director and chief accountant of the Company since 2020. See "— *Directors.*"

*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.*

**Regulation on Financing Platforms and Fiscal Debts of Local Governments**

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

In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds, since the New Budget Law of the PRC, which took effect on 1 January 2015 and was amended on 29 December 2018, empowers local governments to issue government bonds, and public interest projects with income generated, such as city infrastructure construction, may be operated independently by social investors or jointly by the government and social investors through the establishment of special purpose companies. Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the social investors' or special purpose companies' debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to State Council for approval, and then included in the budget plan of local governments.

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

The MOF issued the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知, 財金[2018]23號) (the "**Circular 23**"), effective on 28 March 2018, which aims to increase the responsibility of the PRC state-owned financial institutions to investigate the financial independence and liquidity level of the local government financing vehicles that they assist in fundraising. On 11 May 2018, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (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) (the "**Joint Circular 706**") was released which reiterates the PRC Government's position to isolate the debt of enterprises from the relevant local government and to control the increase of the local governments' debt. The Joint Circular 706 requires enterprises that seek to borrow medium and long-term foreign debt to establish sound and market-standard corporate governance, a management decision-making system and financial management system. It further requires that the assets owned by such enterprises should be of good quality and have clear title and public interest assets, such as parks, hospital, rivers, and land reserves of the local government should be excluded in the evaluation of their asset base.

On 6 June 2019, the General Office of the NDRC issued the Circular of the General Office of the NDRC on the Relevant Requirements for Filing and Registration of Foreign Debt Issuance 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) ("**Circular 666**"), which aims to strengthen the management of local government debt and prevent the risks relating to medium and long-term foreign debt and hidden debt of local government. Circular 666 expressly limits the use of proceeds of foreign debt issued by local state-owned enterprises which undertake local government financing functions to repaying medium and long-term foreign debt due within one year.

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

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

- Regulate increment financing for projects under construction. Local governments at all levels shall pay close attention to the incremental financing needs which are expected to be given fiscal support for the projects under construction of the financing platform companies, and shall, under the premise of compliance with laws and regulations and standard administration, make overall arrangements for various kinds of capital such as fiscal capital and social capital and ensure the continuation and completion of projects under construction. For the projects under construction of financing platform companies for which the loan amount in the contracts that have been signed fails to meet the construction needs, if it is suitable for them to adopt a government and social capital cooperation mode, they shall prioritise such mode to make up the needs. And if they are in compliance with the relevant state provisions without any other funding sources for construction, but temporarily the government and social capital cooperation mode is not suitable, the incremental financing needs shall be incorporated into government budget management and solved through issuing government bonds by local governments as required by laws and relevant regulations.

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

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

**SAFE Administration**

According to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines (外債登記管理操作指引), effective as at 13 May 2013 and amended on 4 May 2015, respectively, issuers of foreign debts are required to register with the SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of the SAFE within 15 business days of entering into a foreign debt agreement. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of the SAFE.

According to the Circular of PBOC on Matters Concerning the Macro-prudential Management of Full-Covered Cross-border Financing (中國人民銀行關於全口經跨境融資宏現審慎管理有關事宜的通知) (the "**PBOC Circular**") issued by the PBOC on 12 January 2017, which is not applicable to government financing platforms or real estate enterprises, enterprises conducting cross-border financing shall complete the filing with the capital project information system of SAFE after the execution of cross-border financing contracts and three PRC business days prior to drawing for SAFE's records. Enterprises shall also promptly update information on cross-border financing and rights and interests each year (including overseas creditors, borrowing term, amount, interest rate and its net assets, etc.). In the case of any change in the audited net assets, overseas creditors, borrowing term, amount, or interest rate involved in the financing contracts, the enterprise shall promptly file the change for SAFE's records.

**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 PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On 21 July 2005, PBOC announced that, beginning from 21 July 2005, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar. 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 which became effective as at 1 November 2005. 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 ("**Circular 37**"), 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 (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 Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises ("**Circular 19**"), which became effective form 1 June 2015 and was amended on 30 December 2019. Circular 142 and Circular 88 have been replaced by Circular 19. Under Circular 19, 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, PBOC, the PRC Ministry of Finance, the Ministry of Commerce of the PRC ("**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, 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. PBOC, the PRC Ministry of Finance.

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 on 17 June 2010 and the Circular on Expansion of the Region of Renminbi Settlement of Cross-Border Trades on 24 August 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.

On 2 May 2012, the NDRC promulgated the Notice of the National Development and Reform Commission on Issues Concerning the Issuance of RMB-denominated Securities by Mainland Non-financial Institutions in the Hong Kong Special Administration Region, according to which, the foreign debts incurred by a non-financial institution in Mainland China for issuing RMB-denominated securities in Hong Kong shall be subject to the registration of foreign debts, the repayment of principal interest, and other relevant procedures pursuant to the prevailing provisions on foreign debt management.

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

***NDRC Supervision***

Pursuant to the Measures for the Administration of Overseas Investment of Enterprises (No. 11 of NDRC) (企業境外投資管理辦法) issued by the NDRC on 26 December 2017 and effective as of 1 March 2018, projects subject to approval are sensitive projects to be carried out by investors either directly or through overseas enterprises controlled thereby and the approval authority is 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 Chinese investment is USD0.3 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 Chinese investment is less than USD0.3 billion. On 4 August 2017, NDRC, MOFCOM, PBOC and the Ministry of Foreign Affairs jointly issued the "Guiding Opinions on Further Orienting and Regulating Outbound Investment" (the "**Guiding Opinion**"), which classifies outbound investment into three groups: encouraged, restricted, and prohibited. The Guiding Opinion provides that the government will support enterprises to actively engage in outbound investment projects which promote the 'One Belt, One Road' strategy; deepen cooperation in international production capacity; promote the transfer of quality domestic production capacity, equipment, and applicable technologies overseas; enhance China's technology R&D, production, and manufacturing capacity; help resolve the country's energy shortage problems; and promote industrial upgrade.

Under the Guiding Opinion, the encouraged group includes:

- Projects that promote outbound investment in construction in the areas covered under the 'One Belt One Road' initiative, and basic infrastructure construction in the surrounding areas.

- Projects that steadily promote outbound investment that can facilitate the transfer of quality domestic production capacity, equipment, and applicable technology standards overseas.

- Projects that enhance investment cooperation with overseas high-tech and advanced manufacturing enterprises, and encourage domestic companies to set up R&D centres overseas.

- Projects that encourage domestic companies to actively participate in the exploration and development of oil, gas, and mineral projects overseas on the condition that a prudent assessment of economic benefits and interests has been conducted.

- Projects involving cooperation in agriculture.

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

The groups subject to restrictions include:

- Outbound projects in sensitive countries and regions that have no diplomatic relations with China; are currently at war with it; or have restrictions imposed in bilateral or multilateral agreements or conventions with China.

- Real estate, hotel, cinema, entertainment, and sports clubs.

- A stock investment fund or investment platform that does not invest in any real business overseas.

- Adopting technology standards that fall short of the required standards in the host country to manufacture production equipment.

- Failure to comply with the environmental protect, energy consumption or safety standards of the host country.

Investments falling into the first three areas listed above shall be subject to verification and approval by NDRC and other competent authorities in charge of outbound investment.

The prohibited category includes:

- Projects involving the export of core military technologies and products without the approval of the Chinese government.

- Projects involving the use of technologies, techniques, or products that are prohibited for exports.

- Projects involving gambling or pornography.

- Projects involving breach of international conventions which China is a signatory to.

- Other outbound investment projects that may endanger or potentially endanger national security.

Also, further measures will be taken to improve guidance on different types of outbound investments, including:

- Further raising government service levels to support outbound investment — such as in taxation, foreign exchange, insurance, customs, and information areas.

- Providing guidance and timely alerts to domestic enterprises on their intended investment in the restricted areas overseas.

- Imposing substantial control and regulation to prevent outbound investments in prohibited areas.

***MOFCOM supervision***

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

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification by MOFCOM. "**Sensitive countries and regions**" mean those countries without a diplomatic relationship with the PRC, or subject to the United Nations Security Council 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.

*Foreign Exchange Administration*

According to Administrative on Foreign Exchange of PRC 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, 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 or an IC card to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange 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 (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 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 and Interim Measures for the Supervision and Administration of Overseas State-owned Assets of Central Enterprises《中央企業境外投資監督管理暫行辦法》has repealed and was replaced by Measures for Supervision and Administration of Outbound Investment by Centrally Administered 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.

***Land, Planning and Construction Permit***

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the NPC Standing Committee on 25 June 1986 and amended on 29 December 1988, 29 August 1998, 28 August 2004 and 26 August 2019, land owned by the State may be remised or allotted to construction units or individuals in accordance with the law. The People's Government at or above the county level shall register and put on record uses of state owned land used by construction units or individuals, and issue certificates to certify the land use rights.

According to the Order of the Ministry of Land and Resources on Promulgating the Land Allocation Catalogue (《國土資源部關於發佈《劃撥用地目錄》的命令》) promulgated and implemented on 22 October 2001, the land use rights of construction projects which are in conformity with the Catalogue can only be allotted through application by the construction units and approval of the people's government with the approval authority.

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the NPC Standing Committee on 28 October 2007 and amended on 24 April 2015 and 23 April 2019, a Construction Land Planning Permit is required for the use of both allocated land and granted land. If a construction entity which was authorized to use the construction land fails to obtain a Construction Land Planning Permit, the People's Government at or above the county level shall cancel any relevant authorization documents previously issued. If the land has already been occupied, it shall be returned promptly. Furthermore, the construction entity shall be obliged to compensate for any damage caused to any other relevant parties according to law.

Where construction work is conducted in a city or town planning area, the relevant construction entity or individual shall apply for a Construction Work Planning Permit from a competent urban and rural planning administrative department of the People's Government at the municipal or county level or to the People's Government of town as recognised by the People's Government of a province, autonomous region or municipality directly under the Central Government. For construction work that proceeds without the Construction Work Planning Permit or in violation of the provisions of the Construction Work Planning Permit, a competent urban and rural planning administrative department at or above the county level can order termination. If the impact on the planning caused by such construction can be eliminated, the department shall order it to take remedial action within a prescribed time limit and pay a fine of not less than 5% but not exceeding 10 per cent. of the construction cost. If such impact cannot be eliminated by remedial action, the department shall order the construction entity to demolish its construction within a prescribed time limit. For construction work that cannot be demolished, the department shall not only confiscate it or seize any illegal income but also may impose a fine of not more than 10 per cent. of the construction price.

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the NPC Standing Committee on 1 November 1997, implemented on 1 March 1998, amended on 22 April 2011, implemented on 1 July 2011, amended on 23 April 2019 and implemented on the same day a construction entity shall, prior to the commencement of a construction project, apply for a Construction Work Commencement Permit from a competent department of the construction administration of the People's Government at or above the county level of the place where the project is located pursuant to the relevant regulations of the State. However, small projects determined by the competent department of construction administration of the State Council, and construction projects which have already obtained approvals for their construction commencement report pursuant to the terms of reference and procedures prescribed by the State Council, are subject to exception.

According to the Rules on the Administration of Construction Quality (《建設工程質量管理條例》) promulgated by the State Council, and implemented on 30 January 2000, and amended on 7 October 2017 and 23 April 2019, a construction entity commencing the project without obtaining the Construction Work Commencement Permit or approvals for its construction commencement report, shall be ordered to stop the construction work, carry out remedial actions within a prescribed time limit and pay a fine of not less than 1% but not exceeding 2% of the construction price.

According to the Rules on the Administration of Construction Quality (《建設工程質量管理條例》) and Administrative Measures for Recording of the Inspection and Acceptance on Construction Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) which was promulgated and implemented on 19 October 2009 a construction project shall not be delivered for use unless it has passed the acceptance checks. The construction entity should file a record to a competent construction administrative department at or above the county level at the place where the project is located within 15 days from the day when the construction project passes the acceptance checks. Where a construction entity illegally delivers the construction project for use without obtaining the acceptance checks or in circumstances where it failed to pass the acceptance checks, it shall be ordered to carry out remedial actions and also pay a fine of not less than 2 per cent. but not exceeding 4 per cent. of the contractual project price, and shall be obliged to pay compensation according to law if any losses have been caused. If the construction entity fails to file a record of passing the acceptance checking in respect of the project within 15 days from the day when the construction project passes such checks, it shall be ordered to carry out remedial actions within a prescribed time limit and shall be fined not less than RMB200,000 but not exceeding RMB500,000.

*Bidding and Tendering Management*

Bidding and tendering of various construction projects have been provided in the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法) promulgated by SCNPC on 3 August 1999 which became effective on 1 January 2000 and was amended on 28 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法實施條例) promulgated by State Council on 20 December 2011 which became effective on 1 February 2012 and was amended on 1 March 2017 and 2 March 2019, Measures for the Construction Bidding and Tendering of Construction Projects (工程建設項目施工招標投標法) jointly promulgated by NDRC, MOC, Ministry of Railways, Ministry of Transport of the PRC (the "**MOT**"), Ministry of Information Industry of the People's Republic of China, Ministry of Water Resources of the People's Republic of China, and Civil Aviation Administration of China in 8 March 2003 which became effective on 1 May 2003 and was amended in 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建築工程設計招標投標管理辦法) issued by MOC on 24 January 2017 and became effective on 1 May 2017, Administrative Measures for the Bidding and Tendering of Housing Construction and Municipal Infrastructure Work (房屋建築和市政基礎設施工程施工招標投標管理辦法) issued by MOC on 1 June 2001 and became effective on the same date and was amended on 28 September 2018, 13 March 2019, and the Administrative Measures for the Bidding and Tendering of Highway Engineering Construction Projects (公路工程建設項目招標投標管理辦法) promulgated by MOT on 8 December 2015 which became effective on 1 February 2016.

In accordance with the Bidding and Tendering Law of the People's Republic of China, certain types of projects shall go through bidding processes during phases, including project survey, design, construction, supervision and procurement of the essential equipment and materials relating to the project construction. Such projects include the projects related to social public interests and public security, including large infrastructure and utilities; projects invested by using state-owned fund or financed by the government in whole or in part; and projects using loans or aid funds of international organisations or foreign government.

The process of bidding and tendering consists of five stages including bid invitation, tendering, bid opening, bid evaluation and bid award. The principle of openness, fairness and equal competition shall be followed in the bidding and tendering for construction project contracting, and the contractor shall be chosen after evaluation. After the contractor is determined, the tenderee shall issue the notification to the successful bidder. The notification is legally binding on both the tenderee and the bid winner. In accordance with the Bidding and Tendering Law of the People's Republic of China and Measures for the Construction Bidding and Tendering of Construction Projects, if any project that shall undergo bidding as required by law fails to go through the bidding process, or the items subject to bidding are broken up into pieces or the bidding requirement is otherwise evaded, the relevant administrative supervision department shall order rectification within a specified period, and may impose a fine of 0.5 per cent. Up to 1 per cent. of the contract amount of the project. For projects using the state-owned funds in whole or in part, the project approval authority may suspend the implementation of the project or suspend the fund appropriation, and impose punishment on the person direct in charge of the entity or other person directly liable. Further, in accordance with the provisions of the Interpretations of the Supreme People's Court on Issues of Law Application during the Trial of Construction Contracts for Building Projects (I) (最高人民法院關於審理建設工程施工合同糾紛案件適用法律問題的解釋(一)) issued by the Supreme People's Court on 25 October 2004 and became effective on 1 January 2005, 29 December 2020 and became effective on 1 January 2021, if any project that is required to undergo a bidding process fails to go through the bidding process or the bid award is invalid, the construction contract for building projects shall become invalid.

**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 issued by the State Council on 6 December 2007, became effective on 1 January 2008. 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 ("**Circular 39**"). Further, as 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 EIT Law, 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 2021 to 31 December 2030 after being approved by the competent tax authority.

**Value Added Tax**

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

With the reform of Value-added Tax since 2012, the Ministry of Finance 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 which was promulgated on 23 March 2016 and came into effect on 1 May 2016 and was amended on 1 July 2017 and 1 April 2019, 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.

## 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, Prevention and Control of Water Pollution Law of the PRC, Prevention and Control of Air Pollution Law of the PRC, Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC, and Prevention and Control of Noise Pollution, 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: Environmental Impact Appraisal Law, Regulations of Environmental Management on Project, Regulations of Environmental Protection Acceptance Inspection on Projects Completion and Environmental Impact Evaluation Law of the PRC.

## Labour Laws

### *Employment Contracts*

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

***Social Insurance and Housing Provident Fund***

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (社會保險法), promulgated by the Standing Committee of the National People's Congress on 28 October 2010, which became effective on 1 July 2011 and amended on 29 December 2018, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), promulgated by the State Council on 22 January 1999, which became effective on 22 January 1999 and amended on 24 March 2019, and Administrative Regulations on the Housing Provident Fund (住房公積金管理條例), promulgated by the State Council on 3 April 1999, which became effective on 3 April 1999 and as amended on 24 March 2002 and 24 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

***Work Safety***

According to the Work Safety Law of the People's Republic of China (安全生產法) effective from 1 November 2002 and last amended on 1 September 2021, if anything relating to work safety shall be subject to examination and approval according to the provisions of the relevant laws and regulations (including approval, verification, permission, registration, certification, granting licences, and etc.), the departments responsible for work safety supervision and administration must carry out the examination and approval by strictly following the relevant laws and regulations as well as the conditions and procedures for safe production as required by national or industrial standards. In the event that the administrative department in charge of examination and approval discovers or receives reports that any entity has unlawfully engaged in relevant activities without obtaining approval or without passing the examinations for acceptance, it shall revoke the unlawful act without delay and handle the case according to the law.

Administrative Regulations on the Safety of Hazardous Chemicals (危險化學品安全管理條例), which was promulgated on 26 January 2002 and last amended on 7 December 2013, firstly provides that the State implements the licensing system for the operation of hazardous chemicals (including storage management, hereinafter the same), and without being licensed, any units and individuals shall not deal in hazardous chemicals. Secondly, it provides that the enterprises dealing in hyper-toxic chemicals or hazardous chemicals to make explosives shall file applications to the production safety supervision and administration departments of the local people's governments at municipality (with districts) level and the enterprises dealing in other hazardous chemicals shall file applications to the production safety supervision and administration departments of the local people's governments at county level (if the enterprise has storage facilities, it shall file applications to the production safety supervision and administration department of the local people's government at municipality (with districts) level). Thirdly, the authorities mentioned above shall examine such documents pursuant to laws, conduct onsite verification on the business premises and storage facilities of the applicants, and make the decision of approval or refusal (if the application is approved, the licences for dealing in hazardous chemicals shall be issued). At last, the applicants shall not deal in hazardous chemicals until they hold the license for dealing in hazardous chemicals to handle registration at AICs.

## NDRC

On 14 September 2015, NDRC promulgated the NDRC Notice. According to the NDRC Notice, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such enterprise must, in advance of issuing such bonds, file certain prescribed documents with NDRC and procure a registration certificate from NDRC in respect of such issuance.

In addition, the enterprise must also report certain details of the bonds to NDRC within 10 working days of the completion of the bond issue. The Issuer has registered the issuance of the Bonds with NDRC and obtained the pre-issuance registration certificates on 1 December 2021 together with confirmation from NDRC relating to company name change dated 31 December 2021.

# TAXATION

*The following is a general description of certain tax considerations relating to the Bonds. It is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Bonds. Prospective holders of Bonds who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.*

## 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.*

### Income Tax

Pursuant to the PRC Enterprise Income Tax Law and the PRC Individual Income Tax Law as well as their respective implementation rules, an income tax is levied on the payment of interest in respect of debt securities, including bonds issued by enterprises established within the territory of China to non-resident enterprises (including Hong Kong enterprises) and non-resident individuals (including Hong Kong 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 unless there is an applicable tax treaty between the PRC and the jurisdiction in which the holders reside that reduces or exempts such PRC income tax. However, the tax so charged on interest paid on the Bonds to non-resident holders which, or who, are residents of Hong Kong (including enterprises and individuals) for purposes of the avoidance of the double taxation arrangement between China and Hong Kong will be 7 per cent. of the gross amount of the interest pursuant to the arrangement between China and Hong Kong. The Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold such income tax from the payment of interest income to Bondholders who are located outside of the PRC.

According to the PRC Enterprise Income Tax Law and the PRC Individual Income Tax Law and their implementation rules, it is unclear whether the capital gains of non-resident enterprises and non-resident individuals derived from a sale or exchange of the Bonds will be subject to PRC income tax. If such capital gains are determined as income sourced in China by the PRC tax authority, those non-resident holders may be subject to enterprise income tax at a rate of 10 per cent. or individual income tax at a rate of 20 per cent. of the gross proceeds unless there is an applicable tax treaty between the PRC and the jurisdiction in which the relevant non-resident holders reside which reduces or exempts such income tax. According to the double taxation arrangement between China and Hong Kong, residents of Hong Kong (including enterprise and individual) will not be subject to PRC tax on any capital gains derived from a sale or exchange of the Bonds.

### Value-added Tax

The Circular 36 confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to the Tentative Regulations on the VAT of the PRC which was introduced by the State Council on 13 December 1993 and amended by the State Council on 10 November 2008, 6 February 2016 and 19 November 2017 and the Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China; however, where the services are provided by offshore entities or individuals to onshore entities or individuals and such services take place solely outside the PRC, they should not be deemed as services provided within the territory of China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer. Further, given that the Issuer is located in the PRC, the holders of the Bonds would be regarded as providing loans within China and consequently, the holders of the Bonds shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Bonds. Given that the Issuer pays interest income to Bondholders who are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT from the payment of interest income to Bondholders who are located outside of the PRC.

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. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

### Stamp Duty

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 Bonds is maintained outside the PRC.

## 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:

(a) 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;

(b) 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;

(c) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(d) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

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 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 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 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.

**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 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. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional securities (as described under "*Terms and Conditions — Further Issues*") that are not distinguishable from previously issued Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Bonds, including the Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds.

## SUMMARY OF SIGNIFICANT 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 is substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the consolidated financial statements of the Group. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure between PRC GAAP and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Group, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.*

*Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, each investor must rely upon its own examination of the Group, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisors for an understanding 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.*

### Reversal of an impairment loss

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

### Related party disclosures

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

### Asset valuation

Under PRC GAAP, asset values are typically measured by compounding historical costs. Under IFRS, asset values can be measured either using historical costs or by re-evaluating assets (such as property, plants and equipment) to obtain their fair value, and then deducting the cumulative depreciation and impairment losses from this value.

## SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement dated 19 January 2022 with Guotai Junan Securities (Hong Kong) Limited, DBS Bank Ltd., Industrial Bank Co., Ltd. Hong Kong Branch, CNCB (Hong Kong) Capital Limited, Hua Xia Bank Co., Limited Hong Kong Branch, China Zheshang Bank Co., Ltd. (Hong Kong Branch), China Everbright Bank Co., Ltd., Hong Kong Branch, CMB Wing Lung Bank Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, BOCOM International Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, SPDB International Capital Limited, China Industrial Securities International Brokerage Limited, China Securities (International) Corporate Finance Company Limited, CLSA Limited, CMBC Securities Company Limited, Haitong International Securities Company Limited, ICBC International Securities Limited, ABCI Capital Limited, Standard Chartered Bank, China International Capital Corporation Hong Kong Securities Limited, Zhongtai International Securities Limited and China CITIC Bank International Limited (collectively, the "**Managers**") (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Managers, and the Managers have agreed to severally and not jointly subscribe and pay for or procure purchasers or subscribers to subscribe and pay for the aggregate principal amount of the Bonds set forth opposite its name below:

| | **Principal amount of Bonds to be subscribed** |
|---|---|
| | *(U.S.$)* |
| Guotai Junan Securities (Hong Kong) Limited | 62,000,000 |
| DBS Bank Ltd. | 62,000,000 |
| Industrial Bank Co., Ltd. Hong Kong Branch | 62,000,000 |
| CNCB (Hong Kong) Capital Limited | 62,000,000 |
| Hua Xia Bank Co., Limited Hong Kong Branch | 62,000,000 |
| China Zheshang Bank Co., Ltd. (Hong Kong Branch) | 5,000,000 |
| China Everbright Bank Co., Ltd., Hong Kong Branch | 5,000,000 |
| CMB Wing Lung Bank Limited | 5,000,000 |
| China Minsheng Banking Corp., Ltd., Hong Kong Branch | 5,000,000 |
| BOCOM International Securities Limited | 5,000,000 |
| The Hongkong and Shanghai Banking Corporation Limited | 5,000,000 |
| SPDB International Capital Limited | 5,000,000 |
| China Industrial Securities International Brokerage Limited | 5,000,000 |
| China Securities (International) Corporate Finance Company Limited | 5,000,000 |
| CLSA Limited | 5,000,000 |
| CMBC Securities Company Limited | 5,000,000 |
| Haitong International Securities Company Limited | 5,000,000 |
| ICBC International Securities Limited | 5,000,000 |
| ABCI Capital Limited | 5,000,000 |
| Standard Chartered Bank | 5,000,000 |
| China International Capital Corporation Hong Kong Securities Limited | 5,000,000 |
| Zhongtai International Securities Limited | 5,000,000 |
| China CITIC Bank International Limited | 5,000,000 |
| **Total** | **400,000,000** |

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

In connection with the issue of the Bonds, any of the Managers appointed and acting in its capacity as stabilisation manager (the "**Stabilisation Manager**") or any person acting on behalf of the Stabilisation Manager, provided that China CITIC Bank International Limited shall not be appointed and acting as the Stabilisation 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 Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake stabilisation action. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Managers.

The Managers and their respective affiliates are financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer and/or its affiliates for which they have received, or will receive, fees and expenses.

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

Furthermore, it is possible that a significant proportion of the Bonds may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Bonds may be constrained. The Issuer and the Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Managers and their respective affiliates may make or hold a broad array of investments and may 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 price and liquidity of the Bonds. The 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 of the Issuer.

**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 taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

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

**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.

**PRC**

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

**Hong Kong**

Each Manager has represented, warranted and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (A) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO or (B) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to 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 Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the 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 the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 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; or

(ii) where no consideration is or will be given for the transfer; or

(iii) where the transfer is by operation of law; or

(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.

**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 Manager has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

**United Kingdom**

Each Manager has represented, warranted and agreed that:

(i) 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 ("**FSMA**")) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

## GENERAL INFORMATION

1 **Clearing Systems**: The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 240654776 and the International Securities Identification Number (ISIN) for the Bonds is XS2406547765. The Legal Entity Identifier (LEI) of the Issuer is 300300EX8HF061VKMX60.

2 **Authorisations and Regulatory Filings**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds, including (i) the resolution of the board of directors passed on 15 September 2021 and (ii) certificates from NDRC dated 1 December 2021 together with confirmation from NDRC relating to company name change dated 31 December 2021, respectively, relating to the Bonds. The Issuer intends to complete the NDRC Post-issue Filing and the SAFE Registration in relation to the Bonds within the prescribed timeframe.

3 **Listing**: Application will be made to the SEHK for the listing of, and permission to deal in, the Bonds by way of debt securities issued to Professional Investors only and such permission is expected to become effective on or about 27 January 2022.

4 **No Material Adverse Change or Significant Change**: There has been no adverse change, nor any development reasonably likely to involve an adverse change, in the financial or trading position, condition (financial or otherwise), results of operations, general affairs or prospects of the Issuer or the Group since 30 June 2021.

5 **Legal Proceedings**: As at the date of this Offering Circular, none of the Issuer or any member of the Group has been involved in any governmental, litigation, arbitration or legal proceedings which are material in the context of the issue of the Bonds nor, so far as the Issuer is aware, is any such proceedings pending or threatened.

6 **Available Documents**: Copies of the following documents will be made available for inspection from the Issue Date at the specific office of the Principal Paying Agent, at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)), so long as any of the Bonds is outstanding, following prior written request and proof of holding and identity satisfactory to the Principal Paying Agent:

- the Agency Agreement; and
- the Trust Deed.

7 **Financial Statements**: The audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2019, which are included elsewhere in this Offering Circular, have been audited by Xigema CPA. The audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2020, which are included elsewhere in this Offering Circular, have been audited by Peking CPA. The consolidated interim financial statements of the Issuer as at and for the six months ended 30 June 2021, which are included elsewhere in this Offering Circular, have been reviewed by Peking CPA.

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Henan Railway Investment Co., Ltd.

# REVIEW REPORT

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# REVIEW REPORT

QIN XIN YUE ZI [2021] No. 0015

Henan Railway Investment Co., Ltd.:

We have reviewed the attached financial statements of Henan Railway Investment Co., Ltd. (hereinafter referred to as "the Company"), including the Consolidated Balance Sheet and Balance Sheet of the Parent Company as of June 30, 2021, the Consolidated Income Statement and Income Statement of the Parent Company, Consolidated Cash Flow Statement and Cash Flow Statement of the Parent Company, Consolidated Statement of Changes in Owners' Equity and Statement of Changes in Owners' Equity of the Parent Company, and Notes to the Financial Statements for January to June 2021. The management of Henan Railway Investment Co., Ltd. is responsible for the preparation of these financial statements; while our responsibility is to issue a review report on these Financial Statements on the basis of our review.

We have conducted a review in accordance with the *Review Standard for Chinese Certified Public Accountants No. 2101 - Review of Financial Statements*. The Standard requires us to plan and implement the review, in order to obtain limited assurance on whether the Financial Statements are free from material misstatement. The review is primarily limited to inquiring relevant personnel of the Company and performing analysis procedures on financial data, thus presenting a lower degree of assurance than the audit. We have not performed an audit and, accordingly, we do not express an auditor's opinion.

According to our review, we have not identified anything that makes us disbelieve that the Financial Statements have been prepared according to the Accounting Standards for Business Enterprises in all material respects and give a true and fair view of the consolidated financial position and the financial position of the parent company as of June 30, 2021, and of consolidated operating results and cash flows and those of the parent company for January to June 2021.

Peking Certified Public Accountants (Special General Partnership)

中勤万信会计师事务所（特殊普通合伙）
1101020108514

Chinese Certified Public Accountant:

中国注册会计师
孔建波
110001620083

August 20, 2021

Chinese Certified Public Accountant:

中国注册会计师
张涉
110001620298

# Consolidated Balance Sheet

Prepared by: Henan Railway Investment Co., Ltd. June 30, 2021 Unit: RMB (yuan)

| Item | Note | 2021-6-30 | 2020-12-31 |
|---|---|---|---|
| **Current assets:** | | | |
| Monetary capital | VII.1 | 3,130,453,172.39 | 3,500,525,679.91 |
| Trading financial assets | VII.2 | 230,058,386.05 | 331,624,203.30 |
| Derivative financial assets | | - | - |
| Notes receivable | | - | - |
| Accounts receivable | VII.3 | 366,297,944.39 | 344,636,004.25 |
| Prepayments | VII.4 | 1,058,799,925.51 | 753,593,395.68 |
| Other receivables | VII.5 | 4,527,063,041.74 | 4,696,830,700.26 |
| Inventories | VII.6 | 1,519,970,274.85 | 1,049,797,652.24 |
| Assets held for sale | | - | - |
| Non-current assets due within one year | | - | - |
| Other current assets | VII.7 | 483,271,570.02 | 439,437,100.91 |
| **Total current assets** | | 11,315,914,314.95 | 11,116,444,736.55 |
| **Non-current assets:** | | | |
| Other equity instrument investments | VII.8 | 47,598,296,835.90 | 46,807,896,835.90 |
| Debt investment | VII.9 | 250,000,000.00 | - |
| Long-term receivables | VII.10 | 2,914,945,600.00 | 2,914,945,600.00 |
| Long-term equity investments | VII.11 | 6,175,593,358.87 | 5,975,593,358.87 |
| Investment property | | - | - |
| Fixed assets | VII.12 | 1,488,005,908.90 | 507,702,734.40 |
| Construction in progress | VII.13 | 4,610,272,615.54 | 5,165,152,669.55 |
| Productive biological assets | | - | - |
| Intangible assets | VII.14 | 107,736,067.48 | 108,151,316.68 |
| Research and development expenditures | | - | - |
| Goodwill | | - | - |
| Long-term deferred expenses | VII.15 | 9,093,732.86 | 10,741,028.34 |
| Deferred income tax assets | | - | - |
| Other non-current assets | VII.16 | 1,103,718,566.01 | 503,685,125.60 |
| **Total non-current assets** | | **64,257,662,685.56** | **61,993,868,669.34** |
| **Total assets** | | **75,573,577,000.51** | **73,110,313,405.89** |

Legal Representative: Chief Financial Officer: Head of Accounting Department:

# Consolidated Balance Sheet (Continued)

Prepared by: Henan Railway Investment Co., Ltd. June 30, 2021 Unit: RMB (yuan)

| Item | Note | 2021-6-30 | 2020-12-31 |
|---|---|---|---|
| **Current liabilities:** | | | |
| Short-term borrowings | VII.17 | 500,000,000.00 | - |
| Financial liabilities held for trading | | - | - |
| Derivative financial liabilities | | - | - |
| Notes payable | | - | - |
| Accounts payable | VII.18 | 43,314,214.61 | 59,890,266.09 |
| Advances from customers | VII.19 | 117,147,734.07 | 8,594,986.26 |
| Contract liabilities | VII.20 | 746,777,382.68 | 570,187,587.68 |
| Employee compensation payable | VII.21 | 17,430,374.63 | 19,397,766.37 |
| Taxes and fees payable | VII.22 | 777,869.39 | 5,299,597.20 |
| Other payables | VII.23 | 969,561,369.43 | 494,842,642.28 |
| Liabilities held for sale | | - | - |
| Non-current liabilities due within one year | VII.24 | 372,849,790.78 | 1,077,089,064.62 |
| Other current liabilities | | - | - |
| **Total current liabilities** | | **2,767,858,735.59** | **2,235,301,910.50** |
| **Non-current liabilities:** | | | |
| Long-term borrowings | VII.25 | 11,529,500,000.00 | 10,398,500,000.00 |
| Bonds payable | VII.26 | 7,268,899,000.00 | 7,268,899,000.00 |
| Including: Preferred shares | | - | - |
| Perpetual bonds | | - | - |
| Long-term payables | VII.27 | 2,737,165,391.54 | 2,737,165,391.54 |
| Estimated liabilities | | - | - |
| Deferred incomes | | - | - |
| Deferred income tax liabilities | | - | - |
| Other non-current liabilities | | - | - |
| **Total non-current liabilities** | | **21,535,564,391.54** | **20,404,564,391.54** |
| **Total liabilities** | | **24,303,423,127.13** | **22,639,866,302.04** |
| **Shareholders' equity:** | | | |
| Paid-in capital | VII.28 | 15,000,000,000.00 | 15,000,000,000.00 |
| Other equity instruments | | - | - |
| Including: Preferred shares | | - | - |
| Perpetual bonds | | - | - |
| Capital reserves | VII.29 | 35,796,032,276.07 | 34,446,036,146.07 |
| Less: Treasury stock | | - | - |
| Other comprehensive income | | - | - |
| Surplus reserves | VII.30 | 172,443,103.83 | 172,443,103.83 |
| Undistributed profits | VII.31 | -2,917,877,220.25 | -2,386,233,483.71 |
| Total equity attributable to the owner of parent company | | 48,050,598,159.65 | 47,232,245,766.19 |
| Minority interest | | 3,219,555,713.73 | 3,238,201,337.66 |
| **Total shareholders' equity** | | **51,270,153,873.38** | **50,470,447,103.85** |
| **Total liabilities and shareholders' equity** | | **75,573,577,000.51** | **73,110,313,405.89** |

Legal Representative: Chief Financial Officer: Head of Accounting Department:

# Consolidated Income Statement

Prepared by: Henan Railway Investment Co., Ltd. January to June, 2021 Unit: RMB (yuan)

| Item | Note | January to June, 2021 | January to June, 2020 |
|---|---|---|---|
| **I. Total operating revenues** | | **46,671,425.38** | **10,585,874.96** |
| Including: Operating revenues | VII.32 | 46,671,425.38 | 10,585,874.96 |
| **II. Total operating costs** | | **495,353,701.88** | **474,810,400.73** |
| Including: Operating costs | VII.32 | 41,501,223.61 | 17,609,695.06 |
| Taxes and surcharges | VII.33 | 2,001,707.58 | 1,808,204.54 |
| Sales expenses | | 2,389,829.65 | 465,812.50 |
| Management expenses | VII.34 | 50,584,008.79 | 26,046,639.87 |
| Research and development expenses | | - | - |
| Financial expenses | VII.35 | 398,876,932.25 | 428,880,048.76 |
| Including: Interest expenses | | 410,251,884.22 | 416,753,131.71 |
| Interest income | | 22,978,156.80 | 20,904,498.77 |
| Add: Other incomes | VII.36 | 90,696.12 | 4,189.23 |
| Investment income (loss to be listed with“-”) | | - | |
| Including: Investment income from associated enterprises and joint ventures | | - | - |
| Income from changes in fair value (loss to be listed with“-”) | VII.37 | -101,565,817.25 | - |
| Loss from impairment of assets (loss to be listed with“-”) | | - | - |
| Income from disposal of assets (loss to be listed with“-”) | | - | 171,699.14 |
| **III. Operating profits (losses to be listed with“-”)** | | **-550,157,397.63** | **-464,048,637.40** |
| Add: Non-operating revenue | VII.38 | 171,688.62 | 22,705.04 |
| Less: Non-operating expenditures | VII.39 | 9,314.25 | 340,258.93 |
| **IV. Total profits (total losses to be listed with“-”)** | | **-549,995,023.26** | **-464,366,191.29** |
| Less: Income tax expenses | VII.40 | 294,337.21 | - |
| **V. Net profits (net losses to be listed with“-”)** | | **-550,289,360.47** | **-464,366,191.29** |
| (i) Classification by continuing operations | | | |
| 1. Net profits from continuing operations (net losses to be listed with“-”) | | -550,289,360.47 | -464,366,191.29 |
| 2. Net profits from discontinued operations (net losses to be listed with“-”) | | - | - |
| (ii) Classification by ownership | | | |
| 1. Minority interest incomes (net losses to be listed with“-”) | | -18,645,623.93 | -17,363,659.42 |
| 2. Net profits attributable to the owner of parent company (net losses to be listed with“-”) | | -531,643,736.54 | -447,002,531.87 |
| **VI. After-tax net amount of other comprehensive incomes** | | - | - |
| After-tax net amount of other comprehensive incomes attributable to the owner of the parent company | | - | - |
| (i) Other comprehensive incomes that cannot be subsequently reclassified into profit and loss | | - | - |
| 1. Re-measurement of changes in defined benefit plan | | - | - |
| 2. Other comprehensive incomes that cannot be transferred into profit and loss by equity method | | - | - |
| (ii) Other comprehensive incomes that will be subsequently reclassified into profit and loss | | - | - |
| 1. Other comprehensive incomes that can be transferred into profit and loss by equity method | | - | - |
| 2. Profit and loss of change in fair value of available-for-sale financial assets | | - | - |
| 3. Profit and loss of held-to-maturity investments that are reclassified as available-for-sale financial assets | | - | - |
| 4. Effective portion of cash flow hedge profit and loss | | - | - |
| 5. Exchange differences on translating foreign operations | | - | - |
| 6. Others | | - | - |
| After-tax net amount of other comprehensive incomes attributable to minority shareholders | | - | - |
| **VII. Total comprehensive incomes** | | **-550,289,360.47** | **-464,366,191.29** |
| Total comprehensive incomes attributable to the owner of the parent company | | **-531,643,736.54** | **-447,002,531.87** |
| Total comprehensive incomes attributable to minority shareholders | | **-18,645,623.93** | **-17,363,659.42** |

Legal Representative: Chief Financial Officer: Head of Accounting Department:

# Consolidated Cash Flow Statement

Prepared by: Henan Railway Investment Co., Ltd. January to June, 2021 Unit: RMB (yuan)

| Item | Note | January to June, 2021 | January to June, 2020 |
|---|---|---|---|
| **I. Cash flows from operating activities:** | | | |
| Cash received from sales of goods and rendering of labor services provision | | 227,108,365.93 | 13,596,379.85 |
| Refund of taxes and surcharges | | 23,167.35 | 1,771.82 |
| Other cash received related to operating activities | | 942,188,980.96 | 450,458,170.72 |
| **Sub-total of cash inflows from operating activities** | | **1,169,320,514.24** | **464,056,322.39** |
| Cash paid for purchasing goods and accepting labor services | | 265,662,065.21 | 158,713,535.20 |
| Cash paid to and on behalf of employees | | 35,583,115.83 | 35,960,826.34 |
| Taxes and surcharges paid | | 18,673,872.50 | 19,924,401.83 |
| Other cash paid related to operating activitie | | 728,749,533.91 | 29,679,807.75 |
| **Sub-total of cash outflows from operating activities** | | **1,048,668,587.45** | **244,278,571.12** |
| **Net cash flows from operating activities** | | **120,651,926.79** | **219,777,751.27** |
| **II. Cash flows from investing activities:** | | | |
| Cash received from withdrawal of investments | | - | - |
| Cash received from returns on investments | | - | - |
| 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 | | - | - |
| Other cash received related to investing activities | | 1,838,634.06 | - |
| **Sub-total of cash inflows from investing activities** | | **1,838,634.06** | **-** |
| Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets | | 573,163,811.26 | 804,800,462.12 |
| Cash paid for investments | | 1,845,400,000.00 | 825,367,120.00 |
| Net cash paid to acquire subsidiaries and other business units | | - | - |
| Other cash paid related to investing activities | | 14,995.42 | - |
| **Sub-total of cash outflows from investing activities** | | **2,418,578,806.68** | **1,630,167,582.12** |
| **Net cash flows from investing activities** | | **-2,416,740,172.62** | **-1,630,167,582.12** |
| **III. Cash flows from financing activities:** | | | |
| Cash received from investors | | 1,349,996,130.00 | 1,985,256,000.00 |
| Including: Cash received by subsidiaries from investments by minority shareholders | | - | |
| Cash received from borrowings | | 1,928,000,000.00 | 1,498,400,000.00 |
| Cash received from issuing bonds | | - | - |
| Other cash received related to financing activities | | 5,000,000.00 | 721,919,530.06 |
| **Sub-total of cash inflows from financing activities** | | **3,282,996,130.00** | **4,205,575,530.06** |
| Cash paid for debt repayments | | 943,125,833.43 | 531,527,519.52 |
| Cash paid for distribution of dividends and profits or payment of interest | | 355,740,802.85 | 262,261,470.22 |
| Including: Dividends and profits paid by subsidiaries to minority shareholders | | - | |
| Other cash paid related to financing activities | | 58,113,755.41 | 16,000,000.00 |
| **Sub-total of cash outflows from financing activities** | | **1,356,980,391.69** | **809,788,989.74** |
| **Net cash flows from financing activities** | | **1,926,015,738.31** | **3,395,786,540.32** |
| **IV. Effect of foreign exchange rate changes on cash and cash equivalents** | | - | - |
| **V. Net increase in cash and cash equivalents** | | -370,072,507.52 | 1,985,396,709.47 |
| Add: Opening balance of cash and cash equivalents | | 3,419,069,981.01 | 3,537,392,640.65 |
| **VI. Closing balance of cash and cash equivalents** | | **3,048,997,473.49** | **5,522,789,350.12** |

Legal Representative: Chief Financial Officer: Head of Accounting Department:

# Consolidated Statement of Changes in Owners' Equity

Prepared by: Henan Railway Investment Co., Ltd. Unit: RMB (yuan)

| Item | January to June, 2021 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Equity attributable to owners of the parent company | | | | | | | | | | | | Minority interest | Total owners' equity |
| | Paid-in capital | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other comprehensive income | Special reserves | Surplus reserves | General risk reserve | Undistributed profits | Others | | |
| | | Preferred shares | Perpetual bonds | Others | | | | | | | | | | |
| **I. Closing balance of prior year** | 15,000,000,000.00 | - | - | - | 34,446,036,146.07 | - | - | - | 172,443,103.83 | - | -2,386,233,483.71 | - | 3,238,201,337.66 | 50,470,447,103.85 |
| Add: Changes in accounting policies | | | | | | | | | | | | | | - |
| Correction of errors of prior year | | | | | - | | | | | | | | | - |
| Business combination under common control | | | | | | | | | | | | | | - |
| Others | | | | | | | | | | | | | | - |
| **II. Opening balance of current year** | 15,000,000,000.00 | - | - | - | 34,446,036,146.07 | - | - | - | 172,443,103.83 | - | -2,386,233,483.71 | - | 3,238,201,337.66 | 50,470,447,103.85 |
| **III. Increase or decrease in current year (decrease to be listed with"-")** | - | - | - | - | 1,349,996,130.00 | - | - | - | - | - | -531,643,736.54 | - | -18,645,623.93 | 799,706,769.53 |
| **(i) Total comprehensive incomes** | | | | | | | - | | | | -531,643,736.54 | | -18,645,623.93 | -550,289,360.47 |
| **(ii) Capital invested and decreased by owners** | - | - | - | - | 1,349,996,130.00 | - | - | - | - | - | - | - | - | 1,349,996,130.00 |
| 1. Capital invested by owners | - | | | | 1,349,996,130.00 | | | | | | | | - | 1,349,996,130.00 |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | | | - |
| 3. Amounts of share-based payments recognized inowners' equity | | | | | | | | | | | | | | - |
| 4. Others | - | | | | - | | - | | | | - | | - | - |
| **(iii) Profit distribution** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Withdrawal of surplus reserves | | | | | | | | | - | | - | | | - |
| 2. Withdrawl of general risk reserve | | | | | | | | | | | | | | - |
| 3. Distribution to owners | | | | | | | | | | | - | | | - |
| 4. Others | | | | | | | | | | | - | | | - |
| **(iv) Internal transfer of owners' equity** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Capital (or share capital) from capital reserves | | | | | | | | | | | | | | - |
| 2. Capital (or share capital) from surplus reserves | | | | | | | | | | | | | | - |
| 3. Surplus reserves for making up losses | | | | | | | | | | | | | | - |
| 4. Carry-over of changes in defined benefit plans to retained earnings | | | | | | | | | | | | | | |
| 5. Others | | | | | | | | | | | | | | - |
| **(v) Special reserves** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Withdrawl in current year | | | | | | | | | | | | | | - |
| 2. Use in current year | | | | | | | | | | | | | | - |
| **(vi) Others** | | | | | | | | | | | | | | - |
| **IV. Closing balance of current year** | 15,000,000,000.00 | - | - | - | 35,796,032,276.07 | - | - | - | 172,443,103.83 | - | -2,917,877,220.25 | - | 3,219,555,713.73 | 51,270,153,873.38 |

Legal Representative: Chief Financial Officer: Head of Accounting Department:

# Consolidated Statement of Changes in Owners' Equity

Prepared by: Henan Railway Investment Co., Ltd.　　　　Unit: RMB (yuan)

| Item | January to December, 2020 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Equity attributable to owners of the parent company | | | | | | | | | | | | Minority interest | Total owners' equity |
| | Paid-in capital | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other comprehensive income | Special reserves | Surplus reserves | General risk reserve | Undistributed profits | Others | | |
| | | Preferred shares | Perpetual bonds | Others | | | | | | | | | | |
| **I. Closing balance of prior year** | 15,000,000,000.00 | | | | 29,386,212,736.01 | | - | | 172,443,103.83 | | -1,851,469,007.78 | | 2,452,210,688.17 | 45,159,397,520.23 |
| Add: Changes in accounting policies | | | | | | | | | | | | | | - |
| Correction of errors of prior year | | | | | 400,400,000.00 | | | | | | | | | 400,400,000.00 |
| Business combination under common control | | | | | | | | | | | | | | - |
| Others | | | | | | | | | | | | | | - |
| **II. Opening balance of current year** | 15,000,000,000.00 | - | - | - | 29,786,612,736.01 | - | - | - | 172,443,103.83 | - | -1,851,469,007.78 | - | 2,452,210,688.17 | 45,559,797,520.23 |
| **III. Increase or decrease in current year (decrease to be listed with"-")** | - | - | - | - | 4,659,423,410.06 | - | - | - | - | - | -534,764,475.93 | - | 785,990,649.49 | 4,910,649,583.62 |
| **(i) Total comprehensive incomes** | | | | | | | - | | | | -528,524,975.93 | | -20,489,350.51 | -549,014,326.44 |
| **(ii) Capital invested and decreased by owners** | - | - | - | - | 4,659,423,410.06 | - | - | - | - | - | - | - | 806,480,000.00 | 5,465,903,410.06 |
| 1. Capital invested by owners | - | | | | 4,659,423,410.06 | | | | | | - | | 806,480,000.00 | 5,465,903,410.06 |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | | | - |
| 3. Amounts of share-based payments recognized inowners'equity | | | | | | | | | | | | | | - |
| 4. Others | - | | | | - | | | | | | - | | - | - |
| **(iii) Profit distribution** | - | - | - | - | - | - | - | - | - | - | -6,239,500.00 | - | - | -6,239,500.00 |
| 1. Withdrawal of surplus reserves | | | | | | | | | - | | - | | | - |
| 2. Withdrawl of general risk reserve | | | | | | | | | | | | | | - |
| 3. Distribution to owners | | | | | | | | | | | -6,239,500.00 | | | -6,239,500.00 |
| 4. Others | | | | | | | | | | | - | | | - |
| **(iv) Internal transfer of owners' equity** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Capital (or share capital) from capital reserves | | | | | | | | | | | | | | - |
| 2. Capital (or share capital) from surplus reserves | | | | | | | | | | | | | | - |
| 3. Surplus reserves for making up losses | | | | | | | | | | | | | | - |
| 4. Carry-over of changes in defined benefit plans to retained earnings | | | | | | | | | | | | | | - |
| 5. Others | | | | | | | | | | | | | | - |
| **(v) Special reserves** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Withdrawl in current year | | | | | | | | | | | | | | - |
| 2. Use in current year | | | | | | | | | | | | | | - |
| **(vi) Others** | | | | | | | | | | | | | | - |
| **IV. Closing balance of current year** | 15,000,000,000.00 | - | - | - | 34,446,036,146.07 | - | - | - | 172,443,103.83 | | -2,386,233,483.71 | - | 3,238,201,337.66 | 50,470,447,103.85 |

Legal Representative:　Chief Financial Officer:　Head of Accounting Department:

# Balance Sheet of the Parent Company

Prepared by: Henan Railway Investment Co., Ltd. June 30, 2021 Unit: RMB (yuan)

| Item | Note | 2021-6-30 | 2020-12-31 |
|---|---|---|---|
| **Current assets:** | | | |
| Monetary capital | | 1,413,898,395.85 | 2,345,950,576.55 |
| Trading financial assets | | 230,058,386.05 | 331,624,203.30 |
| Derivative financial assets | | - | - |
| Notes receivable | | - | - |
| Accounts receivable | | - | - |
| Prepayments | | 5,467,826.67 | 5,467,826.67 |
| Other receivables | XII.1 | 4,947,412,106.99 | 5,309,633,519.44 |
| Inventories | | - | - |
| Assets held for sale | | - | - |
| Non-current assets due within one year | | - | - |
| Other current assets | | 3,307,723.74 | 2,917,616.87 |
| **Total current assets** | | **6,600,144,439.30** | **7,995,593,742.83** |
| **Non-current assets:** | | | |
| Other equity instrument investments | | 47,598,296,835.90 | 46,807,896,835.90 |
| Debt investment | | 250,000,000.00 | - |
| Long-term receivables | | 2,914,945,600.00 | 2,914,945,600.00 |
| Long-term equity investments | XII.2 | 10,220,453,358.87 | 8,859,953,358.87 |
| Investment property | | - | - |
| Fixed assets | | 989,736,501.05 | 2,694,604.48 |
| Construction in progress | | - | 972,717,055.74 |
| Productive biological assets | | - | - |
| Intangible assets | | 64,036,833.30 | 64,012,677.00 |
| Research and development expenditures | | - | - |
| Goodwill | | - | - |
| Long-term deferred expenses | | 8,730,368.31 | 10,224,308.02 |
| Deferred income tax assets | | - | - |
| Other non-current assets | | 735,384,816.01 | 735,384,816.01 |
| **Total non-current assets** | | **62,781,584,313.44** | **60,367,829,256.02** |
| **Total assets** | | **69,381,728,752.74** | **68,363,422,998.85** |

Legal Representative: Chief Financial Officer: Head of Accounting Department:

# Balance Sheet of the Parent Company (Continued)

Prepared by: Henan Railway Investment Co., Ltd. June 30, 2021 Unit: RMB (yuan)

| Item | Note | 2021-6-30 | 2020-12-31 |
|---|---|---|---|
| **Current liabilities:** | | | |
| Short-term borrowings | | 500,000,000.00 | - |
| Financial liabilities held for trading | | - | - |
| Derivative financial liabilities | | - | - |
| Notes payable | | - | - |
| Accounts payable | | 28,857,435.78 | 30,750,538.89 |
| Advances from customers | | 197,916.68 | 197,916.68 |
| Contract liabilities | | - | - |
| Employee compensation payable | | 11,543,376.99 | 12,691,057.12 |
| Taxes and fees payable | | 247,937.50 | 28,313.81 |
| Other payables | | 489,014,635.83 | 129,894,043.76 |
| Liabilities held for sale | | - | - |
| Non-current liabilities due within one year | | 372,849,790.78 | 1,077,089,064.62 |
| Other current liabilities | | - | - |
| **Total current liabilities** | | **1,402,711,093.56** | **1,250,650,934.88** |
| **Non-current liabilities:** | | | |
| Long-term borrowings | | 9,437,500,000.00 | 9,437,500,000.00 |
| Bonds payable | | 7,268,899,000.00 | 7,268,899,000.00 |
| Including: Preferred shares | | - | - |
| Perpetual bonds | | - | - |
| Long-term payables | | 2,737,165,391.54 | 2,737,165,391.54 |
| Estimated liabilities | | - | - |
| Deferred incomes | | - | - |
| Deferred income tax liabilities | | - | - |
| Other non-current liabilities | | - | - |
| **Total non-current liabilities** | | **19,443,564,391.54** | **19,443,564,391.54** |
| **Total liabilities** | | **20,846,275,485.10** | **20,694,215,326.42** |
| **Shareholders' equity:** | | | |
| Paid-in capital | | 15,000,000,000.00 | 15,000,000,000.00 |
| Other equity instruments | | - | - |
| Including: Preferred shares | | - | - |
| Perpetual bonds | | - | - |
| Capital reserves | | 35,628,960,794.54 | 34,278,964,664.54 |
| Less: Treasury stock | | - | - |
| Other comprehensive income | | - | - |
| Surplus reserves | | 172,443,103.83 | 172,443,103.83 |
| Undistributed profits | | -2,265,950,630.73 | -1,782,200,095.94 |
| **Total shareholders' equity** | | **48,535,453,267.64** | **47,669,207,672.43** |
| **Total liabilities and shareholders' equity** | | **69,381,728,752.74** | **68,363,422,998.85** |

Legal Representative: Chief Financial Officer: Head of Accounting Department:

# Income Statement of the Parent Company

Prepared by: Henan Railway Investment Co., Ltd. January to June, 2021 Unit: RMB (yuan)

| Item | Note | January to June, 2021 | January to June, 2020 |
|---|---|---|---|
| **I. Operating revenues** | XII.3 | **43,305,645.56** | **762,346.36** |
| Less: Operating costs | XII.3 | - | - |
| Taxes and surcharges | | 337,499.00 | 586,751.38 |
| Sales expenses | | - | - |
| Management expenses | | 22,888,586.32 | 12,341,186.35 |
| Research and development expenses | | - | - |
| Financial expenses | | 402,324,725.03 | 411,113,070.44 |
| Including: Interest expenses | | 409,268,626.98 | 416,753,131.71 |
| Interest income | | 17,684,016.02 | 20,904,498.77 |
| Add: Other incomes | | 60,447.25 | - |
| Investment income (loss to be listed with"-") | | - | - |
| Including: Investment income from associated enterprises and joint ventures | | - | - |
| Income from changes in fair value (loss to be listed with"-") | | -101,565,817.25 | - |
| Loss from impairment of assets (loss to be listed with"-") | | - | - |
| Income from disposal of assets (loss to be listed with"-") | | | |
| **II. Operating profits (losses to be listed with"-")** | | **-483,750,534.79** | **-423,278,661.81** |
| Add: Non-operating revenue | | - | 1,570.28 |
| Less: Non-operating expenditures | | - | - |
| **III. Total profits (total losses to be listed with"-")** | | **-483,750,534.79** | **-423,277,091.53** |
| Less: Income tax expenses | | - | - |
| **IV. Net profits (net losses to be listed with"-")** | | **-483,750,534.79** | **-423,277,091.53** |
| (i) Net profits from continuing operations (net losses to be listed with"-") | | -483,750,534.79 | -423,277,091.53 |
| (ii) Net profits from discontinued operations (net losses to be listed with"-") | | - | - |
| **V. After-tax net amount of other comprehensive incomes** | | **-** | **-** |
| (i) Other comprehensive incomes that cannot be subsequently reclassified into profit and loss | | - | - |
| 1. Re-measurement of changes in defined benefit plan | | - | - |
| 2. Other comprehensive incomes that cannot be reclassified and transferred into profit and loss by equity method | | - | - |
| (ii) Other comprehensive incomes that will be subsequently reclassified into profit and loss | | - | - |
| 1. Other comprehensive incomes that can be transferred into profit and loss by equity method | | - | - |
| 2. Profit and loss of change in fair value of available-for-sale financial assets | | - | - |
| 3. Profit and loss of held-to-maturity investments that are reclassified as available-for-sale financial assets | | - | - |
| 4. Effective portion of cash flow hedge profit and loss | | - | - |
| 5. Exchange differences on translating foreign operations | | - | - |
| 6. Others | | - | - |
| **VI. Total comprehensive incomes** | | **-483,750,534.79** | **-423,277,091.53** |

Legal Representative: Chief Financial Officer: Head of Accounting Department:

# Cash Flow Statement of the Parent Company

Prepared by: Henan Railway Investment Co., Ltd. January to June, 2021 Unit: RMB (yuan)

| Item | Note | January to June, 2021 | January to June, 2020 |
|---|---|---|---|
| **I. Cash flows from operating activities:** | | | |
| Cash received from sales of goods and rendering of labor services provision | | 2,455,729.17 | 70,706,969.86 |
| Refund of taxes and surcharges | | 20,975.09 | |
| Other cash received related to operating activities | | 1,235,217,925.02 | 557,180,785.63 |
| **Sub-total of cash inflows from operating activities** | | **1,237,694,629.28** | **627,887,755.49** |
| Cash paid for purchasing goods and accepting labor services | | - | - |
| Cash paid to and on behalf of employees | | 12,607,973.13 | 8,153,613.67 |
| Taxes and surcharges paid | | 801,800.97 | 1,331,690.09 |
| Other cash paid related to operating activitie | | 563,481,518.12 | 689,209,985.28 |
| **Sub-total of cash outflows from operating activities** | | **576,891,292.22** | **698,695,289.04** |
| **Net cash flows from operating activities** | | **660,803,337.06** | **-70,807,533.55** |
| **II. Cash flows from investing activities:** | | | |
| Cash received from withdrawal of investments | | - | - |
| Cash received from returns on investments | | - | - |
| 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 | | - | - |
| Other cash received related to investing activities | | - | - |
| **Sub-total of cash inflows from investing activities** | | **-** | **-** |
| Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets | | 22,759,230.23 | 71,495,899.55 |
| Cash paid for investments | | 2,400,900,000.00 | 998,557,120.00 |
| Net cash paid to acquire subsidiaries and other business units | | - | - |
| Other cash paid related to investing activities | | - | - |
| **Sub-total of cash outflows from investing activities** | | **2,423,659,230.23** | **1,070,053,019.55** |
| **Net cash flows from investing activities** | | **-2,423,659,230.23** | **-1,070,053,019.55** |
| **III. Cash flows from financing activities:** | | | |
| Cash received from investors | | 1,349,996,130.00 | 1,494,846,000.00 |
| Cash received from borrowings | | 500,000,000.00 | 1,498,400,000.00 |
| Cash received from issuing bonds | | - | |
| Other cash received related to financing activities | | - | 721,919,530.06 |
| **Sub-total of cash inflows from financing activities** | | **1,849,996,130.00** | **3,715,165,530.06** |
| Cash paid for debt repayments | | 704,239,273.84 | 531,527,519.52 |
| Cash paid for distribution of dividends and profits or payment of interest | | 314,953,143.69 | 261,633,553.55 |
| Other cash paid related to financing activities | | - | 16,000,000.00 |
| **Sub-total of cash outflows from financing activities** | | **1,019,192,417.53** | **809,161,073.07** |
| **Net cash flows from financing activities** | | **830,803,712.47** | **2,906,004,456.99** |
| **IV. Effect of foreign exchange rate changes on cash and cash equivalents** | | - | - |
| **V. Net increase in cash and cash equivalents** | | -932,052,180.70 | 1,765,143,903.89 |
| Add: Opening balance of cash and cash equivalents | | 2,264,494,877.65 | 2,607,217,950.20 |
| **VI. Closing balance of cash and cash equivalents** | | **1,332,442,696.95** | **4,372,361,854.09** |

Legal Representative: Chief Financial Officer: Head of Accounting Department:

# Statement of Changes in Owners' Equity of the Parent Company

Prepared by: Henan Railway Investment Co., Ltd. Unit: RMB (yuan)

| Item | January to June, 2021 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Paid-in capital | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other comprehensive income | Special reserves | Surplus reserves | General risk reserve | Undistributed profits | Total owners' equity |
| | | Preferred shares | Perpetual bonds | Others | | | | | | | | |
| **I. Closing balance of prior year** | 15,000,000,000.00 | - | - | - | 34,278,964,664.54 | - | - | | 172,443,103.83 | | -1,782,200,095.94 | 47,669,207,672.43 |
| Add: Changes in accounting policies | | | | | | | | | | | | - |
| Correction of errors of prior year | | | | | - | | | | | | | - |
| Others | | | | | | | | | | | | - |
| **II. Opening balance of current year** | 15,000,000,000.00 | - | - | - | 34,278,964,664.54 | - | - | - | 172,443,103.83 | - | -1,782,200,095.94 | 47,669,207,672.43 |
| **III. Increase or decrease in current year (decrease to be listed with"-")** | - | - | - | - | 1,349,996,130.00 | - | - | - | - | - | -483,750,534.79 | 866,245,595.21 |
| **(i) Total comprehensive incomes** | | | | | | | - | | | | -483,750,534.79 | -483,750,534.79 |
| **(ii) Capital invested and decreased by owners** | - | - | - | - | 1,349,996,130.00 | - | - | - | - | - | - | 1,349,996,130.00 |
| 1. Capital invested by owners | - | | | | 1,349,996,130.00 | | | | | | | 1,349,996,130.00 |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | - |
| 3. Amounts of share-based payments recognized inowners'equity | | | | | | | | | | | | - |
| 4. Others | | | | | - | | | | | | - | - |
| **(iii) Profit distribution** | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Withdrawal of surplus reserves | | | | | | | | | - | | - | - |
| 2. Withdrawl of general risk reserve | | | | | | | | | | | | - |
| 3. Distribution to owners | | | | | | | | | | | - | - |
| 4. Others | | | | | | | | | | | | - |
| **(iv) Internal transfer of owners' equity** | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Capital (or share capital) from capital reserves | | | | | | | | | | | | - |
| 2. Capital (or share capital) from surplus reserves | | | | | | | | | | | | - |
| 3. Surplus reserves for making up losses | | | | | | | | | | | | - |
| 4. Carry-over of changes in defined benefit plans to retained earnings | | | | | | | | | | | | |
| 5. Others | | | | | | | | | | | | - |
| **(v) Special reserves** | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Withdrawl in current year | | | | | | | | | | | | - |
| 2. Use in current year | | | | | | | | | | | | - |
| **(vi) Others** | | | | | | | | | | | | - |
| **IV. Closing balance of current year** | 15,000,000,000.00 | - | - | - | 35,628,960,794.54 | - | - | - | 172,443,103.83 | - | -2,265,950,630.73 | 48,535,453,267.64 |

Legal Representative: Chief Financial Officer: Head of Accounting Department:

- - - - - -

# Statement of Changes in Owners' Equity of the Parent Company

Prepared by: Henan Railway Investment Co., Ltd. Unit: RMB (yuan)

| Item | January to December, 2020 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Paid-in capital | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other comprehensive income | Special reserves | Surplus reserves | General risk reserve | Undistributed profits | Total owners' equity |
| | | Preferred shares | Perpetual bonds | Others | | | | | | | | |
| **I. Closing balance of prior year** | 15,000,000,000.00 | | | | 29,219,141,254.48 | | | | 172,443,103.83 | | -1,273,644,482.23 | 43,117,939,876.08 |
| Add: Changes in accounting policies | | | | | | | | | | | | - |
| Correction of errors of prior year | | | | | 400,400,000.00 | | | | | | | 400,400,000.00 |
| Others | | | | | | | | | | | | - |
| **II. Opening balance of current year** | 15,000,000,000.00 | - | - | - | 29,619,541,254.48 | - | - | - | 172,443,103.83 | - | -1,273,644,482.23 | 43,518,339,876.08 |
| **III. Increase or decrease in current year (decrease to be listed with"-")** | - | - | - | - | 4,659,423,410.06 | - | - | - | - | - | -508,555,613.71 | 4,150,867,796.35 |
| **(i) Total comprehensive incomes** | | | | | | | - | | | | -508,555,613.71 | -508,555,613.71 |
| **(ii) Capital invested and decreased by owners** | - | - | - | - | 4,659,423,410.06 | - | - | - | - | - | - | 4,659,423,410.06 |
| 1. Capital invested by owners | | | | | 4,659,423,410.06 | | | | | | | 4,659,423,410.06 |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | - |
| 3. Amounts of share-based payments recognized inowners' equity | | | | | | | | | | | | - |
| 4. Others | | | | | - | | | | | | - | - |
| **(iii) Profit distribution** | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Withdrawal of surplus reserves | | | | | | | | | - | | - | - |
| 2. Withdrawl of general risk reserve | | | | | | | | | | | | - |
| 3. Distribution to owners | | | | | | | | | | | - | - |
| 4. Others | | | | | | | | | | | | - |
| **(iv) Internal transfer of owners' equity** | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Capital (or share capital) from capital reserves | | | | | | | | | | | | - |
| 2. Capital (or share capital) from surplus reserves | | | | | | | | | | | | - |
| 3. Surplus reserves for making up losses | | | | | | | | | | | | - |
| 4. Carry-over of changes in defined benefit plans to retained earnings | | | | | | | | | | | | |
| 5. Others | | | | | | | | | | | | - |
| **(v) Special reserves** | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Withdrawl in current year | | | | | | | | | | | | - |
| 2. Use in current year | | | | | | | | | | | | - |
| **(vi) Others** | | | | | | | | | | | | - |
| **IV. Closing balance of current year** | 15,000,000,000.00 | - | - | - | 34,278,964,664.54 | - | - | - | 172,443,103.83 | - | -1,782,200,095.94 | 47,669,207,672.43 |

Legal Representative: Chief Financial Officer: Head of Accounting Department:

# Henan Railway Investment Co., Ltd.

# NOTES TO THE FINANCIAL STATEMENTS FOR JANUARY TO JUNE 2021

**(All amounts are denominated in RMB unless otherwise stated)**

## I. Basic Condition of the Company

1. Company profile

(1) The history of the Company

Henan Railway Investment Co., Ltd. (hereinafter referred to as "Company" or "the Company") was incorporated on September 3, 2009 with the approval of the Henan Provincial People's Government on the "*Approval of the Formation Plan of Henan Railway Investment Group Co., Ltd*." (Yuzheng Wen [2009] No. 113). It is a wholly state-owned enterprise under the control of the Henan Provincial Government. The investor is the Henan Provincial People's Government who holds 100% of the shares.

According to the document of Yuzheng Wen [2009] No. 113, the Company is a large-scale provincial state-owned enterprise. The Henan Provincial People's Government has entrusted Henan Investment Group Co., Ltd. (hereinafter referred to as the "Investment Group") to serve as the investor, the State-owned Assets Supervision and Administration Commission of the Henan Provincial People's Government to be responsible for asset supervision and Development and Reform Commission of the Henan Provincial People's Government to be responsible for industry management, business guidance and personnel management. In October 2011, in order to further clarify the company system, the Henan Provincial People's Government decided that the Investment Group would no longer perform the duties of the Company's entrusted investor. In December 2011, according to the document of Yu Fagai Investment [2011] No. 2319, the equity invested by the Investment Group was converted into debt.

According to the "*Approval of the Articles of Association of Henan Railway Investment Co., Ltd.*" (Yuzheng Wen [2012] No. 105) issued by Henan Provincial People's Government and the revised Articles of Association of the Company, the Company made an industrial and commercial registration change on June 20, 2012. In December 2017, in accordance with the document of "*Notice on Approving the Articles of Association of Henan Railway Investment Co., Ltd*." (Yucai Office [2017] No. 53) issued by the Henan Provincial Department of Finance, the Henan Provincial People's Government, as the investor, entrusted the Henan Provincial Department of Finance to perform the duties of an investor, and Development and Reform Commission of the Henan Provincial People's Government to be responsible for industry management.

2. Basic information

Name of company: Henan Railway Investment Co., Ltd.

Unified social credit code: 91410000694858692Q。

Address: Finance Building, No. 21, Business Outer Ring Road, Zhengdong New District, Zhengzhou

City

Legal Representative: Yue Guoyong.

Registered capital: 15 billion yuan.

Date of incorporation September 3, 2009.

Business Scope: Investment, construction and management of railway projects; asset management; warehousing, logistics supporting services, hotel management, property management, advertising operations. (Anything that requires approval in the above range shall not be allowed to operate before approval)

**II. Basis for Preparation of Financial Statements**

On the basis of going concern assumption and in reference to actual transactions and events, the Financial Statements of the Company have been prepared in accordance with the Accounting Standards for Business Enterprises - Basic Standards issued by the Ministry of Finance and concrete accounting standards, Application Guide of the Accounting Standards for Business Enterprises, Interpretation of the Accounting Standards and other relevant regulations (collectively referred to as "the Accounting Standards for Business Enterprises"), as well as the following significant accounting policies and accounting estimates.

**III. Statement of Compliance with Accounting Standards for Business Enterprises**

The Financial Statements of the Company conform to the Accounting Standards for Business Enterprises, and truly and completely reflect the financial position of the Company as of June 30, 2021, as well as operating results and cash flows for January to June, 2021.

**IV. Significant Accounting Policies and Accounting Estimates**

(I) Accounting period

The fiscal year of the Company is calendar year from 1 January to 31 December.

(II) Recording currency

The Company adopts RMB as its recording currency.

(III) Basis of accounting and principle of measurement

The Company's accounting shall be on accrual basis.

The Company measures accounting elements based on their historical costs. If the determined amount of accounting elements can be obtained and reliably measured, individual accounting elements are measured with replacement cost, net realizable value, present value, or fair value.

1. Measurement attributes adopted in the reporting period

Under historical cost measurement, assets shall be measured at the amount of cash or cash equivalents paid at the time of acquisition, or at the fair value of the consideration paid at the time of acquisition of the asset. Liabilities shall be measured according to the amount of money or assets to be actually received due to assumption of current obligations, or the contract amount for assumption of current obligations, or the amount of cash or cash equivalents expected to be paid for repayment of liabilities in daily activities.

2. Report items whose measurement attributes have changed in the reporting period

The measurement attributes remained unchanged in the reporting period

(IV) Business combination

1. Business combination 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 issues. The difference between the original investment cost of the long-term equity investment and the total carrying amount of the combination (or the total par value of shares issued) shall be adjusted to the capital reserve. If the capital reserve is insufficient to absorb the difference, the retained earnings shall be adjusted.

If a business combination under common control is realized step by step through multiple transactions, which is a package deal, the combining party shall account such transactions as one transaction in which the combining party obtains the control right. If it is not a package deal, the initial investment cost of such investment in the financial statements of the parent company, shall be the share of the book value of owner equity of the combining party calculated on the combination date based on the shareholding ratio on the combination date, and the capital reserves (equity premium)shall be adjusted for the difference between initial investment cost and the sum of the book value of the initial long-term equity investment and the book value of the new consideration paid on the combination date for further equity. If the capital reserves are insufficient for the write downs, the retained profit shall be written downs.

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. The acquired assets, liabilities and contingent liabilities of the acquiree of the determination condition acquired through the business combination not under common control shall be measured at their fair value on the acquisition date. If the acquirer's combined cost is more than the fair value share of the acquiree's identifiable net assets obtained in the combination, the difference between them is reflected in the value of goodwill. Where the combination cost is less than the fair value of the acquiree's net identifiable assets obtained by the acquirer in the business combination, if, after the reexamination, the combination cost is still less than the difference in the fair value of net identifiable assets obtained from the acquiree, the acquirer shall include the difference in the current non-operating income.

If a business combination not under common control is realized step by step through multiple transactions, the initial investment cost of such investment in the financial statements of the parent company, shall be the sum of the book value of the acquiree's equity investment held before the acquisition date and the new investment cost on the acquisition date. In the consolidated financial statements, the acquiree's equity held before the acquisition date shall be remeasured at the fair value of such equity on the acquisition date, and the difference between the fair value and its book value shall be included in the current investment income; if the acquiree's equity held before the acquisition date involves other comprehensive income, the relevant comprehensive income shall be converted into the current income on the acquisition date, except for other comprehensive income which cannot be reclassified and included in current profits and losses.

The Company shall determine the combination cost based on the sum of the fair value of the acquiree's equity held before the acquisition date on the acquisition date and the fair value of the consideration paid for the newly acquired equity on the acquisition date, and the goodwill or the amount that should be included in the current profit and loss of the period of acquisition which shall be recognized on the acquisition date based on the comparison between the combination cost and the share of the fair value of the acquiree's net identifiable assets acquired by the acquirer according to the shareholding ratio on the acquisition date.

(V) Method of preparing consolidated financial statements

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 investee and structured entities.

2. Uniform accounting policies, balance sheet date, and accounting period of the parent company and its subsidiaries

If the subsidiary adopts the accounting policies or accounting periods different from the Company, necessary adjustments shall be made to the financial statements of the subsidiary in accordance with the Company's accounting policies or accounting periods when preparing consolidated financial statements.

3. The elimination in the preparation of consolidated financial statements

The consolidated financial statements are prepared based on the balance sheets of the parent company and subsidiaries, the internal transactions between the parent company and the subsidiaries and between the subsidiaries have been offset. The share of the owner's equity of subsidiary that does not belong to the parent company is treated as a minority shareholder's equity and listed under the owner's equity item in the consolidated balance sheet as "minority's equity" The long-term equity investment of the parent company held by one subsidiary shall be treated as the Company's treasury shares of the Group, and as an item of deduction from the owner's equity, the long-term equity investment is presented in the consolidated balance sheet as "less: treasury shares" under the "owner's equity".

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 have occurred since the ultimate controlling party commences its actual control, and the 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 individual financial statements.

(VI) Joint arrangement classification and accounting treatments for joint operations

1. The classifications of joint arrangements

Joint arrangements are classified as joint operations or joint ventures. A joint arrangement not concluded by separate subjects is classed as a joint operation. A separate subject refers to a subject that has a separate identifiable financial structure, which includes a separate legal entity and an entity rather than a legal entity but is legally recognized. A joint arrangement concluded by separate subjects is classed as a joint venture. In case that any change of the relevant facts and conditions leads to changes to the rights and obligations of the parties under a joint arrangement, the type of that joint arrangement shall be reassessed by the said parties.

2. The accounting treatment of joint operations

The company acted as a party participating in joint operations, recognizes the items mentioned below relating to its interests in the joint operations and accounts for them in accordance with related accounting standards for enterprises: Recognize the assets or liabilities held separately, as well as assets or liabilities held jointly in one's share; recognize the income generated by sale of the output in one's share from the joint operation; recognize the income in one's share generated by sale of the output from the joint operation; recognize the cost individually incurred, and the cost in one's share from the joint operation.

In relation to a party who has no common control over the joint operation, if it is entitled to the relevant assets and liable for the relevant liabilities from the joint operation, accounting treatment shall be conducted according to the regulations applicable to parties under the joint operation; otherwise, the provisions of relevant accounting standards for enterprises shall be applied in accounting treatment.

3. Accounting treatment for joint ventures

The parties to a joint venture shall, in accordance with the provisions under the Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investment, conduct accounting treatment for the investment in the joint venture, and the parties who are not under a common control shall, depending on its influence on the joint venture, conduct accounting treatment.

(VII) Standards for recognition of cash and cash equivalents

The cash recognized by the Company in preparing the cash flow statement refers to the Company's cash on hand, and the deposits that are available for payment at any time. The cash equivalent recognized in preparing the cash flow statement refers to any investment that is with short term, highly liquid, and easy to be converted into a predefined amount of money, and low risk in changes in value.

(VIII) Transactions in foreign currency and foreign currency translation in the financial statements

1. Transactions in foreign currency

A transaction of the Company in foreign currency shall be accounted between that foreign currency and the functional currency on the day when the transaction happened. The monetary items in foreign currency on the balance sheet date shall be converted by applying a spot exchange rate between that foreign currency and the functional currency on the balance sheet date, and the exchange difference caused by variation between the spot exchange rate on that date and the exchange rate recognized initially or on the last balance sheet date shall be treated as the current profits or losses, except for the exchange difference arising from a dedicated borrowing in foreign currency that is eligible for capitalization and therefore has been capitalized and accounted as the cost of relevant assets. In relation to non-monetary items in foreign currency that are measured at historical cost, the spot exchange rate on the transaction date shall be applied, for which its amount in functional currency shall not be changed. In relation to non-monetary items in foreign currency that are measured at fair value, the spot exchange rate on the date when such fair value is recognized shall be applied, and the difference in the translated amount in functional currency and the amount in functional currency shall be treated as the amount of changes in fair value (including exchange rate fluctuation) and accounted as the current income or loss or other comprehensive income.

2. Foreign currency translation in the financial statements

If the Company's controlling subsidiaries, joint ventures, associated enterprises apply different functional currency with the one applied by the Company, these entities are required to first translate amounts in foreign currency in their financial statements, and then conduct accounting treatment and prepare consolidated financial statements. Assets and liabilities in the balance sheet are translated by applying the spot exchange rate on the balance sheet date, other items are translated by applying the spot exchange rate on the date when these items happened, except for “undistributed profits” under owner’s equity. Income and cost in the profit statement, the spot exchange rate on the transaction date shall be applied. The exchange difference arising from the foreign currency translation in financial statements shall be entered into other comprehensive income under owner's equity in the balance sheet. If the cash flow in foreign currency is determined using a system reasonable method, the spot exchange rate on the transaction date shall be applied. A change in amount due to exchange rate fluctuations shall be listed separately in the cash flow statement. In dealing with overseas operations, the exchange difference arising from foreign currency translation related to the overseas operations shall be all or in the proportion for dealing the overseas operations accounted as the current profits or losses.

(IX) Financial instruments

(1) Classification, recognition and measurement of financial assets

The Company divides financial assets into the following categories based on the business model and contract cash flow of the financial assets managed by it: Financial assets measured at amortized cost; financial assets measured at fair value and their changes included in other comprehensive income; financial assets measured at fair value through current profits or losses.

Financial assets are measured at fair value in initial recognition. As for the financial assets which are measured at fair value through current profits and losses, the transaction expenses thereof shall be directly included in current profits and losses; for other categories of financial assets, the transaction expenses thereof shall be included in the initially recognized amount. For accounts receivable or notes receivable arising from the sale of products or labor service provision that do not contain or consider significant financing components, the amount of the consideration that the Company is expected to be entitled to receive shall be the initial recognition amount

①Financial assets measured at amortized cost

The Company’s business model for managing financial assets measured at amortized cost is aimed to collect contractual cash flow as the goal, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangement, that is, the cash flow generated on a specific date, is only for the payment of principal and interest outstanding calculated based on the principal amount. For such type of financial assets, the Company shall adopt the effective interest method to measure the financial assets subsequently at the amortized cost, and the profits or losses resulting from amortization or impairment shall be included in current profits and losses.

②Financial assets measured at fair value and their changes included in other comprehensive income

The Company's business model for managing such financial assets is aimed to both collect contractual cash flows and sell, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. The Company measures such financial assets at fair value and the changes in their value shall be included in other comprehensive income, but impairment losses or profits, profits and losses on exchange, and interest income calculated in accordance with the effective interest method are included in current profits and losses.

In addition, the Company designated some non-trading equity instrument investments as financial assets that are measured at fair value and whose changes are included in other comprehensive income. The Company included the relevant dividend income of such financial assets in current profits and losses, and changes in fair value in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred from the other comprehensive income to retained earnings, and shall not be included in current profits and losses.

③ Financial assets measured at fair value through current profits and losses

The Company classifies financial assets other than financial assets measured at amortized cost and financial assets measured at fair value with changes included in other comprehensive income as financial assets measured at fair value with changes included in current profits and losses. Furthermore, at the time of initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company designated some of the financial assets as financial assets measured at fair value with changes included in current profits and losses. For such type of financial assets, the Company adopts fair value for subsequent measurement, and changes in fair value are included in current profits and losses.

(2) Classification, recognition and measurement of financial liabilities

In the initial recognition, financial liabilities are divided into the financial liabilities measured at fair value through current profits and losses and other financial liabilities. As for the financial liabilities which are measured at fair value through current profits and losses, the transaction expenses thereof shall be directly included in current profits and losses; for other categories of financial liabilities, the transaction expenses thereof shall be included in the initially recognized amount.

① Financial liabilities measured at fair value through current profits and losses

Financial liabilities measured at fair value with changes included in current profits and losses include trading financial liabilities (including instrument derivatives which are financial liabilities) and financial liabilities designated at the time of initial recognition as financial liabilities measures at fair value with changes included in current profits and losses.

Trading financial liabilities (including instrument derivatives that are financial liabilities) shall be subsequently measured at fair value, and except those related to hedge accounting, their changes in fair value shall be included in current profits and losses.

For the financial liability designated as financial liability measured at fair value with their changes included in current profits and losses, the changes in the fair value of such liability caused by the changes of the Company's own credit risk shall be included in other comprehensive income, and when the liability is derecognized, the accumulated changes in fair value caused by changes in its own credit risk and included in other comprehensive income shall be transferred to retained earnings. The other changes in fair value shall be included in current profits and losses. If the effect of changes in credit risk of such financial liabilities, which is dealt with in the above way, will cause or expand the accounting mismatch in profits and losses, the Company shall include all gains or losses of such financial liabilities (including the amount affected by changes in credit risk of the enterprise) in current profits and losses.

② Other financial liabilities

Except for the financial liabilities that are caused by the transfer of financial assets which do not meet the condition of derecognition or continuous involvement in transferred financial assets or by financial guarantee contracts, the other financial liabilities which are classified as financial liabilities measured at amortized cost shall be subsequently measured at amortized cost and the gains or losses arising from derecognition or amortization shall be included in current profits and losses.

(3) Impairment of financial assets

The Company, based on the expected credit losses, makes provision for impairment and recognizes the credit impairment losses for financial assets measured at amortized cost, investment in debt instruments measured at fair value with changes included in other comprehensive income, lease receivables, contract assets and financial guarantee contracts.

Credit loss refers to the difference between all the cash flows that are converted using the original effective interest rate and receivable under the relevant contracts and the cash flows that are expected to be received. Among them, the purchased or underlying financial assets of the Company that suffered credit impairment, shall be converted using the effect interest rate after credit adjustment of the asset.

On each balance sheet date, the Company assesses whether the credit risk of financial assets has increased significantly since the initial recognition. If the credit risk has increased significantly since the initial recognition, the Company shall measure the provision for losses at an amount equivalent to the expected credit loss during the entire lifetime of such assets. If the credit risk has not increased significantly since the initial recognition, the Company shall measure the provision for losses at an amount equivalent to expected credit losses in the next 12 months. The Company shall consider all reasonable and well-founded information, including forward-looking information, when assessing expected credit losses.

For receivables that do not contain significant financing components, the Company shall adopt simplified measurement methods to measure provision for losses at an amount equivalent to expected credit losses during the entire lifetime. For financial instruments with low credit risk on the balance sheet date, the Company shall assume that their credit risk has not increased significantly since the initial recognition, and measure the provision for losses based on the expected credit losses in the next 12 months.

(X) Receivables

The receivables of the Company mainly include accounts receivable, advance payments and other receivables. If there is objective evidence indicating the impairment of these receivables on the balance sheet date, the Company shall recognize the impairment loss based on the difference between the carrying amount and the present value of estimated future cash flow of these receivables.

At the end of the year, if there is proof indicating that the receivables are impaired, their book value shall be written down to the recoverable amount, and the written-down amount shall be recognized as asset impairment losses and included in current profits and losses.

The Company shall account for bad debt losses according to the following classifications and methods:

For receivables with significant single amount, the specific identification method shall be adopted, and the impairment test is performed separately. If there is objective proof indicating that the receivables have been impaired, the impairment loss shall be recognized and provision for bad debts shall be made.

Standards for recognition of receivables with significant single amounts and provision for bad debts: Receivables with single amounts of one million yuan and above shall be regarded as receivables with significant single amounts.

② Receivables with insignificant single amounts shall be divided into risk-free portfolios and credit risk portfolios. No provision for bad debt shall be made for risk-free portfolios, and for credit risk portfolios, the allowance method shall be adopt to account for bad debt losses. For receivables (other receivables), a provision for bad debt shall be made at 30% of their closing balance; for receivables (accounts receivable), a provision for bad debt shall be made at 5% of their closing balance; for receivables (advance payments), a provision for bad debt shall be made at 5% of their closing balance.

Standards for recognition of risk-free portfolio: Current accounts between parent and subsidiaries, between subsidiaries and between other related parties within the scope of consolidation, the Company's receivables from government departments, internal employee loans, the accounts withhold.

Except for the risk-free portfolio, other receivables shall be classified as credit risk portfolios.

(XI) Inventories

1. Classification of inventories

Classification of inventories: Raw materials, development costs, etc.

2. Inventory System

Perpetual Inventory System.

3. Valuation method when acquiring and delivering

The inventories shall be priced at the actual cost when obtained, and the inventories delivered shall be generally calculated by the weighted average method.

4. Amortization method of turnover materials

One-off amortization method shall be adopted both for low-value consumables and packaging materials.

5. Method of inventory falling price reserves

On the balance sheet date, the inventories shall be measured whichever is lower in accordance with the cost and the net realizable value. If the cost of inventories is higher than the net realizable value, the inventory falling price reserve shall be made. The Inventory Falling Price Reserves are withdrawn according to a single inventory item; However, for the inventory with large quantity and low unit price, the Inventory Falling Price Reserves shall be withdrawn based on the inventory category; If the inventory is related to the product series produced and sold in the same area, has the same or similar end use or purpose, and is difficult to be measured separately from other items, the Inventory Falling Price Reserves shall be withdrawn in a consolidated manner.

If the factors that previously caused inventories to be written down no longer exist, the write-down amount shall be reversed. The original inventory falling price reserves shall be reversed and the amount reversed shall be included in the current profits or losses.

Determination of inventory net realizable value: For goods inventory directly used for sale, such as finished products, commodities and materials for sale, the net realizable value shall be determined by the estimated selling price of the inventory minus the estimated selling expenses and relevant taxes and fees. For the materials inventory that needs to be processed, the net realizable value shall be determined by the estimated selling price of the produced product minus the estimated cost to completion, estimated sales expense and related taxes and fees. For the inventory held for the performance of sales contracts or labor service contracts, the net realizable value shall be determined based on the contract price. If the quantity of inventory held is more than the quantity ordered in the sales contract, the net realizable value of the excess inventory shall be calculated based on the general selling price.

(XII) Long-term equity investments

Long-term equity investment refers to equity investments in which the Company exercises control and significant influence on the investee, as well as equity investments in joint ventures and associates.

1. Determination of investment cost

(1) Long-term equity investment formed by business combination

Business combination under common control: If the Company pays cash, transfers non-cash assets or assumes debts, and issues equity securities as the combination consideration, the share of book value of the owner’s equity of the combined party acquired in the ultimate controlling party’s consolidated financial statements shall be recognized as the initial investment cost of the long-term equity investment. The equity premium in the capital reserve shall be adjusted for the difference between the initial investment cost of long-term equity investment and the book value of the cash paid, the transferred non-cash assets and the debt assumed, or the total face value of the issued shares; If the equity premium in the capital reserve is insufficient for write downs, the retained earnings shall be adjusted. If the Company can exercise control over the investee under the common control due to additional investment or other reasons, the share of the book value of the combined party's net assets acquired on the combination date in the ultimate controlling party's consolidated financial statements shall be recognized as the initial investment cost of the long-term equity investment. The equity premium shall be adjusted for the difference between the initial investment cost of long-term equity investment on combination date and the sum of the book value of the long-term equity investment before the combination plus the book value of the newly paid consideration for the shares acquired on the combination date; If the equity premium is insufficient for write downs, the retained earnings shall be written down.

Business combination not under common control: The Company recognized the combination cost determined on the acquisition date as the initial investment cost of the long-term equity investment. If the Company can exercise control over the investee not under the common control due to additional investment or other reasons, the sum of the book value of the equity investment held previously plus the new investment cost shall be recognized as the initial investment cost of the long-term equity investment.

Intermediary fees such as fees for auditing, legal services, evaluation and consulting, and other related management expenses incurred in business combination shall be included in current profits and losses when incurred; transaction costs incurred in the process of issuance of equity securities or debt securities as the combination consideration by the acquirer shall be included in the initially recognized amount of equity securities or debt securities.

(2) Long-term equity investment obtained by other means

For long-term equity investments obtained by paying cash, the actual acquisition price paid shall be recognized as the initial investment cost.

For long-term equity investments obtained by issuing equity securities, the fair value of the issued equity securities shall be recognized as the initial investment cost.

On the premise that the non-monetary asset exchange has commercial essence and the fair value of the received assets or the relinquished assets can be reliably measured, the initial investment cost of the long-term equity investment exchanged in the non-monetary asset exchange shall be determined based on the fair value of the relinquished assets and the relevant taxes and fees payable, unless there is conclusive evidence showing that the fair value of the received assets is more reliable; for non-monetary asset exchanges that do not meet the above premises, the book value of the relinquished assets and the relevant taxes and fees payable shall be recognized as the initial investment cost of the long-term equity investment.

For long-term equity investments obtained through debt restructuring, the initial investment cost shall be determined on the basis of fair value.

2. Subsequent measurement and recognition of profits or losses

(1) Long-term equity investments measured by using the cost method

The Company’s long-term equity investments in subsidiaries shall be measured by for employing the cost method. The cash dividends or profits declared by the subsidiary shall be recognized as investment income for the current period.

(2) Long-term equity investments measured by using the equity method

Long-term equity investments in associates and joint ventures shall be measured by employing the equity method. If the initial investment cost is higher than the difference of the share of the fair value of the identifiable net asset of the investee that shall be enjoyed at the time of investment, the initial investment cost of the long-term equity investment shall not be adjusted; if the initial investment cost is less than the share of the fair value of the identifiable net asset of the investee that shall be enjoyed at the time of investment, shall be included in current profit and loss.

The Company shall recognize the attributable share of the net profits or losses and other comprehensive incomes of the investee as the investment income and other comprehensive income, and adjust the book value of the long-term equity investment. The Company shall, in light of the profits or cash dividends declared to be distributed by the investee, calculate the proportion it shall obtain, and shall reduce the book value of the long-term equity investment correspondingly. Where any change is made to the owner’s equity other than the investee’s net profits and losses, other comprehensive income and profit distribution, the book value of the long-term equity investment shall be adjusted and be included in owners’ equity.

When determining the share of the net profits and losses of the investee that shall be enjoyed, the fair value of the identifiable net asset of the investee at the time of investment shall be used as the basis, and according to the Company's accounting policies and accounting period, the determination shall be made after adjusting the net profit of the investee. During the investment holding period, if the investee prepares consolidated financial statements, the share shall be measured base on the amount attributable to the investee in the changes of net profit, other comprehensive income and other owner's equity in the consolidated financial statements.

For the unrealized internal transaction profits and losses between the Company and its associates and joint ventures, the part attributable to the Company shall be calculated according to the proportion enjoyed and then offset, and the investment income shall be recognized on this basis thereafter. If the unrealized internal transaction gains and losses with the investee, which belong to asset impairment losses, shall be fully recognized. If there are asset investment or asset sales between the Company and the associated enterprise or joint venture and the asset constitutes a business, the accounting treatment shall be carried out in accordance with the relevant policies disclosed by the Company.

If the company confirms that it should share the losses incurred by the investee, the losses shall be dealt with in the following order: Firstly, to write down the book value of long-term equity investments. Secondly, if the book value of the long-term equity investment is insufficient for write down, to continue to recognize the investment losses within the limit of the book value of the other long-term equity which actually constitutes the net investment in the investee (notes: The specific content and standards for identification of such long-term rights and interests shall be clarified) and then to write down the book value of long-term receivable items. Finally, after the above treatment, if the Company still undertakes additional obligations under investment contract or agreement, the estimated liabilities shall be recognized according to the expected obligations and included in the current investment losses. If the investee realizes profit in the subsequent period, the Company shall, after deducting the unrecognized loss share, deal with it in the reverse order as abovementioned, namely to write down the book balance of the recognized estimated liabilities, to recover the book value of the other long-term equity which actually constitutes the net investment in the investee and the long-term equity investment and to recognize the investment income.

(3) Disposal of long-term equity investments

To dispose long-term equity investments, the difference between its book value and actual purchase price is included in current profits or losses.

Where the long-term equity investment is calculated by equity method, to dispose such investment, the basis shall be the same as the one used by the invested entity in disposing the relevant assets or liabilities, in which case the part originally included in the other comprehensive income shall be accounted according to the corresponding ratio. Owner’s equity recognized by the invested entity due to changes in other owner’s equity other than net profits or losses, other comprehensive income and profit distribution shall be carried forward to the current profits or losses. The other comprehensive income arising from net liabilities or changes in net assets that are included in the benefit plan following re-measurement by the invested entity shall be excluded.

Where the common control over or significant influence on the invested entity due to disposal of partial equity investment does not exist, the rest equity after such disposal shall be changed to be treated by financial instruments and based on measurement criteria. The difference between fair value and book value of such investment on the day when the said control or influence disappears shall be included in current profits or losses. Other comprehensive income that is calculated and recognized by equity method from the original equity investment shall be accounted when the equity method is no longer used in the same basis that is used by the invested entity in treating the relevant assets or liabilities. The owner’s equity recognized as a result of changes in owner’s equity other than the net profits and losses, other comprehensive income and profit distribution of the invested entity shall be transferred to the current profits or losses when the equity method is no longer used.

Where the disposal of partial equity investments or other causes leads to end of the control over the invested entity, in preparing separate financial statements, for the rest equity after the disposal through which common control or significant impact can be exerted over the invested entity, such equity shall be changed to be calculated by the equity method, and the relevant adjustment shall be deemed to have been made to the said equity using the equity method since the day when such equity was acquired; where the rest equity after the disposal through which no common control or significant impact can be exerted over the invested entity, such equity shall be changed to be recognized by financial instruments and accounted according to measurement standards. The difference between the fair value and the book value on the day when the control no longer exists shall be included in current profits or losses.

Where the equity to be disposed is acquired through additional investment or business merge, in preparing separate financial statements, the rest equity after such disposal shall be calculated by the cost method or the equity method, and for the equity investment held before the purchase date, other comprehensive income and other owner’s interests recognized by the equity method shall be proportionally carried forward; the rest equity after disposal is changed to be accounted and confirmed by financial instruments and measurement criteria, and other comprehensive income and other owner's interests shall be all carried forward.

3. The basis for determining the joint control and significant influence on the investee

The term “joint control” refers to the control of the Company over an arrangement in accordance with relevant agreements, and no decision shall be made to relevant activities without the consent of participants sharing the control right. Where the Company jointly controls and is entitled to net assets of the invested entity with other joint venture, the invested entity shall be the Company's joint venture company.

The term “significant influence” refers to the power to participate in making decisions on the financial and operating policies of the investee, but not to control or exert joint control together with other parties over the formulation of these policies. If the investor can exert significant influence on the invested entity, the invested entity shall be the joint operation company.

4. Impairment test method and method of making impairment provision

It is judged whether there are signs of possible impairment of assets on the balance sheet date. If there are signs of impairment, the Company may estimate the recoverable amount and conduct impairment test. The recoverable amount shall be determined as the higher of the following two values: the net amount of the fair value of the assets minus the disposal expenses; the present value of the expected future cash flow of the assets.

If the recoverable amount is lower than the book value of the long-term equity investments, provision for impairment shall be made. Once losses from impairment of long-term equity investments are recognized, it will not be reversed.

(XIII) Entrusted loans

The entrusted loan is initially booked by the amount of the actual entrusted loan, and interest is accrued on a regular basis, which is included in the profits or losses, that is, at the end of each accounting period, the interest receivable is accrued at the specified interest rate, and the book value of the entrusted loan is increased accordingly. If the accrued interest cannot be recovered after maturity, the accrual of interest shall be discontinued and the original accrued interest shall be offset.

At the end of the accounting period, a comprehensive inspection of the principal of the entrusted loan shall be carried out. If there are signs indicating that the principal of the entrusted loan is higher than the recoverable amount, the corresponding impairment provision shall be made and the provision for impairment shall be used to offset the investment return.

(XIV) Fixed assets

1、 Recognition of fixed assets

Fixed assets refer to the tangible assets held for product manufacturing, labor service provision, leasing or operation management, which have a useful life of more than one fiscal year. Fixed assets recognized if they meet the following conditions at the same time:

(1) The economic benefits related to fixed assets are likely to flow into the enterprise;

(2) The cost of fixed assets can be measured reliably.

2、 Classification and measurement of fixed assets

The Company's fixed assets include five categories, including houses and buildings, machinery & equipment, transportation equipment, Electronic equipment and others. Fixed assets are usually initially measured at actual cost. The entry value of fixed assets acquired by finance lease is the lower of the original book value of the leased asset and the present value of the minimum lease payment. The cost of abandonment of fixed assets shall be calculated according to the present value to determine the entry amount. In relation to follow-up and subsequent expenditures associated with fixed assets, where the economic benefits of the fixed assets possibly flowing into the company exceed the original estimation, these benefits shall be accounted into book value of the fixed assets, and the amount after the increase shall not exceed the recoverable amount of the fixed assets.

3、 Depreciation method of fixed assets

The Company extracts depreciation of fixed assets using straight-line method. Depreciation of fixed assets shall be made on the next month after the fixed assets reach the predefined purpose. In the case where the impairment preparation is not considered, according to the fixed asset category, expected useful life and residual value, the Company determines that the annual depreciation rate of various types of fixed departures is as follows:

| Category of fixed assets | Depreciation life (years) | Estimated salvage value rate (%) | Annual depreciation rate (%) |
|---|---|---|---|
| Houses and buildings | 8-50 | 5 | 1.90-11.88 |
| Machinery & equipment | 10-20 | 5 | 4.75-9.50 |
| Transportation equipment | 4-6 | 5 | 15.83-23.75 |
| Office equipment and others | 3-5 | 5 | 19.00-31.66 |

Fixed assets acquired under finance lease use the same depreciation policy as self-owned depreciated assets. If it can be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, depreciation shall be accrued within the useful life of the leased asset; if it cannot be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, depreciation is accrued in the shorter of the lease term and the useful period of the leased asset.

In relation to depreciation of fixed assets for which provision for impairment has been made, the depreciation rate and depreciation amount shall be recalculated according to the book value of the fixed asset and the remaining useful life.

4、 Impairment of fixed assets: On the balance sheet date, an impairment test is performed on fixed assets with signs of impairment. Where the impairment test indicates that the recoverable amount is lower than its book value, the provision for impairment shall be made based on the difference and included in impairment loss. The recoverable amount shall be determined as the higher of the following two values: the net amount of the fair value of the assets minus the disposal expenses; the present value of the expected future cash flow of the assets. Impairment provision of assets shall be calculated and recognized on the basis of single item asset. Where it is difficult to estimate the recoverable amount of single item asset, the Company shall determine the recoverable amount of the asset group on the basis of the asset group to which the asset belongs.

If it can be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, depreciation shall be accrued within the useful life of the leased asset; if it cannot be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, depreciation is accrued in the shorter of the lease term and the useful period of the leased asset.

5、 Idle fixed assets: When fixed assets are unable to serve the production of goods, labor service provision, rental or operating management services of the Company, the Company may include such assets in the idle fixed asset management, and the idle fixed assets shall be depreciated as fixed assets in use.

(XV) Construction in progress

1. Category of construction in progress

Construction in progress is classified and calculated in details in the name of project in progress.

2. Time point for construction in progress being transferred to fixed assets

All the expenses incurred before the construction in progress is ready for intended use shall be accounted as the entry value of the fixed assets. If the fixed assets (construction in progress) are ready for intended use, but their final accounting has not yet been completed, the same shall be transferred to the fixed asset from the date when the assets are ready for intended use and be accounted according to the value estimated in accordance with the project budget, cost or actual cost, etc., the cost of such project is determined according to the estimated value, and depreciation shall be made accordingly. After the final accounting upon completion has been done, the original provisional value shall be adjusted based on the actual cost, but the depreciation of the original amount shall not be adjusted.

3. Provision for impairment of construction in progress

The Company should conduct impairment test on the construction in progress on the balance sheet date. Where the impairment test indicates that the recoverable amount of the asset is lower than its book value, the provision for impairment shall be made based on the difference and included in impairment loss. The recoverable amount shall be determined as the higher of the following two values: the net amount of the fair value of the assets minus the disposal expenses; the present value of the expected future cash flow of the assets. Impairment provision of assets shall be calculated and recognized on the basis of single item asset. Where it is difficult to estimate the recoverable amount of single item asset, the Company shall determine the recoverable amount of the asset group on the basis of the asset group to which the asset belongs. The asset group is the smallest asset portfolio that can independently generate cash inflows.

Once the provision for impairment of construction in progress has been accrued, it shall not be reversed.

(XVI) Intangible assets

1、 Recognition conditions of intangible assets

An intangible asset refers to the identifiable non-monetary asset without physical substances that is owned or controlled by the Company. Intangible assets can only be recognized if they meet the following conditions at the same time:

(1) The economic benefits related to intangible assets are likely to flow into the enterprise;

(2) The cost of intangible assets can be measured reliably.

2、 Valuation method of intangible assets

An intangible asset of the Company should be measured initially at cost.

3、 Useful life and amortization of intangible assets

When the Company obtains intangible assets, it analyzes and judges the useful life. The useful life of intangible assets is limited. Where the number of years of the useful life or the number of similar measurement units that constitute the useful life are estimated; if it is impossible to predict the period of intangible assets that will bring economic benefits to the company, the intangible asset shall be regarded as the one with an uncertain useful life.

For intangible assets with a limited useful life, the amortized amount shall be amortized systematically and reasonably within the useful life. Intangible assets with uncertain useful life shall not be amortized.

4、 On the balance sheet date, the useful life and amortization method of intangible assets with limited service life shall be rechecked. If the service life and amortization method are different from the previous estimates, the amortization period and amortization method shall be changed. The useful life of intangible assets with uncertain useful life shall be reviewed. If there is evidence that the useful life of intangible assets is limited, it shall be amortized as intangible assets with limited useful life.

5、 Research and development expenditures

The expenditures for its internal research and development projects of the Company are classified into research expenditures and development expenditures.

Research expenditures refer to the expenditures incurred in the original, exploratory and planned investigations conducted by the Company to acquire and understand new scientific or technological knowledge. It aims at preparing data and related aspects for further development activities. Whether research activities will be transferred to development in the future and whether intangible assets will be formed after development are all uncertain.

Expenditure in the development stage refers to the expenditure incurred in applying research results or other knowledge to a certain plan or design before commercial production or use to produce new or substantially improved materials, devices, products, etc. Compared with the research phase, the development phase is the work belonging to the completed research phase, which to a large extent has the basic conditions for forming a new product or new technology.

The expenditure incurred in research stage of internal R&D projects should be included in the current profits or losses when it occurs; the expenditure incurred in development stage shall be recognized as intangible assets if all of the following conditions are met:

(1) It is technically feasible to complete the intangible assets so that they can be used or sold.

(2) It is intended to complete the intangible assets and use or sell them.

(3) The way that intangible assets generate economic benefits.

(4) There are sufficient technical, financial and other resource supports facilitating research and development of the intangible assets, and the Company is able to use or sell the intangible assets.

(5) The expenditure attributable to development stage of the intangible assets can be measured reliably.

6、 Intangible assets that show signs of impairment on the balance sheet date shall be tested for impairment. Where the impairment test indicates that the recoverable amount of the asset is lower than its book value, the provision for impairment shall be made based on the difference and included in impairment loss. The recoverable amount shall be determined as the higher of the following two values: the net amount of the fair value of the assets minus the disposal expenses; the present value of the expected future cash flow of the assets. Impairment provision of assets shall be calculated and recognized on the basis of single item asset. Where it is difficult to estimate the recoverable amount of single item asset, the Company shall determine the recoverable amount of the asset group on the basis of the asset group to which the asset belongs. The asset group is the smallest asset portfolio that can independently generate cash inflows.

(XVII) Long-term deferred expenses

Long-term deferred expenses refer to various expenses incurred but undertaken by the current period and future periods with the amortization term of more than one year. Long-term deferred expenses are accounted according to actual expenditures and amortized evenly during the project benefit period.

(XVIII) Employee compensation

Employee payroll refers to various forms of remuneration or compensation given by an enterprise for services rendered by an employee or for the termination of a labor contract. Employee compensation mainly includes short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

1. Short-term compensation

Actual short-term payroll of an employee is recognized as a liability and recognized in profits or losses in the accounting period in which the employee performs services for the Company, excluding those required or permitted by other accounting standards to be recognized in the cost of assets. Employee benefit expenses incurred by the Company shall be recognized in the current profits or losses or the cost of related assets upon occurrence based on the actual amount incurred. Employee benefit expenses shall be measured at fair values if they are non-monetary benefits. The social security contributions made by an enterprise for its employees to health care insurance, work-related injury insurance, maternity insurance and housing fund, as well as the labor union funds and employee education funds withdrawn in accordance with relevant regulations shall be calculated according to the specified bases and proportions over the accounting period in which the employees have provided services to the enterprise to determine the corresponding payroll amount, recognize corresponding liabilities and record such liabilities in the current profits or losses or the cost of related assets.

2. Post-employment benefits and termination benefits

The Company recognizes a liability for the amount to be contributed based on the defined contribution plan in the accounting period in which the employees provide services to the Company, and recognizes it in the current profits or losses or the cost of related assets. Benefit obligations arising from defined benefit plans are attributed to employees in the period in which they provide services in accordance with the formula determined by the expected accumulated benefit unit method and shall be recognized in the current profits or losses or to the cost of related assets.

When an enterprise provides termination benefits to an employee, it shall recognize a payroll liability arising from termination benefits at the earlier one of the following dates and recognize it in the current profits or losses: when an enterprise cannot unilaterally withdraw termination benefits provided as a result of a labor termination plan or a reduction proposal; or when an enterprise recognizes costs or expenses related to a restructuring involving the payment of termination benefits.

3. Other long-term employee benefits

Other long-term employee benefits provided by the Company to employees that comply with defined contribution plans should be treated in accordance with the provisions of such plans; in addition, a net liability or net asset for other long-term employee benefits should be recognized and measured in accordance with the relevant provisions of the defined benefit plans.

(XIX) Bonds payable

Bonds payable are booked on the basis of the amount actually received, and the bond interest expense is calculated based on the amortized cost and the actual interest rate on the balance sheet date. In the case of a small difference between the actual interest rate and the coupon rate, the coupon rate is used to determine the interest expense.

(XX) Borrowing costs

1. Principles for handling borrowing costs

If the borrowing costs incurred to the Company can be directly attributable to the acquisition, construction or production of assets meeting the capitalization conditions, they should be capitalized and included in the cost of relevant assets; other borrowing costs incurred thereafter should be recognized as expenses according to the amount incurred and included in the current profits or losses.

The assets eligible for capitalization refer to fixed assets, investment property, inventories and other assets which require a substantial period of time before the same is ready for its intended use or sale after the acquisition, construction or production activities.

2. Conditions of borrowing costs capitalization

(1) Asset expenditure has occurred, asset expenditures include expenditures in cash or by transfer of non-cash assets or interest-bearing liabilities that are used to purchase or build or produce assets that can be capitalized;

(2) Borrowing costs have incurred;

(3) The purchase, construction or production activities necessary for the asset to reach the intended usable or saleable state have begun.

If an asset that meets the capitalization conditions is abnormally interrupted during the acquisition, construction or production process, and the interruption lasts for more than 3 months, the capitalization of borrowing costs shall be suspended.

When the acquisition, construction or production of assets that meet the capitalization conditions reaches the intended usable or saleable state, the capitalization of borrowing costs shall cease.

3. Period of borrowing costs capitalization

Where borrowing costs incurred for the purchase, construction or production of assets that meet the capitalization conditions satisfy the above-mentioned capitalization conditions, those incurred before the asset reaches the expected usable or saleable state shall be included in the cost of the asset. Those incurred after it reached the usable or saleable state shall be directly included in the financial expenses in current period.

4. Calculation method of borrowing costs capitalization

The interest expense of special borrowing (deducting the interest income obtained by deposited unused borrowing funds in the bank or the investment return obtained by temporary investment) and its auxiliary expenses shall be capitalized before the purchased, constructed or produced assets meet the conditions of capitalization and are ready for use or sale.

The amount of interest of general borrowing shall be calculated and determined that should be capitalized according to the weighted average of the cumulative asset expenditures exceeding the portion of the special borrowings multiplied by the capitalization rate of the general borrowings. The capitalization rate shall be determined using the weighted average interest rate of general borrowings.

Where there is a discount or premium on borrowings, the amount of discount or premium that should be amortized in each accounting period shall be determined using the effective interest method, and the amount of interest in each period shall be adjusted.

(XXI) Estimated liabilities

(1) Recognition principle of estimated liabilities

The obligation pertinent to contingencies shall be recognized as a liability when the following conditions are satisfied simultaneously:

① The obligation is the current obligation undertaken by the Company;

② The performance of the obligation is likely to cause flow of the economic benefits out from the Company;

③The amount of the obligation can be measured reliably.

If the Company's loss-making contract and its restructuring obligations meet the above conditions, it shall be recognized as an estimated liability.

(2) Method for determining the best estimate of estimated liabilities

If the required expenditure is set in a range of amounts, the best estimate is determined by the average of the upper and lower limits of the range; if the required expenditure has no range of amounts, it is determined as follows:

① When the contingency involves a single project, the best estimate is determined by the amount that most likely occurs;

② When a contingency involves multiple items, the best estimate is calculated and determined according to various possible amounts and their probability of occurrence. If all or part of the expenses required to settle the confirmed liabilities are expected to be compensated by a third party or other parties, the compensation amount shall be separately recognized as an asset when it is basically certain that it can be received. The confirmed compensation amount does not exceed the book value of the recognized liability.

(XXII) Government subsidies

Government subsidies are classified into government subsidies pertinent to assets and government subsidies pertinent to income. Government subsidies related to assets refer to government subsidies obtained by enterprises for purchase and construction or to form long-term assets in other ways. Government subsidies related to income refer to government subsidies other than these related to assets.

Government subsidies can only be recognized if they meet the following conditions at the same time:

(1) The Company can meet the conditions required for the government subsidy;

(2) The Company can receive government subsidies.

If a government subsidy is a monetary asset, it should be measured at the amount received or receivable. If a government subsidy is a non-monetary asset, it should be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount.

Asset-related government subsidies should offset the book value of related assets or be recognized as deferred income. The government subsidies pertinent to assets should be recognized as deferred income, and included in profits and losses on installments within the useful life of relevant assets in a reasonable and systematic way. The government subsidy measured at its nominal amount shall be included in current profits and losses. If the relevant asset is sold, transferred, scrapped or damaged before the end of its useful life, the balance of the relevant deferred income that has not been distributed shall be transferred to the current profits or losses of asset disposal.

The government subsidies related to income shall be accounted for according to the following principles: ① If it is used to compensate the relevant costs or losses of the Company in the subsequent periods, it shall be recognized as deferred income, and the relevant costs or losses shall be recognized in the current profits or losses or offset the relevant costs during the period when the relevant costs or losses are recognized;② If it is used to compensate the related costs or losses incurred by the Company, it shall be directly included in the current profits or losses or offset the related costs.

With regard to the government subsidies pertinent to both assets and income, accounting treatment should be made to different parts respectively; if it is difficult to distinguish, such government subsidies should be classified as government subsidies pertinent to income.

Government subsidies pertinent to daily activities of the Company should, according to the nature of economic business, be included in other income or be offset against relevant costs or expenses. Government subsidies not pertinent to daily activities should be included in the non-operating income and expenditure.

(XXIII) Principles of income recognition

1、 Sales of goods

① General sales: The revenues from operating shall be recognized when the Company has transferred to the purchaser the significant risks and rewards of ownership of the goods; the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenues can be measured reliably; the relevant economic benefits are likely to flow into the Company; and the costs incurred or to be incurred can be measured reliably.

② Real estate sales: The income is recognized when the control of the product is transferred to the customer. Whether the control of the goods is transferred within a certain period of time or at a certain point in time depends on the terms of the contract and the legal provisions applicable to the contract. If the Company meets the following conditions, the control of the goods will be transferred within a certain period of time:

• The customer could acquire and consume the economic benefits at the time when the Company performs the contract; or

• The customer is able to control the commodities under construction when the Company is performing the contract; or

• The commodities produced in the course of the Company's performance of the contract are of irreplaceable use and the Company is entitled to receive payment for the cumulative portion of the completed part of the contract to date throughout the term of the contract. If the control of the goods is transferred within a certain period of time, the Company shall recognize income based on the progress of the completion of the performance obligations during the entire contract period. Otherwise, income is recognized at a certain point in time when the customer obtains control of the product.

On the reporting date, the Company recognizes income from sales contracts for which type of income has been recognized within a certain period of time based on the progress of completed performance obligations. The progress of the completed performance obligations is measured by the Company's expenditure or investment in completing the performance obligations, and the progress is calculated based on the proportion of the cost incurred by each contract as of the end of the reporting period in the budgeted cost.

2、 Labor service provision

Revenue from labor service provision shall be recognized using the percentage of completion method if the outcome of the service provision transaction can be reliably estimated on the balance sheet date.

3、 Transfer of rights to use assets

Where the economic benefits related to the transaction are likely to flow into the Company and the amount of income can be reliably measured, the Company shall determine the amount of income from the transfer of asset use rights under the following conditions:

(1) The amount of interest income shall be determined based on the timing of the use of the Company's monetary funds by others and the effective interest rate.

(2) The amount of royalty income shall be calculated and determined in accordance with the time and method of charging as agreed in the relevant contract or agreement.

(XXIV) Accounting treatment of income tax

The Company uses the balance sheet debt method for income tax accounting.

1. Recognition of deferred income tax assets

(1) The Company shall recognize the deferred income tax assets arising from deductible temporary differences to the extent of the amount of the taxable income that is probable to be obtained and can be deducted from the deductible temporary difference. However, deferred income tax assets arising from the initial recognition of assets or liabilities in transactions that also have the following characteristics shall be not recognized:

① The transaction is not a business combination;

② When the transaction occurs, neither accounting profits nor taxable income (or deductible losses) will be affected.

(2) The Company recognizes the corresponding deferred income tax assets for deductible temporary differences related to investments in subsidiaries, associates and joint ventures that meet the following conditions at the same time:

① Temporary differences are likely to reverse in the foreseeable future;

② In the future, it is likely to obtain taxable income used to offset temporary differences.

(3) As for any deductible loss or tax deduction that can be carried forward in future years, the Company shall recognize the corresponding deferred income tax assets to the extent of the amount of future taxable income that is probable to be obtained and can be deducted from the deductible loss or tax deduction.

2. Recognition of deferred income tax liabilities

Except for the deferred income tax liabilities arising from the following circumstances, the Company recognizes all deferred income tax liabilities arising from taxable temporary differences:

(1) Initial recognition of goodwill;

(2) The initial recognition of assets or liabilities arising from transactions that satisfy the following characteristics at the same time:

① The transaction is not a business combination;

② When the transaction occurs, neither accounting profits nor taxable income (or deductible losses) will be affected.

(3) The temporary taxable differences related to investments by the Company in subsidiaries, associates and joint ventures that meet the following conditions at the same time:

① The period that the invested entity can control the reversal of temporary differences;

② The temporary difference will probably not be reversed in the foreseeable future.

3. Measurement of income tax expenses

The Company includes current income tax and deferred income tax as income tax expense or income in current profits or losses, but does not include income tax arising from the following circumstances:

(1) Business combination

(2) Transactions or events directly recognized in the owner's equity.

(XXV) Lease

The Company's asset leases are classified into financing lease and operating leases, and leases other than financing lease are operating leases.

1. If a lease satisfies any of the following criteria, it is considered as a financing lease:

(1) Upon the expiration of the lease term, the ownership of the assets is transferred to the lessee;

(2) The lessee has the option to purchase the leased assets, and the agreed purchase price is expected to be far lower than the fair value of the leased assets at time of exercise of the option. It can be reasonably determined that the lessee will exercise such option on the lease commencement date;

(3) The lease term accounts for most of the useful life of the leased asset;

(4) With respect to the lessee, the present value of the minimum lease payment on the lease commencement date is almost equal to the fair value of the leased assets on the lease commencement date;

(5) The leased assets are special in nature, and are only usable by the lessee if they are not substantially modified.

2. Accounting treatment

(1) Financing lease (lessor):

On the lease commencement date, the difference between the sum of the receivable financing lease payment and the unsecured residual value and the sum of their present values is recognized as the unrealized financing income, which will be calculated and recognized as the lease income in the effective interest method for each future period for which the rent is received. The initial direct expenses incurred are included in the initial measurement of financing lease receivables, and offset the lease income recognized during the lease term when the lease income for each period is recognized during the lease term.

In case that the unsecured residual value decreases and the unsecured residual value of the recognized loss is restored, the rental internal rate of return shall be recalculated, the net rental investment shall be revised, and the rental income shall be calculated and determined on the basis of the revised net rental investment and recalculated rental internal rate of return.

The effective interest method is used to calculate the financing income that should be recognized for the current period. Contingent rent is recognized as current income when it is actually received.

(2) Operating lease (lessor):

Rents are recognized as income for each period of the lease term in the straight-line method.

The initial direct expenses incurred shall be recognized as current expenses. For the fixed assets of the operating lease assets, the depreciation policy adopted in connection with such fixed assets is adopted for depreciation. Other operating lease assets shall be amortized according to the corresponding amortization system for such assets.

Contingent rent is recognized as current income when it is actually received.

(XXVI) Held-for-sale

The Company classifies the non-current assets or disposal groups that meet the following conditions as held-for-sale: I. According to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under the current situation; II. The sale is very likely to occur, i.e., the enterprise has made a resolution on a sale plan and obtained a confirmed purchase commitment, and the sale is expected to be completed within one year. If the relevant provisions require the approval of the relevant authority or regulatory authority of the enterprise before such assets or disposal groups can be sold, such approval shall have been approved.

If the carrying amount of non-current assets or disposal groups held for sale is higher than the net amount of fair value minus sales expenses when the initial measurement or re-measurement is made on the balance sheet date, the carrying amount shall be written down to the net amount of fair value minus sales expenses, and the written-down amount shall be recognized as asset impairment loss and included in the current profits or losses, and the impairment provision for assets held for sale shall be accrued at the same time.

Non-current assets held for sale or assets in disposal group held for sale in the balance sheet are presented as assets held for sale, and liabilities in disposal group held for sale are presented as liabilities held for sale.

(XXVII) Discontinued operation

Discontinued operation is a separately distinguishable component that meets one of the following conditions, and this component has been disposed of by the Company or classified as held for sale by the Company:

1. This component represents an independent main business or a separate main business area;

2. This component is part of an associated plan to dispose of an independent main business or a separate main business area;

3. This component is a subsidiary specially acquired for resale.

**V. Changes in Significant Accounting Policies and Accounting Estimates**

(I) Changes in accounting policies

There is no change in significant accounting policy in the current period.

(II) Changes in accounting estimates

The accounting estimate made by the Company with respect to the depreciation period of houses and buildings for the current period is changed from 8-40 years to 8-50 years, and the involved capital is the dispatching command center building whose assets are converted into fixed assets in the current period, which has no impact on the opening amount in the statement.

(III) Correction of significant prior period error

There is no significant prior period error correction in the current period.

**VI. Taxes**

(I) Main types of taxes and rate

| Category of tax | Tax rate |
|---|---|
| Value-added tax | 6%、9%、13% |
| Urban maintenance and construction tax | 7% |
| Education surcharge | 3% |
| Local education surcharge | 2% |
| Corporate income tax | 25% |
| Stamp duty | 0.03%、0.05%、0.1% |

(II) Tax incentives and approvals

According to the *Notice of Henan Local Taxation Bureau on Local Railway System Enterprise Property Tax and Urban Land Use Tax* (Y. D. S. H. (2006) No.366), the Company is eligible for the tax exemption, therefore, the self-use property is exempt from property tax and the land use right is exempt from land use tax. Apart from the above tax reduction and exemption, the Company has no other preferential tax policies during the current period.

**VII. Notes to Items in the Consolidated Financial Statements**

Unless otherwise specified, the period begins on December 31, 2020, the period ends on June 30, 2021, the current year refers to January to June 2021, and the prior year refers to January to June 2020.

**1. Monetary Capital**

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Cash on hand | 151,278.88 | 316,404.40 |
| Bank deposit | 3,130,301,893.51 | 3,130,301,893.51 |
| Total | 3,130,453,172.39 | 3,500,525,679.91 |

Details of restricted monetary capital are as follows:

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Frozen certificates of deposit | 81,455,698.90 | 81,455,698.90 |
| Total | 81,455,698.90 | 81,455,698.90 |

On June 30, 2021, the Company applied to Zhengzhou Intermediate People's Court of Henan

Province for lifting the above-mentioned frozen certificates of deposit, and the application was approved on July 5 in the approval 2021 (2017) Yu 01 Min Chu No.4218-1 issued by Zhengzhou Intermediate People's Court of Henan Province, and the certificates of deposit was lifted as of the date of the report.

**2. Trading Financial Assets**

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Financial assets measured at fair value through current profits or losses | | |
| Including: Equity instrument investments | 230,058,386.05 | 331,624,203.30 |
| Total | 230,058,386.05 | 331,624,203.30 |

**3. Accounts Receivable**

(1) Accounts receivable

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Accounts receivable balance | 366,385,193.33 | 344,813,117.16 |
| Less: Bad-debt provision | 87,248.94 | 177,112.91 |
| Total | 366,297,944.39 | 344,636,004.25 |

(2) Large closing balances of accounts receivable on the debtors

| Entity name | Nature of the amount | June 30, 2021 | Aging | Proportion of total closing balance of accounts receivables (%) |
|---|---|---|---|---|
| Zhumadian Finance Bureau | Land development receivable | 196,416,050.54 | 1-2 years, 2-3 years, 3-4 years, 4-5years, more than 5 years | 53.61 |
| Antang Xincheng Administrative Committee | Income from primary land development | 146,609,251.07 | 2-3 years, 3-4 years, 4-5years, more than 5 years | 40.02 |
| Henan Zhongping Energy Supply Chain Management Co., Ltd. | Loan | 20,195,619.19 | Within 1 year | 5.51 |
| Total | / | 363,220,920.80 | / | 99.14 |

**4. Advance Payment**

(1) Advance payment

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Advance payment balance | 1,058,799,925.51 | 753,593,395.68 |
| Total | 1,058,799,925.51 | 753,593,395.68 |

(2) Top five closing balances of advance payments on the debtors

| Entity name | Nature of the amount | June 30, 2021 | Aging | Proportion of total closing balance of advance payments (%) |
|---|---|---|---|---|
| Zhengzhou South Station Engineering Construction Command Headquarters of China Railway Zhengzhou Group Co., Ltd. | Project payable | 400,000,000.00 | Within 1 year | 37.78 |
| Zhengzhou Municipal Bureau of Land and Resources | Early land requisition fee | 170,000,000.00 | 2-3 years, more than 3 years | 16.06 |
| Administrative Committee of Kaifeng Urban-Rural Integration Demonstration Area | Land advance payment | 80,000,000.00 | More than 3 years | 7.56 |
| Antang Xincheng Administrative Committee | Land transfer fee | 75,000,000.00 | More than 3 years | 7.08 |
| Kaifeng Jinming District Finance Bureau | Land transfer fee | 60,000,000.00 | More than 3 years | 5.67 |
| Total | / | 785,000,000.00 | / | 74.15 |

**5. Other Receivables**

(1) Presentation of other receivables

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Other receivables | 4,395,289,329.39 | 4,585,058,885.46 |
| Dividends receivable | - | - |
| Interests receivable | 131,773,712.35 | 111,771,814.80 |
| Total | 4,527,063,041.74 | 4,696,830,700.26 |

(2) Top five closing balances of other receivables on the debtors

| Entity name | Nature of the amount | June 30, 2021 | Aging | Proportion of total closing balance of other receivables (%) |
|---|---|---|---|---|

| Entity name | Nature of the amount | June 30, 2021 | Aging | Proportion of total closing balance of other receivables (%) |
|---|---|---|---|---|
| Nanyang Municipal People's Government | Borrowings | 731,860,000.00 | More than 5 years | 16.65 |
| Zhumadian Municipal People's Government | Development fund advance | 544,771,544.03 | Within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5years, more than 5 years | 12.39 |
| Zhoukou Municipal People's Government | Borrowings | 447,778,414.00 | 3-4 years, more than 5 years | 10.19 |
| Shangqiu Provincial People's Government | Borrowings | 397,000,000.00 | 3-4 years, more than 5 years | 9.03 |
| Xuchang Provincial People’s Government | Borrowings | 371,410,000.00 | 3-4 years, more than 5 years | 8.45 |
| Total | / | 2,492,819,958.03 | / | 56.71 |

**6. Inventories**

| Item | June 30, 2021 | | |
|---|---|---|---|
| | Book balance | Provision for depreciation | Book value |
| Finished goods | 8,343,885.21 | - | 8,343,885.21 |
| Raw materials | 3,042,826.73 | - | 3,042,826.73 |
| Development cost | 1,508,583,562.91 | - | 1,508,583,562.91 |
| Total | 1,519,970,274.85 | - | 1,519,970,274.85 |

(Continued)

| Item | December 31, 2020 | | |
|---|---|---|---|
| | Book balance | Provision for depreciation | Book value |
| Raw materials | 2,795,970.72 | - | 2,795,970.72 |
| Development cost | 1,047,001,681.52 | - | 1,047,001,681.52 |
| Total | 1,049,797,652.24 | - | 1,049,797,652.24 |

**7. Other Current Assets**

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Prepaid tax | 65,192,698.81 | 64,255,759.98 |

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Input VAT to be deducted | 416,460,871.21 | 373,563,340.93 |
| Preparatory Group for Intercity Railway | 1,618,000.00 | 1,618,000.00 |
| Total | 483,271,570.02 | 439,437,100.91 |

**8. Other Equity Instrument Investments**

(1) Available-for-sale equity instruments

| Item | June 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Book balance | Provision for impairment | Book value | Book balance | Provision for impairment | Book value |
| Available-for-sale equity instruments | - | - | - | - | - | - |
| Including: Measured at fair value | - | - | - | - | - | - |
| Measured at cost | 47,598,296,835.90 | - | 47,598,296,835.90 | 46,807,896,835.90 | - | 46,807,896,835.90 |
| Total | 47,598,296,835.90 | - | 47,598,296,835.90 | 46,807,896,835.90 | - | 46,807,896,835.90 |

（2）Details of available-for-sale equity instruments measured at cost at the end of the period

| Investee | Book balance | | | | Provision for impairment | | | |
|---|---|---|---|---|---|---|---|---|
| | December 31, 2020 | Increase in current year | Decrease in current year | June 30, 2021 | December 31, 2020 | Increase in current year | Decrease in current year | June 30, 2021 |
| Haolebaoji-Ji'an Raiway Co., Ltd. | 2,194,480,000.00 | - | - | 2,194,480,000.00 | - | - | - | - |
| Beijing-Guangzhou High-Speed Railway Henan Co., Ltd. | 4,543,710,000.00 | - | - | 4,543,710,000.00 | - | - | - | - |
| Zhengzhou-Chongqing High-speed Railway Henan Co., Ltd. | 6,750,000,000.00 | - | - | 6,750,000,000.00 | - | - | - | - |
| Zhengxi Railway Passenger Dedicated Line Co., Ltd. | 2,051,390,000.00 | - | - | 2,051,390,000.00 | - | - | - | - |
| Jin-Yu-Lu Railway Passage Co., Ltd. | 1,874,459,025.10 | - | - | 1,874,459,025.10 | - | - | - | - |
| China Pingmei Shenma Energy & Chemical Group Co. Ltd. | 387,735,000.00 | - | - | 387,735,000.00 | - | - | - | - |

| Investee | Book balance | | | | Provision for impairment | | | |
|---|---|---|---|---|---|---|---|---|
| | December 31, 2020 | Increase in current year | Decrease in current year | June 30, 2021 | December 31, 2020 | Increase in current year | Decrease in current year | June 30, 2021 |
| Zhengzhou Coal Industry (Group) Co., Ltd. | 343,481,500.00 | - | - | 343,481,500.00 | - | - | - | - |
| Zhengxi Railway Passenger Dedicated Line Co., Ltd.-(Zhengzhou-Xuzhou Railway) | 3,780,000,000.00 | - | - | 3,780,000,000.00 | - | - | - | - |
| Luohe-Fuyang Railway Co., Ltd. | 753,570,000.00 | - | - | 753,570,000.00 | - | - | - | - |
| Mengping Railway | 234,180,000.00 | - | - | 234,180,000.00 | - | - | - | - |
| Yima Coal Industry Group Co. Ltd. | 223,565,959.00 | - | - | 223,565,959.00 | - | - | - | - |
| Zhengzhou-Chongqing High-speed Railway Henan Co., Ltd.-(Zhengzhou-Hefei Railway) | 6,500,000,000.00 | - | - | 6,500,000,000.00 | - | - | - | - |
| Zhengxi Railway Passenger Dedicated Line Co., Ltd.-(Shangqiu-Hefei-Hangzhou Railway) | 2,152,000,000.00 | - | - | 2,152,000,000.00 | - | - | - | - |
| Henan Intercity Railway Co., Ltd.-(Zhengzhou-Jinan Railway) | 12,651,604,620.00 | 425,400,000.00 | - | 13,077,004,620.00 | - | - | - | - |
| Henan Railway Group Co., Ltd. | 677,378,568.16 | - | - | 677,378,568.16 | - | - | - | - |
| Henan Intercity Railway Co., Ltd.-(Zhengzhou-Taiyuan Railway) | 1,605,948,589.91 | - | - | 1,605,948,589.91 | - | - | - | - |
| Henan Intercity Railway Co., Ltd.-(Heze-Lankao) | 50,000,000.00 | 365,000,000.00 | - | 415,000,000.00 | - | - | - | - |
| Zhengzhou Xiliuhu Holding Co., Ltd. | 34,393,573.73 | - | - | 34,393,573.73 | - | - | - | - |
| Total | 46,807,896,835.90 | 790,400,000.00 | - | 47,598,296,835.90 | - | - | - | - |

## 9、Debt Investment

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Hebi Coal Industry (Group) Co., Ltd | 250,000,000.00 | - |
| Total | 250,000,000.00 | - |

## 10、Long-term Receivables

| Item | June 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Book balance | Bad-debt provision | Book value | Book balance | Bad-debt provision | Book value |
| China Railway Zhengzhou Group Co., Ltd. | 1,334,105,600.00 | - | 1,334,105,600.00 | 1,334,105,600.00 | - | 1,334,105,600.00 |
| China Railway Wuhan Group Co., Ltd. | 580,840,000.00 | - | 580,840,000.00 | 580,840,000.00 | - | 580,840,000.00 |
| Henan Natural Resources Investment Group Co., Ltd. | 1,000,000,000.00 | - | 1,000,000,000.00 | 1,000,000,000.00 | - | 1,000,000,000.00 |
| Total | 2,914,945,600.00 | - | 2,914,945,600.00 | 2,914,945,600.00 | - | 2,914,945,600.00 |

## 11、Long-term Equity Investments

| Investee | December 31, 2020 | Increase or decrease in January to June, 2021 | | | | June 30, 2021 |
|---|---|---|---|---|---|---|
| | | Additional investment | Reduced investment | Investment profits and losses recognized under equity method | Others | |
| Central China Futures Co., Ltd. | 178,302,998.87 | - | - | - | - | 178,302,998.87 |
| Henan Zhengzhou-Luoyang Intercity Railway Co., Ltd. | 20,000,000.00 | - | - | - | - | 20,000,000.00 |
| Henan Intercity Railway Co., Ltd. | 5,777,290,360.00 | - | - | - | - | 5,777,290,360.00 |
| Henan Province Qixinbao Fund (Limited Partnership) | - | 200,000,000.00 | - | - | - | 200,000,000.00 |
| Total | 5,975,593,358.87 | 200,000,000.00 | - | - | - | 6,175,593,358.87 |

## 12、Fixed Assets

| Item | Houses and buildings | Machinery & equipment | Transportation equipment | Electronic equipment and others | Total |
|---|---|---|---|---|---|
| I. Original book value: | | | | | |
| 1.December 31, 2020 | 877,189,419.47 | 37,796,898.93 | 28,298,121.32 | 10,610,485.60 | 953,894,925.32 |

| Item | Houses and buildings | Machinery & equipment | Transportation equipment | Electronic equipment and others | Total |
|---|---|---|---|---|---|
| 2. Increase in current year | 988,916,637.41 | | 1,065,119.63 | 7,061,569.73 | 997,043,326.77 |
| (1) Purchase | | | 1,065,119.63 | 7,061,569.73 | 8,126,689.36 |
| (2) Increase from combination | | | | | |
| (3) Transfer from construction in progress | 988,916,637.41 | | | | 988,916,637.41 |
| 3. Decrease in current year | | | | | |
| (1) Disposal or scrapping | | | | | |
| (2) Others | | | | | |
| 4.June 30, 2021 | 1,866,106,056.88 | 37,796,898.93 | 29,363,240.95 | 17,672,055.33 | 1,950,938,252.09 |
| II. Accumulated depreciation | | | | | |
| 1.December 31, 2020 | 380,537,569.30 | 34,130,932.81 | 23,680,678.33 | 7,843,010.48 | 446,192,190.92 |
| 2. Increase in current year | 15,090,559.40 | 550,005.47 | 491,733.58 | 607,853.82 | 16,740,152.27 |
| (1) Provision | 15,090,559.40 | 550,005.47 | 491,733.58 | 607,853.82 | 16,740,152.27 |
| (2) Increase from combination | | | | | |
| 3. Decrease in current year | | | | | |
| (1) Disposal or scrapping | | | | | |
| (2) Others | | | | | |
| 4.June 30, 2021 | 395,628,128.70 | 34,680,938.28 | 24,172,411.91 | 8,450,864.30 | 462,932,343.19 |
| III. Provision for impairment | | | | | |
| 1.December 31, 2020 | - | - | - | - | - |
| 2. Increase in current year | - | - | - | - | - |
| (1) Provision | - | - | - | - | - |
| 3. Decrease in current year | - | - | - | - | - |
| (1) Disposal or scrapping | - | - | - | - | - |
| 4.June 30, 2021 | - | - | - | - | - |
| IV. Book value | | | | | |
| 1.June 30, 2021Book value | 1,470,477,928.18 | 3,115,960.65 | 5,190,829.05 | 9,221,191.03 | 1,488,005,908.90 |
| 2.June 30, 2021Book value | 496,651,850.17 | 3,665,966.12 | 4,617,442.99 | 2,767,475.12 | 507,702,734.40 |

**13、Construction in Progress**

| Item | June 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Book balance | Provision for impairment | Book value | Book balance | Provision for impairment | Book value |
| Henan Intercity Railway Integrated Command Center Project | - | - | - | 971,852,656.83 | - | 971,852,656.83 |
| Xinzheng Airport to Zhengzhou South Railway Station Project | 3,576,394,636.15 | - | 3,576,394,636.15 | 3,462,325,617.14 | - | 3,462,325,617.14 |
| Zhengzhou-Kaifeng Extension Line | 442,874,074.27 | - | 442,874,074.27 | 443,512,614.21 | - | 443,512,614.21 |
| Zhengzhou South Station Intercity Railway EMU Base | 141,509.43 | - | 141,509.43 | 141,509.43 | - | 141,509.43 |
| Emergency Engineering of Zhengzhou South Railway Station | 539,682,590.15 | - | 539,682,590.15 | 287,320,271.94 | - | 287,320,271.94 |
| Zhengzhou South Station Intercity Railway Base | 51,179,805.54 | - | 51,179,805.54 | | | |
| Total | 4,610,272,615.54 | - | 4,610,272,615.54 | 5,165,152,669.55 | - | 5,165,152,669.55 |

Note: Capitalization in current year

| Item | December 31, 2020 | Increase in current year | Decrease in current year | June 30, 2021 |
|---|---|---|---|---|
| Xinzheng Airport to Zhengzhou South Railway Station | 40,310,636.06 | 71,828,112.85 | | 112,138,748.91 |
| Dispatching command center | 385,502,825.56 | - | 385,502,825.56 | - |
| Total | 425,813,461.62 | 71,828,112.85 | 385,502,825.56 | 112,138,748.91 |

### 14、Intangible Assets

| Item | Land use right | Software | Others | Total |
|---|---|---|---|---|
| I. Original book value | | | | |
| 1. December 31, 2020 | 124,968,366.91 | 439,474.77 | 759,506.19 | 126,167,347.87 |
| 2. Increase in current year | - | 817,565.17 | - | 817,565.17 |
| (1) Purchase | - | 817,565.17 | - | 817,565.17 |

| Item | Land use right | Software | Others | Total |
|---|---|---|---|---|
| (2) Government allocating | - | - | - | - |
| 3. Decrease in current year | - | - | - | - |
| (1) Disposal | - | - | - | - |
| 4. June 30, 2021 | 124,968,366.91 | 1,257,039.94 | 759,506.19 | 126,984,913.04 |
| II. Accumulated amortization | | | | |
| 1. December 31, 2020 | 16,871,601.51 | 384,923.49 | 759,506.19 | 18,016,031.19 |
| 2. Increase in current year | 1,166,863.08 | 65,951.29 | | 1,232,814.37 |
| (1) Provision | 1,166,863.08 | 65,951.29 | | 1,232,814.37 |
| 3. Decrease in current year | - | - | - | - |
| (1) Disposal | - | - | - | - |
| 4. June 30, 2021 | 18,038,464.59 | 450,874.78 | 759,506.19 | 19,248,845.56 |
| III. Provision for impairment | | | | |
| 1. December 31, 2020 | - | - | - | - |
| 2. Increase in current year | - | - | - | - |
| (1) Provision | - | - | - | - |
| 3. Decrease in current year | - | - | - | - |
| (1) Disposal | - | - | - | - |
| 4. June 30, 2021 | - | - | - | - |
| IV. Book value | | | | |
| 1. Book value on June 30, 2021 | 106,929,902.32 | 806,165.16 | - | 107,736,067.48 |
| 2. Book value on December 31, 2020 | 108,096,765.40 | 54,551.28 | - | 108,151,316.68 |

### 15、Long-term Deferred Expenses

| Item | December 31, 2020 | 2. Increase in current year | Amortization in current year | June 30, 2021 |
|---|---|---|---|---|
| Bond underwriting fee | 2,625,000.06 | | 214,285.69 | 2,410,714.37 |
| Financing lease service fee | 7,560,000.00 | | 1,260,000.00 | 6,300,000.00 |
| Wande terminal service fee | 39,307.96 | | 19,654.02 | 19,653.94 |
| Housing rental fee | 516,720.32 | | 153,355.77 | 363,364.55 |
| Total | 10,741,028.34 | | 1,647,295.48 | 9,093,732.86 |

**16、Other Non-current Assets**

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Treasury bond funds of Henan local railway bureau | 503,718,566.01 | 503,685,125.60 |
| Advance payment for equity purchase | 600,000,000.00 | - |
| Total | 1,103,718,566.01 | 503,685,125.60 |

**17、Short-term Borrowings**

(1) Classification

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Credit borrowings | 500,000,000.00 | - |
| Total | 500,000,000.00 | - |

(2) Details of credit loan as of June 30, 2021

| Lender | Loan bank | Balance of borrowings |
|---|---|---|
| Henan Railway Investment Co., Ltd. | Zhongyuan Bank Co., Ltd. | 500,000,000.00 |
| Total | / | 500,000,000.00 |

**18、Accounts Payable**

(1) Analysis of account payable ages

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Within 1 year | 30,604,783.79 | 43,111,506.15 |
| 1-2 years | 5,763,308.98 | 5,763,308.98 |
| 2-3 years | 1,273,790.86 | 1,273,790.86 |
| More than 3 years | 5,672,330.98 | 9,741,660.10 |
| Total | 43,314,214.61 | 59,890,266.09 |

(2) Top five balances of accounts payable as of June 30, 2021

| Creditor name | Amount | Aging | Proportion of accounts payable (%) | Contents of the amount |
|---|---|---|---|---|
| Shenzhen Jianyi Decoration Group Co., Ltd. | 20,334,846.41 | Within 1 year, 1-2 years | 46.95 | Project payable |
| Henan Yuhong Construction Engineering Co., Ltd. | 3,292,655.89 | Within 1 year | 7.60 | Project payable |

| Creditor name | Amount | Aging | Proportion of accounts payable (%) | Contents of the amount |
|---|---|---|---|---|
| Zhongzhou Construction Co., Ltd. | 3,190,604.94 | Within 1 year | 7.37 | Project payable |
| Group LLC of Henan Province The First Construction Work Co., Ltd | 2,012,800.00 | Within 1 year | 4.65 | Project payable |
| Henan Hongxin Construction Engineering Co., Ltd. | 1,873,561.94 | Within 1 year | 4.33 | Project payable |
| Total | 30,704,469.18 | / | 70.90 | / |

**19、Advances from Customers**

(1) Advances from customers

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Within 1 year | 115,214,956.79 | 6,662,208.98 |
| 1-2 years | 513,711.28 | 513,711.28 |
| 2-3 years | 130,043.00 | 130,043.00 |
| More than 3 years | 1,289,023.00 | 1,289,023.00 |
| Total | 117,147,734.07 | 8,594,986.26 |

(2) Top five balances of advances from customers as of June 30, 2021

| Creditor name | Amount | Aging | Proportion of advances from customers (%) | Contents of the amount |
|---|---|---|---|---|
| Wuhan Fengcheng Xingsheng Environmental Protection Technology Co., Ltd. | 3,240,000.00 | Within 1 year | 2.77 | Loan |
| Henan Jinyang Mining Co., Ltd. | 3,029,800.00 | Within 1 year | 2.59 | Freight |
| Jiangxi Dexin Energy Co., Ltd. | 1,331,714.00 | Within 1 year | 1.14 | Freight |
| Pingyang Jinshijie Coal Sales Co., Ltd. | 647,207.26 | Within 1 year | 0.55 | Freight |
| Henan Xinliu Trading Co., Ltd. | 537,640.00 | Within 1 year | 0.46 | Freight |
| Total | 8,786,361.26 | / | 7.51 | / |

**20、Contract Liabilities**

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Sales proceeds received in advance | 746,777,382.68 | 570,187,587.68 |
| Total | 746,777,382.68 | 570,187,587.68 |

**21、Employee Compensation Payable**

(1) Employee compensation payable

| Item | December 31, 2020 | Increase in current year | Decrease in current year | June 30, 2021 |
|---|---|---|---|---|
| I. Short-term compensation | 19,396,216.92 | 30,735,824.73 | 32,735,684.30 | 17,396,357.35 |
| II. Post-employment benefits - defined contribution plans | 1,549.45 | 2,284,798.12 | 2,252,330.29 | 34,017.28 |
| III. Termination benefits | - | - | - | - |
| IV. Other benefits due within one year | - | - | - | - |
| Total | 19,397,766.37 | 33,020,622.85 | 34,988,014.59 | 17,430,374.63 |

(2) Short-term compensation

| Item | December 31, 2020 | Increase in current year | Decrease in current year | June 30, 2021 |
|---|---|---|---|---|
| 1. Salaries, bonuses, allowances and subsidies | 13,768,437.96 | 23,714,094.79 | 26,075,563.85 | 11,406,968.90 |
| 2. Employee welfare | 141,267.00 | 1,482,573.28 | 1,619,141.79 | 4,698.49 |
| 3. Social insurance | 4,927.92 | 2,230,171.44 | 2,068,515.97 | 166,583.39 |
| Including: Medical insurance | 4,927.92 | 2,116,551.56 | 1,955,416.30 | 166,063.18 |
| Work injury insurance | - | 40,981.28 | 40,567.67 | 413.61 |
| Maternity insurance | - | 72,638.60 | 72,532.00 | 106.60 |
| 4. Housing accumulation fund | 7,390.00 | 1,932,160.00 | 1,952,634.00 | -13,084.00 |
| 5. Labor union funds and employee education funds | 5,474,194.04 | 1,376,825.22 | 1,019,828.69 | 5,831,190.57 |
| 6. Short-term paid leave | - | - | - | - |
| Total | 19,396,216.92 | 30,735,824.73 | 32,735,684.30 | 17,396,357.35 |

（3）Defined contribution plan

| Item | December 31, 2020 | Increase in current year | Decrease in current year | June 30, 2021 |
|---|---|---|---|---|
| 1. Basic endowment insurance | 1,232.00 | 2,167,068.58 | 2,137,368.34 | 30,932.24 |
| 2. Unemployment insurance | 317.45 | 114,283.44 | 112,658.17 | 1,942.72 |
| 3. Enterprise annuity contribution | - | 3,446.10 | 2,303.78 | 1,142.32 |
| Total | 1,549.45 | 2,284,798.12 | 2,252,330.29 | 34,017.28 |

**22、Taxes and Fees Payable**

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Corporate income tax | 294,337.21 | 1,828,452.14 |
| Value-added tax | 15,135.20 | 2,395,193.88 |

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Urban maintenance and construction tax | 11,384.38 | 31,533.43 |
| Education surcharge | 4,879.02 | 13,514.33 |
| Local education surcharge | 3,252.68 | 9,009.55 |
| Stamp duty | 204,881.61 | 152,984.93 |
| Urban land use tax | 127,303.46 | 527,050.84 |
| Individual income tax | 112,106.73 | 337,058.40 |
| Water resource tax | 179.10 | 389.70 |
| Environmental protection tax | 4,410.00 | 4,410.00 |
| Total | 777,869.39 | 5,299,597.20 |

### 23、Other Payables

(1) Classification of other payables

| Category | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Other payables | 741,266,547.15 | 381,315,257.71 |
| Dividends payable | - | - |
| Interests payable | 228,294,822.28 | 113,527,384.57 |
| Total | 969,561,369.43 | 494,842,642.28 |

(2) Other analysis of payable ages

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Within 1 year | 465,134,997.16 | 169,891,396.24 |
| 1-2 years | 163,070,293.21 | 88,616,841.57 |
| 2-3 years | 41,944,122.55 | 90,473,866.74 |
| More than 3 years | 71,117,134.23 | 32,333,153.16 |
| Total | 741,266,547.15 | 381,315,257.71 |

(3) Top five balances of other payables as of June 30, 2021

| Creditor name | Amount | Aging | Proportion of other payables (%) | Nature of the amount |
|---|---|---|---|---|
| Henan Intercity Railway Co., Ltd. | 240,000,000.00 | Within 1 year | 35.04 | Operating subsidy |
| China Railway 16th Bureau Group Co., Ltd. | 37,422,632.00 | Within 1 year, 1-2 years, 2-3 years | 5.46 | Project payable |

| | | | | |
|---|---|---|---|---|
| Preparatory Group for Zhengzhou Intercity Railway | 11,000,000.00 | More than 3 years | 1.61 | Project-related cost of preparatory group |
| Zhumadian Finance Bureau | 8,153,500.00 | Within 1 year | 1.19 | Project payable |
| China Railway Electrification Bureau Group Co., Ltd. | 2,009,301.00 | Within 1 year | 0.29 | Project payable |
| Total | 298,585,433.00 | / | 43.59 | / |

### 24、Non-current Liabilities Due within One Year

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Long-term borrowings due within one year | 194,500,000.00 | 853,000,000.00 |
| Long-term payables due within one year | 178,349,790.78 | 224,089,064.62 |
| Total | 372,849,790.78 | 1,077,089,064.62 |

Breakdown of borrowing:

| Lender | Loan bank | Balance of borrowings |
|---|---|---|
| Henan Railway Investment Co., Ltd. | Henan Branch of China Development Bank | 194,500,000.00 |
| Henan Railway Investment Co., Ltd. | Henan Investment Group Co., Ltd. | 130,000,000.00 |
| Henan Railway Investment Co., Ltd. | Ping An Asset Management Co., Ltd. | 48,349,790.78 |
| Total | / | 372,849,790.78 |

### 25、Long-term Borrowings

(1) Classification of long-term borrowings

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Credit borrowings | 11,529,500,000.00 | 10,398,500,000.00 |
| Total | 11,529,500,000.00 | 10,398,500,000.00 |

(2) Details of credit loan as of June 30, 2021

| Lender | Loan bank | Balance of borrowings |
|---|---|---|
| Henan Railway Investment Co., Ltd. | Henan Branch of China Development Bank | 6,477,500,000.00 |
| Henan Railway Investment Co., Ltd. | Ping An Asset Management Co., Ltd. | 1,500,000,000.00 |
| Henan Railway Investment Co., Ltd. | Dajia Asset Management Co., Ltd. | 1,460,000,000.00 |
| Henan Zhengzhou Airport Intercity Railway Co., Ltd. | Zhengzhou Airport Branch of Agricultural Bank of China | 500,000,000.00 |

| Lender | Loan bank | Balance of borrowings |
| --- | --- | --- |
| Henan Zhengzhou Airport Intercity Railway Co., Ltd. | Zhengzhou Culture Branch of Bank of China | 750,000,000.00 |
| Henan Zhengzhou Airport Intercity Railway Co., Ltd. | Tuha Branch of Kunlun Bank Co., Ltd. | 300,000,000.00 |
| Henan Zhengzhou Airport Intercity Railway Co., Ltd. | Zhengzhou Branch of Shanghai Pudong Development Bank Co., Ltd. | 400,000,000.00 |
| Henan Zhengzhou Airport Intercity Railway Co., Ltd. | Zhengzhou Branch of Zhongyuan Bank Co., Ltd. | 10,000,000.00 |
| Henan Zhengzhou Airport Intercity Railway Co., Ltd. | Zhengzhou Weier Road Branch of China Everbright Bank Co., Ltd. | 132,000,000.00 |
| Total | / | 11,529,500,000.00 |

## 26、Bonds Payable

(1) Bonds payable

| Item | June 30, 2021 | December 31, 2020 |
| --- | --- | --- |
| 12 Yu Tie Tou Zhai | 2,795,149,000.00 | 2,795,149,000.00 |
| 14 Yu Tie Tou MTN001 | 1,473,750,000.00 | 1,473,750,000.00 |
| 19 Yu Tie Tou Zhai I | 1,500,000,000.00 | 1,500,000,000.00 |
| 20 Yu Tie 01 | 1,500,000,000.00 | 1,500,000,000.00 |
| Total | 7,268,899,000.00 | 7,268,899,000.00 |

(2) Increase or decrease in bonds payable

| Bond name | Par value | Issue date | Bond term | Amount issued | December 31, 2020 |
| --- | --- | --- | --- | --- | --- |
| 12 Yu Tie Tou Zhai | 2,800,000,000.00 | 2012-11-19 | 10 years | 2,800,000,000.00 | 2,795,149,000.00 |
| 14 Yu Tie Tou MTN001 | 1,500,000,000.00 | 2014-11-18 | 15 years | 1,500,000,000.00 | 1,473,750,000.00 |
| 19 Yu Tie Tou Zhai I | 1,500,000,000.00 | 2019-11-12 | 7 years | 1,500,000,000.00 | 1,500,000,000.00 |
| 20 Yu Tie 01 | 1,500,000,000.00 | 2020-4-21 | 7 years | 1,500,000,000.00 | 1,500,000,000.00 |
| Total | 7,300,000,000.00 | / | / | 7,300,000,000.00 | 7,268,899,000.00 |

(Continued)

| Bond name | Issued in current year | Amortization of premium or discount | Repayment in current year | June 30, 2021 |
| --- | --- | --- | --- | --- |
| 12 Yu Tie Tou Zhai | - | - | - | 2,795,149,000.00 |

| Bond name | Issued in current year | Amortization of premium or discount | Repayment in current year | June 30, 2021 |
|---|---|---|---|---|
| 14 Yu Tie Tou MTN001 | - | - | - | 1,473,750,000.00 |
| 19 Yu Tie Tou Zhai I | - | - | - | 1,500,000,000.00 |
| 20 Yu Tie 01 | - | - | - | 1,500,000,000.00 |
| Total | - | - | - | 7,268,899,000.00 |

Note 1: The Company was approved to issue corporate bonds in November 2012 (referred to as "12 Yu Tie Tou Zhai"). The face value of the bonds is RMB 2.8 billion, and the term of the bond is: 10-year, with coupon rate: 6.38%。

Note 2: In November 2014, the Company was approved to issue the first interim notes of 2014 (referred to as "14 Yu Tie Tou MTN001"). The face value of the bonds is RMB 1.5 billion, and the term of the bond is: 15-year, with coupon rate: 5.92%。

Note 3: The Company was approved to issue corporate bonds in November 2019 (referred to as "19 Yu Tie Tou Zhai I"). The face value of the bonds issued in the first phase is RMB 1.5 billion, and the bond term is: 7-year, with coupon rate: 4.50%。

Note 4: The Company was approved to issue corporate bonds in April 2020 (referred to as "20 Yu Tie 01"). The face value of the bonds is RMB 1.5 billion, and the term of the bond is: 7-year, with coupon rate: 3.80%。

**27、Long-term Payables**

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Henan Investment Group Co., Ltd. | 2,640,000,000.00 | 2,640,000,000.00 |
| Financing lease payment payable | 97,165,391.54 | 97,165,391.54 |
| Total | 2,737,165,391.54 | 2,737,165,391.54 |

Note 1: According to the document (Y.F.G.T.Z. [2011] No.2319), Henan Investment Group Co., Ltd. no longer performs the duties of entrusted investor of the Company, and its capital contribution of RMB 4.66 billion has been converted into creditor's rights to the Company, and the balance of such creditor's rights is RMB 2.64 billion as of June 30, 2021.

Note 2: In December 2019, the Company signed financing lease contracts (2019PAZL (TJ) 0102335-ZL-01 and 2019PAZL (TJ) 0102336-ZL-01) with Ping An International Financial Leasing (Tianjin) Co., Ltd., with the project principal of RMB 280,000,000.00.

**28、Paid-in Capital**

| Investor name | December 31, 2020 | | Increase in current year | Decrease in current year | June 30, 2021 | |
|---|---|---|---|---|---|---|
| | Investment amount | Proportion (%) | | | Investment amount | Proportion (%) |
| Henan Provincial Department of Finance | 12,011,251,241.00 | 80.08 | - | - | 12,011,251,241.00 | 80.08 |
| State-owned Assets Supervision Committee of Henan Provincial People's Government | 1,988,748,759.00 | 13.25 | - | - | 1,988,748,759.00 | 13.25 |
| Henan Province Land and Resources Development Investment Administration Center | 1,000,000,000.00 | 6.67 | - | - | 1,000,000,000.00 | 6.67 |
| Total | 15,000,000,000.00 | 100.00 | - | - | 15,000,000,000.00 | 100.00 |

## 29、Capital reserves

| Item | December 31, 2020 | Increase in current year | Decrease in current year | June 30, 2021 |
|---|---|---|---|---|
| Capital premium | | | | |
| Other capital reserves | 34,446,036,146.07 | 1,349,996,130.00 | | 35,796,032,276.07 |
| Total | 34,446,036,146.07 | 1,349,996,130.00 | | 35,796,032,276.07 |

## 30、Surplus Reserves

| Item | December 31, 2020 | Increase in current year | Decrease in current year | June 30, 2021 |
|---|---|---|---|---|
| Statutory surplus reserve | 172,443,103.83 | - | - | 172,443,103.83 |
| Discretionary surplus reserve | - | - | - | - |
| Total | 172,443,103.83 | - | - | 172,443,103.83 |

## 31、Undistributed Profits

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Undistributed profits at the end of the previous year before adjustment | -2,386,233,483.71 | -1,851,469,007.78 |
| Adjustment to total undistributed profits at the beginning of the period | - | - |
| Undistributed profits at the beginning of period after adjustment | -2,386,233,483.71 | -1,851,469,007.78 |
| Add: Profit in current year | -531,643,736.54 | -528,524,975.93 |
| Less: withdrawl of statutory surplus reserve | - | - |

| Item | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Withdrawl of discretionary surplus reserve | - | - |
| Withdrawl of general risk reserve | - | - |
| Distribution to owners (or shareholders) | - | 6,239,500.00 |
| Undistributed profits at the end of current year | -2,917,877,220.25 | -2,386,233,483.71 |

## 32、Operating Revenues and Operating Costs

| Item | January to June, 2021 | | January to June, 2020 | |
|---|---|---|---|---|
| | Revenues | Costs | Revenues | Costs |
| Main business | 45,020,122.18 | 38,868,387.31 | 10,585,874.96 | 17,609,695.06 |
| Other businesses | 1,651,303.20 | 2,632,836.30 | - | - |
| Total | 46,671,425.38 | 41,501,223.61 | 10,585,874.96 | 17,609,695.06 |

（1）Category of incomes

| Item | January to June, 2021 | | January to June, 2020 | |
|---|---|---|---|---|
| | Revenues | Costs | Revenues | Costs |
| Main business | 45,020,122.18 | 38,868,387.31 | 10,585,874.96 | 17,609,695.06 |
| Including: Interest income from entrusted loans | 2,316,725.63 | - | - | - |
| Comprehensive development income | - | - | - | - |
| Transportation revenue | 19,683,133.19 | 16,644,795.68 | 10,585,874.96 | 17,609,695.06 |
| Handling revenue | 926,261.31 | 135,312.82 | - | - |
| Trade income | 22,094,002.05 | 22,088,278.81 | - | - |
| Other businesses | 1,651,303.20 | 2,632,836.30 | - | - |
| Including: Real estate rental revenue | 90,154.12 | - | - | - |
| Maintenance service fee | 417,358.36 | - | - | - |
| Revenue from movable property lease | 1,120,929.20 | - | - | - |
| Other incomes | 22,861.52 | 2,632,836.30 | - | - |
| Total | 46,671,425.38 | 41,501,223.61 | 10,585,874.96 | 17,609,695.06 |

## 33、Taxes and Surcharges

| Item | January to June, 2021 | January to June, 2020 |
|---|---|---|
| Urban maintenance and construction tax | 37,346.01 | 70,258.57 |
| Vehicle use tax | 3,312.80 | 3,981.52 |
| Land use tax | 1,062,289.08 | 897,028.37 |
| Education surcharge | 28,406.28 | 30,110.82 |
| Stamp duty | 850,594.15 | 786,751.38 |

| Item | January to June, 2021 | January to June, 2020 |
|---|---|---|
| Local education surcharge | 19,759.26 | 20,073.88 |
| Total | 2,001,707.58 | 1,808,204.54 |

### 34、Management Expenses

| Item | January to June, 2021 | January to June, 2020 |
|---|---|---|
| Employee compensation | 24,740,630.99 | 19,388,007.09 |
| Depreciation of fixed assets | 9,175,667.59 | 500,241.13 |
| Intermediary fee | 2,525,762.45 | 548,825.13 |
| Renovation costs | 3,615,000.00 | - |
| Rental fees | 4,058,017.05 | 3,087,616.86 |
| Office expenses | 612,858.56 | 530,951.34 |
| Others | 5,856,072.15 | 1,990,998.32 |
| Total | 50,584,008.79 | 26,046,639.87 |

### 35、Financial Expenses

| Item | January to June, 2021 | January to June, 2020 |
|---|---|---|
| Interest expenses | 410,251,884.22 | 416,753,131.71 |
| Less: Interest income | 22,978,156.80 | 20,904,498.77 |
| Handling fees | 11,603,204.83 | 33,031,415.82 |
| Total | 398,876,932.25 | 428,880,048.76 |

### 36、Other Incomes

| Item | January to June, 2021 | January to June, 2020 |
|---|---|---|
| Government subsidies | 90,696.12 | 4,189.23 |
| Total | 90,696.12 | 4,189.23 |

### 37、Income from Changes in Fair Value

| Sources for gains on changes in fair value | January to June, 2021 | January to June, 2020 |
|---|---|---|
| Trading financial assets | -101,565,817.25 | - |
| Total | -101,565,817.25 | - |

### 38、Non-operating Revenue

| Item | January to June, 2021 | January to June, 2020 |
|---|---|---|
| Gains from damage or scrapping of non-current assets | 1,429.50 | - |

| Item | January to June, 2021 | January to June, 2020 |
|---|---|---|
| Revenue from fines and liquidated damages | 170,259.12 | 2,007.04 |
| Others | - | 20,698.00 |
| Total | 171,688.62 | 22,705.04 |

## 39、Non-operating Expenditures

| Item | January to June, 2021 | January to June, 2020 |
|---|---|---|
| Losses from damage or scrapping of non-current assets | - | - |
| Fine, liquidated damage and late payment fee | - | - |
| External donation | - | - |
| Others | 9,314.25 | 340,258.93 |
| Total | 9,314.25 | 340,258.93 |

## 40、Income Tax Expenses

| Item | January to June, 2021 | January to June, 2020 |
|---|---|---|
| Income tax expenses in current year | 294,337.21 | - |
| Deferred income tax expenses | - | - |
| Total | 294,337.21 | - |

## 41、Supplementary Information to the Cash Flow Statement

(1) Supplementary information to the Cash Flow Statement

| Supplementary information | January to June, 2021 | January to June, 2020 |
|---|---|---|
| **1. Reconciliation of net profit to cash flows from operating activities:** | | |
| Net profit | -550,289,360.47 | -464,366,191.29 |
| Add: Provision for impairment of assets | - | - |
| Depreciation of fixed assets | 14,743,340.17 | 8,538,838.03 |
| Amortization of intangible assets | 1,232,814.37 | 1,181,093.85 |
| Amortization of long-term deferred expenses | 1,647,295.48 | 1,073,737.51 |
| Losses from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-") | - | - |
| Losses from scrapping of fixed assets (gains to be listed with "-") | - | - |
| Losses from changes in fair value (gains to be listed with "-") | 101,565,817.25 | - |
| Financial expenses (gains to be listed with "-") | 410,251,884.22 | 416,753,131.71 |
| Investment losses (incomes to be listed with "-") | - | - |
| Decrease in deferred income tax assets (increase to be listed with "-") | - | - |
| Increase in deferred income tax liabilities (decrease to be listed with | - | - |

| Supplementary information | January to June, 2021 | January to June, 2020 |
|---|---|---|
| “-”) | | |
| Decrease in inventories (increase to be listed with “-”) | -470,161,097.56 | -61,003,363.64 |
| Decrease in operating receivables (increase to be listed with “-”) | -66,275,878.50 | -704,938,389.01 |
| Increase in operating payables (decrease to be listed with “-”) | 677,937,111.83 | 1,022,538,894.11 |
| Others | - | - |
| Net cash flows from operating activities | 120,651,926.79 | 219,777,751.27 |
| **2. Significant investing and financing activities not involving cash receipts and payments:** | | |
| Conversion of debts into capital | - | - |
| Convertible corporate bonds due within one year | - | - |
| Fixed assets acquired under financial leasing | - | - |
| **3. Net changes in cash and cash equivalents:** | | |
| Closing balance of cash | 3,048,997,473.49 | 5,522,789,350.12 |
| Less: Opening balance of cash | 3,419,069,981.01 | 3,537,392,640.65 |
| Add: Closing balance of cash equivalents | - | - |
| Less: Opening balance of cash equivalents | - | - |
| Net increase in cash and cash equivalents | -370,072,507.52 | 1,985,396,709.47 |

(3) Breakdowns of cash and cash equivalents

| Item | January to June, 2021 | January to June, 2020 |
|---|---|---|
| I. Cash | 3,048,997,473.49 | 5,522,789,350.12 |
| Including: Cash on hand | 151,278.88 | 225,612.60 |
| Bank deposit available for payment at any time | 3,048,846,194.61 | 5,522,563,737.52 |
| Other monetary capital available for payment at any time | - | - |
| Deposits with central bank available for payment | - | - |
| Deposits from other banks | - | - |
| Call loans to banks | - | - |
| II. Cash equivalents | - | - |
| Including: Bond investment due within three months | - | - |
| III. Closing balance of cash and cash equivalents | 3,048,997,473.49 | 5,522,789,350.12 |

## VIII. Related Party

### 1. Information on the Controlling Shareholders of the Company

The controlling shareholders of the Company is Henan Provincial People's Government.

**2. Subsidiaries of the Company**

| No. | Name of company | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Business scope | Shareholding ratio (%) | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect | |
| 1 | Henan Tongsheng Real Estate Co., Ltd. | Zhengzhou | 2011-07-18 | 100,000.00 | Real estate development and operation, and hotel management. | 100.00 | - | Level-1 subsidiary |
| 2 | Henan Zhengzhou Airport Intercity Railway Co., Ltd. | Zhengzhou | 2015-09-28 | 30,000.00 | Railway construction management; passenger and freight transportation; real estate development and operation; design, production and agency of advertising business; and catering service. | 33.3333 | - | Level-1 subsidiary |
| 3 | Henan Dengfeng Railway Co., Ltd. | Dengfeng | 1999-03-18 | 42,977.00 | Railway transportation; and sales of construction materials. | 73.1321 | - | Level-1 subsidiary |
| 4 | Henan Kaifeng Intercity Railway Investment Co., Ltd. | Kaifeng | 2015-12-11 | 54,975.00 | Investment, construction and management of intercity railways in Kaifeng; design, production, agency and publication of domestic advertising business; catering services; and property management. | 5.4570 | - | Level-1 subsidiary |
| 5 | Henan Railway Investment Integrated Development Co., Ltd. | Zhengzhou | 2020-10-09 | 100,000.00 | Land remediation services, land consolidation and land development; Housing demolition services; urban and rural planning, land and space planning, project management services; engaging in investment activities, planning and design management, and various engineering construction activities with its own funds; real estate consulting, real estate development and operation, real estate brokerage and property management; parking lot services; hotel management services; advertisement production, advertisement | 100.00 | - | Level-1 subsidiary |

| No. | Name of company | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Business scope | Shareholding ratio (%) | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect | |
| | | | | | release, advertisement design and agency; conference and exhibition services; procurement agency services; railway freight transport, road freight transport and road freight transport station operation; tourism business; exploitation of mineral resources (non-coal mines); and manufacturing of transmission and distribution and control equipment. | | | |
| 6 | Henan High-speed Railway Co., Ltd. | Zhengzhou | 2020-11-18 | 100,000.00 | General items: Manufacturing of railway rolling stock accessories, urban rail transit equipment, and railway transportation basic equipment; public rail transport; engaging in investment activities and various engineering construction activities with its own funds; sales of building materials; advertisement production, advertisement release, advertisement design and agency; catering services; trade brokerage; property management; land remediation services, land consolidation and land development; house demolition services; urban and rural planning, land and space planning, and project management services (in addition to business subject to license, the company can independently operate projects that are not prohibited or restricted by laws and regulations). | 100.00 | - | Level-1 subsidiary |

| No. | Name of company | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Business scope | Shareholding ratio (%) | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect | |
| 7 | Henan Province Rail Transit Research Institute Co., Ltd. | Zhengzhou | 2021-1-18 | 1,000.00 | Licensed items: Compilation of land and space planning; engineering cost consulting business; construction engineering design; construction engineering survey; various engineering construction activities; construction project supervision; construction engineering quality inspection (for projects that are subject to approval according to law, business activities can only be carried out after approval by relevant departments, and the specific business projects shall be subject to the approval documents or license documents of relevant departments) General items: Planning and design management; engineering management services; engineering and technical research and experimental development; new material technology promotion service; technical services, technical development, technical consultation, technical exchange, technology transfer and technology promotion; and bidding agency service. | 55.00 | - | Added in 2021, the level-1 subsidiary |

| No. | Name of company | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Business scope | Shareholding ratio (%) | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect | |
| 8 | Henan Railway Investment Capital Co., Ltd. | Zhengzhou | 2021-3-12 | 100,000.00 | Licensed items: Securities investment consulting; securities-related financial advisory services; credit rating of securities market; and Internet information service (for projects that are subject to approval according to law, business activities can only be carried out after approval by relevant departments, and the specific business projects shall be subject to the approval documents or license documents of relevant departments) General items: Engaging in investment activities with its own funds; venture capital (limited to unlisted enterprises); supply chain management services; information consulting services (excluding licensing information consulting services); enterprise management consulting; financial consultation; bill information consulting service; financing consulting services; Internet data service; Internet of things technology research and development; Internet of things application services; Internet of things technical services; big data services; artificial intelligence application software development; artificial intelligence public data platform; and software and services related to block chain technology. | 100.00 | - | Added in 2021, the level-1 subsidiary |

| No. | Name of company | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Business scope | Shareholding ratio (%) | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect | |
| 9 | Henan Railway Investment Logistics Service Co., Ltd. | Zhengzhou | 2021-4-21 | 500.00 | Licensed items: Catering services; liquor management; food business; retail of tobacco products (for projects that are subject to approval according to law, business activities can only be carried out after approval by relevant departments, and the specific business projects shall be subject to the approval documents or license documents of relevant departments) General items: Entity logistics management services; car rental; rental of computer and communication equipment; office equipment rental service; rental of daily necessities; auto parts retail; sales agent; conference and exhibition services; sales of office supplies; property management; enterprise management; car wash service; labor service (excluding labor dispatch); wholesale of daily necessities; sales of daily necessities; gift flower sales; lease and generation management of flower green plants; sales of labor protection articles; medical mask retail; motor vehicle repair and maintenance; sales of sanitary products and disposable medical products; automobile decoration products sales; graphic design and production; domestic service; wholesale of stationery products; information consulting | 100.00 | - | Added in 2021, the level-1 subsidiary |

| No. | Name of company | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Business scope | Shareholding ratio (%) | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect | |
| | | | | | services (excluding licensing information consulting services); sales of electronic products; sales of office equipment; human resources services (excluding professional intermediary activities and labor dispatch services); office services; typing and copying; bidding agency service; advertising production; enterprise management consulting; procurement agency services; etiquette service; hotel management; retail of fresh vegetables; and communication equipment repair. | | | |
| 10 | Henan Shengtong Industry Co., Ltd. | Zhengzhou | 2011-11-15 | 1,008.00 | Storage (except for inflammable and explosive dangerous goods); sales of construction materials; hotel management; domestic advertisement agency business; conference services; and wholesale and retail of coal. | - | 100.00 | Level-2 subsidiary |
| 11 | Kaifeng Tongsheng Real Estate Co., Ltd. | Kaifeng | 2016-09-09 | 10,000.00 | Real estate development and management | - | 70.00 | Level-2 subsidiary |
| 12 | Henan Tongsheng Property Service Co., Ltd. | Zhengzhou | 2016-08-24 | 500.00 | Property services; agent for real estate marketing planning; landscaping engineering construction; safety technology prevention engineering design and construction (the above scope shall be operated with valid qualification certificate); rental of houses; hotel management (excluding accommodation and catering operations); | - | 100.00 | Level-2 subsidiary |

| No. | Name of company | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Business scope | Shareholding ratio (%) | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect | |
| | | | | | catering enterprise management (excluding catering business); conference planning; exhibition planning; domestic service; flower rental; parking lot management; and design, production, agency and publication and other domestic advertising business. | | | |
| 13 | Henan Tiandi Dongyuan Real Estate Co., Ltd. | Zhengzhou | 2016-04-22 | 5,000.00 | Real estate development and management | - | 100.00 | Level-2 subsidiary |
| 14 | Zhumadian Tongsheng Xincheng District Construction Co., Ltd. | Zhumadian | 2013-12-27 | 10,000.00 | Primary land consolidation and development entrusted by the government; and real estate development and operation. | - | 70.00 | Level-2 subsidiary |
| 15 | Zhumadian Tongsheng Construction Development Co., Ltd. | Zhumadian | 2012-11-21 | 3,000.00 | Real estate development and management | - | 100.00 | Level-2 subsidiary |
| 16 | Henan Tongsheng Dayu Real Estate Co., Ltd. | Zhengzhou | 2015-12-24 | 10,000.00 | Real estate development and management | - | 70.00 | Level-2 subsidiary |
| 17 | Henan Sheng'an Investment Development Co., Ltd. | Anyang | 2014-10-21 | 50,000.00 | Investment and construction of public infrastructure facilities with its own funds; land development and consolidation; and real estate development and operation. | - | 67.00 | Level-2 subsidiary |
| 18 | Zhongmou County Zhongcheng Real Estate Co., Ltd. | Zhengzhou | 2020-12-24 | 5,000.00 | Licensed items: Real estate development and operation; construction engineering survey; residential interior decoration (for projects that are subject to approval according to law, business activities can only be carried out after approval by relevant departments, and the specific business projects shall be subject to the approval | - | 49.00 | Level-2 subsidiary |

| No. | Name of company | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Business scope | Shareholding ratio (%) | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect | |
| | | | | | documents or license documents of relevant departments) General items: Non-residential real estate lease; house lease; landscaping engineering construction; and property management. | | | |
| 19 | Henan Railway Investment Haode Industry Co., Ltd. | Zhengzhou | 2020-5-26 | 10,000.00 | Licensed items: Various engineering construction activities; public rail transport; road freight transport (excluding dangerous goods); food business (sales to prepackaged foods); food business; liquor management (for projects that are subject to approval according to law, business activities can only be carried out after approval by relevant departments, and the specific business projects shall be subject to the approval documents or license documents of relevant departments) General items: Supply chain management services; park management services; lease of construction machinery and equipment; mechanical equipment lease; transportation equipment rental service; storage equipment rental service; non-residential real estate leasing; sales of steel bar products for construction; sales of agricultural and sideline products; sales of daily necessities; sales of household appliances; coal trade (pure trade, excluding hazardous chemicals, | - | 51.00 | Added in 2021,level -2 subsidiary |

| No. | Name of company | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Business scope | Shareholding ratio (%) | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect | |
| | | | | | state-controlled products, retail, transportation, storage and distribution); sales of non-metallic minerals and products; metal ore sales; sales of high performance non-ferrous metals and alloy materials; sales of building materials; sales of building decoration materials; sales of petroleum products (excluding dangerous chemicals); sales of chemical products (excluding licensed chemical products); sales of machinery and equipment; wholesale of hardware products; wire and cable management; sales of metal materials; sales of rubber products; sales of non-ferrous metal alloys; wholesale of auto parts; auto parts retail; wholesale of motorcycles and spare parts; retail sales of motorcycles and spare parts; wholesale of sporting goods and equipment; sales of electrical equipment; sales of lighting appliances; sales of cement products; and sales of asbestos cement products. | | | |

| No. | Name of company | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Business scope | Shareholding ratio (%) | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect | |
| 20 | Henan Railway Investment Supply Chain Management Co., Ltd. | Zhengzhou | 2020-5-31 | 20,000.00 | Licensed items: Import and export of goods; grain purchasing (for projects that are subject to approval according to law, business activities can only be carried out after approval by relevant departments, and the specific business projects shall be subject to the approval documents or license documents of relevant departments) General items: Supply chain management services; domestic trade agent; trade broker; sales agent; information technology consulting services; information consulting services (excluding licensing information consulting services); social and economic consulting services; wholesale of edible agricultural products; retail of edible agricultural products; grain and oil storage services; sales of coal and products; sales of chemical products (excluding licensed chemical products); sales of high performance non-ferrous metals and alloy materials; sales of non-ferrous metal alloys; sales of building materials; sales of building decoration materials; sales of light building materials; sales of synthetic materials; sales of steel bar products for construction; sales of cement products; sales of agricultural and sideline products; sales of feed raw materials; | - | 100.00 | Added in 2021,level -2 subsidiary |

| No. | Name of company | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Business scope | Shareholding ratio (%) Direct | Shareholding ratio (%) Indirect | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | | procurement agency services; and sales of metal materials. | | | |

### 3. Joint Ventures and Associated Enterprises of the Company

| No. | Associated enterprises name | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Main business | Shareholding ratio (%) Direct | Shareholding ratio (%) Indirect |
|---|---|---|---|---|---|---|---|
| 1 | Henan Intercity Railway Co., Ltd. | Zhengzhou | 2010-5-24 | 10,000.00 | Investment and management of railway construction; railway passenger and freight transport and service agency; domestic trade; design, production, release, and agency of domestic advertising business (Anything that requires approval in the above range shall not be allowed to operate before approval). | 50.00 | - |
| 2 | Henan Zhengzhou-Luoyang Intercity Railway Co., Ltd. | Zhengzhou | 2016-11-1 | 50,000.00 | Railway construction management and passenger and freight transportation; real estate development and operation; design, production and agency of advertising | 30.00 | - |

| No. | Associated enterprises name | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Main business | Shareholding ratio (%) | |
|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect |
| | | | | | business; and catering service. | | |
| 3 | Central China Futures Co., Ltd. | Zhengzhou | 1993-4-18 | 33,000.00 | Commodity futures brokerage; financial futures brokerage; and futures investment consulting. Asset management | 40.9352 | - |
| 4 | Henan Province Qixinbao Fund (Limited Partnership) | Zhengzhou | 2021-4-25 | 410,000.00 | General items: Engaging in equity investment, investment management, asset management and other activities with private equity funds (business activities can only be carried out after registration and filing with Asset Management Association of China). | 4.878 | |

## XI. Commitments and Contingencies

### 1. Significant Commitments

As of June 30, 2021, the Company has no significant commitments to be disclosed.

### 2. Contingencies

As of June 30, 2021, the details of our external guarantee are as follows:

| Guarantor | Guaranteed party | Guaranteed amount | Form of guarantee |
|---|---|---|---|
| Henan Railway Investment Co., Ltd. | Henan Intercity Railway Co., Ltd. | 3,576,780,000.00 | Guarantee |
| Total | / | 3,576,780,000.00 | / |

### 3. Other Contingencies

(1) According to the agreement on disposal of partial resources of Xinyu Coalfield in Dengfeng Railway phase-II project (Lvzhuang-Yuzhou section), Dengfeng Railway agreed that Xinyu Mine in Dengfeng shall participate in Dengfeng Railway Company with the assessed value of RMB 42.5047 million of overburden frozen coal resources, accounting for 9% of the registered capital of RMB 472.2747 million after the capital increase and share expansion of Dengfeng Railway Company. After compensation by means of shareholding, the right to dispose of the frozen overburden resources shall be vested in the new railway company According to the document (Y.G.Q.G. [2008] No.12), the State-owned Assets Supervision and Administration Commission (SASAC) approved Dengfeng Xinyu Coal Industry Co., Ltd. to invest in Dengfeng Railway Company with overburden frozen coal resources reserves. As of June 30, 2021, the

above-mentioned shareholding procedures have not been completed. As the procedures for shareholding have not been completed, Xinyu Coal Mine sued Dengfeng Railway Company and the Company as defendants before Zhengzhou Intermediate People's Court for breach of contract, and demanded compensation of about RMB 81.45 million. At present, the case is being tried by Zhengzhou Intermediate People's Court, which has frozen the certificate of deposits of RMB 81.45 million deposited by the Company in Hongzhuan Road Sub-branch of Shanghai Pudong Development Bank. As of June 30, 2021, the Company applied to Zhengzhou Intermediate People's Court of Henan Province for lifting the frozen RMB 81.45 million, and the application was approved on July 5 in the approval 2021 (2017) Yu 01 Min Chu No.4218-1 issued by Zhengzhou Intermediate People's Court of Henan Province, and the certificates of deposit was lifted as of the date of the report.

(2) The Company pledged the equity of RMB 1,263,930,000.00 in Shanxi-Henan-Shandong Railway Passage Co., Ltd. on August 1, 2014, and the equity of RMB 100,000,000.00 in Henan Intercity Railway Co., Ltd. on January 28, 2014 to Zhengzhou Branch of China Everbright Bank Co., Ltd.; and the Company pledged the equity of RMB 387,735,000 in China Pingmei Shenma Energy & Chemical Group Co. Ltd. on August 28, 2014, the equity of RMB 223,565,959 in Yima Coal Industry Group Co., Ltd. on August 28, 2014 and the equity of 343,481,500 in Zhengzhou Coal Industry (Group) Co., Ltd. on August 28, 2014 to Zhengzhou Branch of China Everbright Bank Co., Ltd. On September 27 and 29, 2017, the Company pledged the equity of RMB 1 billion in Henan Tongsheng Real Estate Co., Ltd. and of RMB 308,294,600 in Luohe-Fuyang Railway Co., Ltd. to Zhengzhou Branch of China Everbright Bank Co., Ltd. respectively.

## XII. Notes to Main Items of the Parent Company’s Financial Statements

### 1. Other Receivables

(1) Presentation of other receivables

| Item | June 30, 2021 | December 31, 2020 |
| --- | --- | --- |
| Other receivables | 4,596,509,007.60 | 5,021,254,304.93 |
| Interests receivable | 350,903,099.39 | 288,379,214.51 |
| Dividends receivable | - | - |
| Total | 4,947,412,106.99 | 5,309,633,519.44 |

(3) Top five balances of other receivables as of June 30, 2021

| Entity name | Nature of the amount | June 30, 2021 | Aging | Proportion of total closing balance of other receivables (%) |
|---|---|---|---|---|
| Nanyang Municipal People's Government | Borrowings | 731,860,000.00 | More than 5 years | 15.92 |
| Henan Tongsheng Real Estate Co., Ltd. | Borrowings | 499,870,389.78 | 1-2 years | 10.88 |
| Zhoukou Municipal People's Government | Borrowings | 447,778,414.00 | 3-4 years, more than 5 years | 9.74 |
| Zhumadian Tongsheng Xincheng District Construction Co., Ltd. | Borrowings | 426,100,000.00 | 1-2 years, 2-3 years, 3-4years | 9.27 |
| Shangqiu Provincial People's Government | Borrowings | 397,000,000.00 | 3-4 years, more than 5 years | 8.64 |
| Total | / | 2,502,608,803.78 | / | 54.45 |

**2. Long-term Equity Investments**

(1) Classification of long-term equity investments

| Item | December 31, 2020 | Increase in current year | Decrease in current year | June 30, 2021 |
|---|---|---|---|---|
| Investment insubsidiaries | 2,884,360,000.00 | 1,160,500,000.00 | | 4,044,860,000.00 |
| Investment in associates | 5,975,593,358.87 | 200,000,000.00 | | 6,175,593,358.87 |
| Total | 8,859,953,358.87 | 1,360,500,000.00 | | 10,220,453,358.87 |

(2) Investment insubsidiaries

| Investee | December 31, 2020 (Book value) | Increase or decrease in current year | | June 30, 2021 (Book value) |
|---|---|---|---|---|
| | | Additional investment | Reduced investment | |
| Henan Tongsheng Real Estate Co., Ltd. | 1,000,000,000.00 | 750,000,000.00 | - | 1,750,000,000.00 |
| Henan Dengfeng Railway Co., Ltd. | 310,450,000.00 | - | - | 310,450,000.00 |
| Henan Zhengzhou Airport Intercity Railway Co., Ltd. | 1,008,910,000.00 | - | - | 1,008,910,000.00 |
| Henan Kaifeng Intercity Railway Investment Co., Ltd. | 165,000,000.00 | - | - | 165,000,000.00 |
| Henan Railway Investment Integrated Development Co., Ltd. | 350,000,000.00 | 100,000,000.00 | - | 450,000,000.00 |
| Henan High-speed Railway Co., Ltd. | 50,000,000.00 | - | - | 50,000,000.00 |

| Investee | December 31, 2020 (Book value) | Increase or decrease in current year | | June 30, 2021 (Book value) |
|---|---|---|---|---|
| | | Additional investment | Reduced investment | |
| Henan Province Rail Transit Research Institute Co., Ltd. | - | 5,500,000.00 | - | 5,500,000.00 |
| Henan Railway Investment Capital Co., Ltd. | - | 300,000,000.00 | - | 300,000,000.00 |
| Henan Railway Investment Logistics Service Co., Ltd. | - | 5,000,000.00 | - | 5,000,000.00 |
| Total | 2,884,360,000.00 | 1,160,500,000.00 | - | 4,044,860,000.00 |

(3) Investment in associates

| Investee | December 31, 2020 (Book value) | Increase or decrease in current year | | | | |
|---|---|---|---|---|---|---|
| | | Additional investment | Reduced investment | Investment profits and losses recognized under equity method | Adjustment to other comprehensive income | Other changes in equity |
| Henan Intercity Railway Co., Ltd. | 5,777,290,360.00 | - | - | - | - | - |
| Central China Futures Co., Ltd. | 178,302,998.87 | - | - | - | - | - |
| Henan Zhengzhou-Luoyang Intercity Railway Co., Ltd. | 20,000,000.00 | - | - | - | - | - |
| Henan Province Qixinbao Fund (Limited Partnership) | - | 200,000,000.00 | - | - | - | - |
| Total | 5,975,593,358.87 | 200,000,000.00 | - | - | - | - |

(Continued)

| Investee | Increase or decrease in current year | | | June 30, 2021 (Book value) |
|---|---|---|---|---|
| | Cash dividends or profits that are declared to be distributed | Provision for impairment | Others | |
| Henan Intercity Railway Co., Ltd. | - | - | - | 5,777,290,360.00 |
| Central China Futures Co., Ltd. | - | - | - | 178,302,998.87 |
| Henan Zhengzhou-Luoyang Intercity Railway Co., Ltd. | - | - | - | 20,000,000.00 |

| Investee | Increase or decrease in current year | | | June 30, 2021 (Book value) |
|---|---|---|---|---|
| | Cash dividends or profits that are declared to be distributed | Provision for impairment | Others | |
| Henan Province Qixinbao Fund (Limited Partnership) | - | - | - | 200,000,000.00 |
| Total | - | - | - | 6,175,593,358.87 |

### 3. Operating Revenues and Operating Costs

| Item | January to June, 2021 | | January to June, 2020 | |
|---|---|---|---|---|
| | Revenues | Costs | Revenues | Costs |
| Main business: | 43,305,645.56 | - | 762,346.36 | - |
| Including: Interest income | 43,305,645.56 | - | 762,346.36 | - |
| Other businesses: | - | - | - | - |
| Total | 43,305,645.56 | - | 762,346.36 | - |

Henan Railway Investment Co., Ltd.

August 20, 2021

统一社会信用代码

91110102089698790Q

# 营业执照

(副 本) (6–1)

名　　称　中勤万信会计师事务所（特殊普通合伙）

类　　型　特殊普通合伙企业

执行事务合伙人　胡柏和

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；代理记帐；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。）

成立日期　2013年12月13日

合伙期限　2013年12月13日 至 2043年12月12日

主要经营场所　北京市西城区西直门外大街112号十层1001

扫描二维码登录“国家企业信用信息公示系统”了解更多登记、备案、许可、监管信息

登记机关

北京市西城区市场监督管理局

2020年 09月 02日

中勤万信会计师事务所（特殊普通合伙）

1101020151

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

会计师事务所

# 执业证书

名　　称：中勤万信会计师事务所（特殊普通合伙）

首席合伙人：胡柏和

主任会计师：

经营场所：北京市西城区西直门外大街112号十层1001

组织形式：特殊普通合伙

执业证书编号：11000162

批准执业文号：京财会许可〔2013〕0083号

批准执业日期：2013年12月11日

证书序号：0014470

## 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》。

发证机关：北京市财政局

二〇二〇年十一月十一日

中华人民共和国财政部制

证书序号：000365

# 会计师事务所

# 证券、期货相关业务许可证

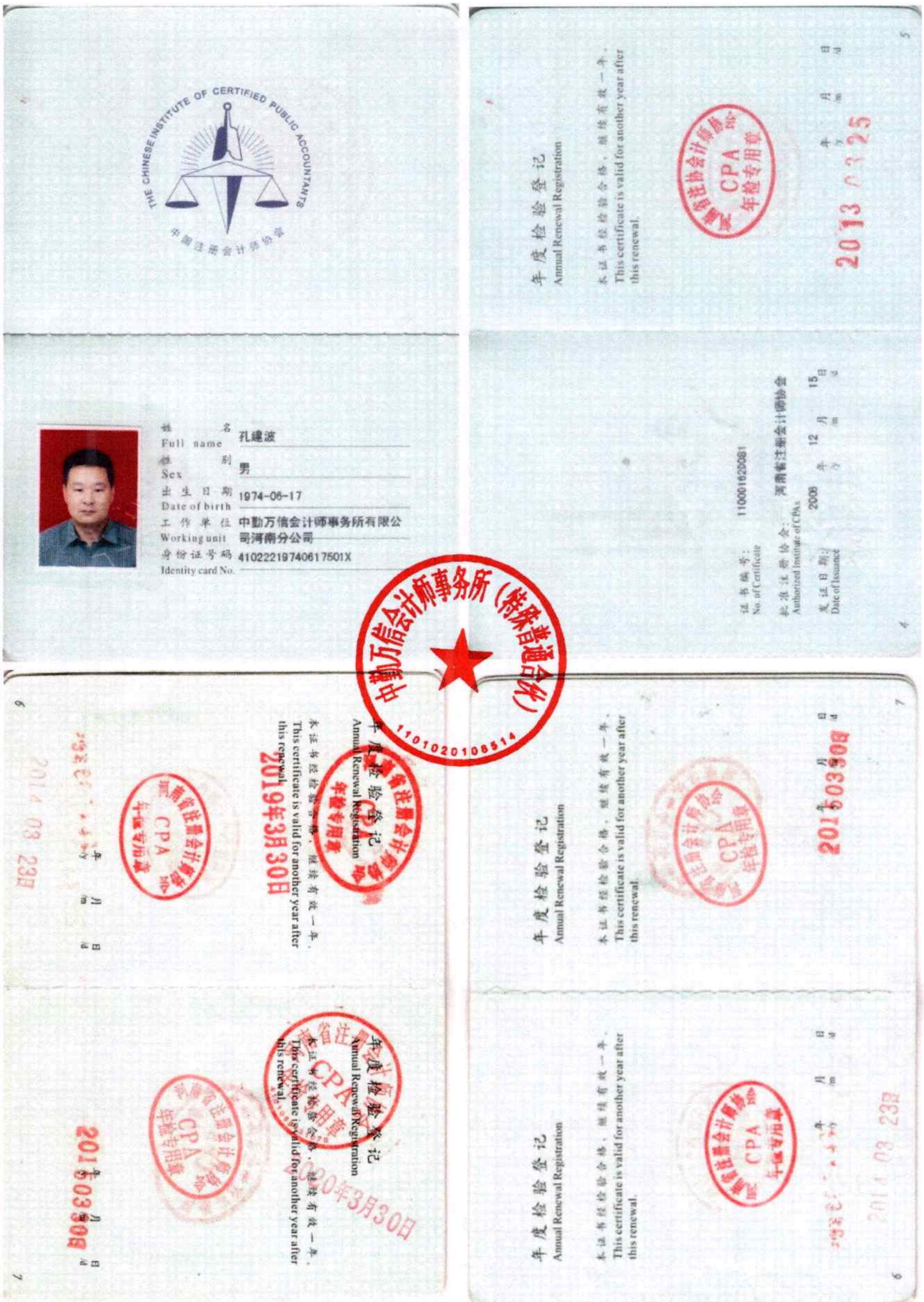
经财政部、中国证券监督管理委员会审查，批准

**中勤万信会计师事务所（特殊普通合伙）** 执行证券、期货相关业务。

首席合伙人：胡柏和

证书号：05　　发证时间：二〇一九年十二月六日

证书有效期至：二〇二一年十二月五日



THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

中国注册会计师协会

姓名 Full name 孔建波

性别 Sex 男

出生日期 Date of birth 1974-06-17

工作单位 Working unit 中勤万信会计师事务所有限公司河南分公司

身份证号码 Identity card No. 41022219740617501X

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

2013 03 25 年 月 日

证书编号: No. of Certificate 110001620081

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 2008 年 12 月 15 日

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

2015 03 08 年 月 日

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

2014 03 23 年 月 日

年度检验登记
Annual Renewal Registration

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2016 03 08 年 月 日

年度检验登记
Annual Renewal Registration

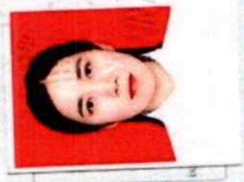
本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

2019年3月30日

2020年3月30日

中勤万信会计师事务所（特殊普通合伙）
1101020108514

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
中国注册会计师协会



姓名 Full name 张莎
性别 Sex 女
出生日期 Date of birth 1987-12-01
工作单位 Working unit 中勤万信会计师事务所（特殊普通合伙）河南分所
身份证号码 Identity card No. 410725198712010820

中勤万信会计师事务所（特殊普通合伙）
1101020108514

证书编号：
No. of Certificate 110001620298

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 年/y 05 月/m 18 日/d

4

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

2019年3月30日

河南省注册会计师协会 CPA 年检专用章

2020年3月30日

年/y 月/m 日/d

5

# Henan Railway Investment Co., Ltd.

## AUDITOR'S REPORT

QIN XIN SHEN ZI [2021] No.0973

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Peking Certified Public Accountants (Special General Partnership)
Add.: 10F, Sunshine Plaza, No. 112 Xizhimenwai Street, Beijing, China
Tel.: （86-10）68360123
Fax: （86-10）68360123-3000
Postal Code: 100044

# AUDITOR'S REPORT

QIN XIN SHEN ZI [2021] No.0973

Henan Railway Investment Co., Ltd.:

**I. Auditor's Opinion**

We have audited the attached financial statements of Henan Railway Investment Co., Ltd.(hereinafter referred to as "the Company"), including the Consolidated Balance Sheet and Balance Sheet of the Parent Company as of December 31, 2020, the Consolidated Income Statement and Income Statement of the Parent Company, Consolidated Cash Flow Statement and Cash Flow Statement of the Parent Company, Consolidated Statement of Changes in Owners' Equity and Statement of Changes in Owners' Equity of the Parent Company, and Notes to the Financial Statements for 2020.

In our opinion, the Financial Statements have been prepared according to the Accounting Standards for Business Enterprises in all material respects and give a true and fair view of the consolidated financial position and the financial position of the parent company as of December 31, 2020, and of consolidated operating results and cash flows and those of the parent company for 2020.

**II. Basis for the Opinion**

We have conducted an audit in accordance with the Auditing Standards for the Chinese Certified Public Accountants. Our responsibilities under these Standards are further explained in the "CPA's Responsibilities for Auditing the Financial Statements" of the Auditor's Report. In accordance with the China Code of Ethics for Certified Public Accountants, we are independent of Henan Railway Investment Co., Ltd. and have fulfilled other responsibilities of such Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**III. Other Information**

The management of Henan Railway Investment Co., Ltd. (hereinafter referred to as the “Management”) is responsible for other information provided, which includes the information covered by the 2020 Annual Report of Henan Railway Investment Co., Ltd., except the Financial Statements and our Auditor’s Report.

We do not issue opinions on other information contained in the Financial Statements, nor do we provide assertions of any kinds to other information.

In conjunction with our audit of the Financial Statements, our responsibility is to read other information and consider whether the other information is materially inconsistent or misstated with the Financial Statements and what we learned during the audit process.

Based on the work we have done, if we determine that there’s any material misstatement of the other information, we should disclose such fact. In this regard, we do not have any disclosures.

**IV. Responsibilities of the Management and Those Charged with Governance for the Financial Statements**

The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and 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.

In preparing the financial statements, the Management is responsible for assessing the ability of the Company to continue as a going concern, and using the going concern basis of accounting unless the Management either intends 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 financial reporting process of the Company.

**V. Auditors’ 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 auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are generally considered material if separate or aggregated misstatements are reasonably expected to possibly influence the economic decisions made by the users of financial statements on the basis of these financial statements.

During the process of an audit conducted in accordance with the Auditing Standards, we exercise professional judgment and maintain professional skepticism. We also:

(1) 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 audit. 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.

(2) 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 its internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(4) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company 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, we should 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.

(5) Evaluate the overall presentation, structure and content of the financial statements, and also whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient and 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.

Peking Certified Public Accountants (Special General Partnership)

Chinese Certified Public Accountant:

April 12, 2021

Chinese Certified Public Accountant:

# Consolidated Balance Sheet

Prepared by: Henan Railway Investment Co., Ltd. 31/12/2020 Unit: RMB (yuan)

| Item | Note | Closing balance | Opening balance |
|---|---|---|---|
| **Current assets:** | | | |
| Monetary capital | VII.1 | 3,500,525,679.91 | 3,537,392,640.65 |
| Trading financial assets | VII.2 | 331,624,203.30 | - |
| Derivative financial assets | | - | - |
| Notes receivable | VII.3 | - | 150,000.00 |
| Accounts receivable | VII.4 | 344,636,004.25 | 254,827,048.00 |
| Prepayments | VII.5 | 753,593,395.68 | 986,381,412.73 |
| Other receivables | VII.6 | 4,696,830,700.26 | 3,589,758,752.45 |
| Inventories | VII.7 | 1,049,797,652.24 | 1,463,814,755.90 |
| Assets held for sale | | - | - |
| Non-current assets due within one year | | - | - |
| Other current assets | VII.8 | 439,437,100.91 | 333,298,069.41 |
| **Total current assets** | | **11,116,444,736.55** | **10,165,622,679.14** |
| **Non-current assets:** | | | |
| Other equity instrument investments | VII.9 | 46,807,896,835.90 | 43,963,111,142.17 |
| Other debt investments | | - | - |
| Long-term receivables | VII.10 | 2,914,945,600.00 | 1,914,945,600.00 |
| Long-term equity investments | VII.11 | 5,975,593,358.87 | 6,003,154,798.90 |
| Investment property | | - | - |
| Fixed assets | VII.12 | 507,702,734.40 | 521,123,552.98 |
| Construction in progress | VII.13 | 5,165,152,669.55 | 3,465,473,470.95 |
| Productive biological assets | | - | - |
| Intangible assets | VII.14 | 108,151,316.68 | 110,513,504.38 |
| Research and development expenditures | | - | - |
| Goodwill | | - | - |
| Long-term deferred expenses | VII.15 | 10,741,028.34 | 1,840,539.33 |
| Deferred income tax assets | | - | - |
| Other non-current assets | VII.16 | 503,685,125.60 | 524,771,190.35 |
| **Total non-current assets** | | **61,993,868,669.34** | **56,504,933,799.06** |
| **Total assets** | | **73,110,313,405.89** | **66,670,556,478.20** |

Legal Representative： Chief Financial Officer: Head of Accounting Department:

# Consolidated Balance Sheet (Continued)

Prepared by: Henan Railway Investment Co., Ltd. 31/12/2020 Unit: RMB (yuan)

| Item | Note | Closing balance | Opening balance |
|---|---|---|---|
| **Current liabilities:** | | | |
| Short-term borrowings | VII.17 | - | 400,000,000.00 |
| Financial liabilities held for trading | | - | - |
| Derivative financial liabilities | | - | - |
| Notes payable | | - | - |
| Accounts payable | VII.18 | 59,890,266.09 | 35,747,988.97 |
| Advances from customers | VII.19 | 8,594,986.26 | 7,350,992.60 |
| Contract liabilities | VII.20 | 570,187,587.68 | 717,035,245.15 |
| Employee compensation payable | VII.21 | 19,397,766.37 | 19,990,410.63 |
| Taxes and fees payable | VII.22 | 5,299,597.20 | 7,894,560.74 |
| Other payables | VII.23 | 494,842,642.28 | 536,541,069.47 |
| Liabilities held for sale | | - | - |
| Non-current liabilities due within one year | VII.24 | 1,077,089,064.62 | 88,745,543.84 |
| Other current liabilities | | - | - |
| **Total current liabilities** | | **2,235,301,910.50** | **1,813,305,811.40** |
| **Non-current liabilities:** | | | |
| Long-term borrowings | VII.25 | 10,398,500,000.00 | 10,847,699,690.41 |
| Bonds payable | VII.26 | 7,268,899,000.00 | 5,768,899,000.00 |
| Including: Preferred shares | | - | - |
| Perpetual bonds | | - | - |
| Long-term payables | VII.27 | 2,737,165,391.54 | 3,081,254,456.16 |
| Estimated liabilities | | - | - |
| Deferred incomes | | - | - |
| Deferred income tax liabilities | | - | - |
| Other non-current liabilities | | - | - |
| **Total non-current liabilities** | | **20,404,564,391.54** | **19,697,853,146.57** |
| **Total liabilities** | | **22,639,866,302.04** | **21,511,158,957.97** |
| **Shareholders' equity:** | | | |
| Paid-in capital | VII.28 | 15,000,000,000.00 | 15,000,000,000.00 |
| Other equity instruments | | - | - |
| Including: Preferred shares | | - | - |
| Perpetual bonds | | - | - |
| Capital reserves | VII.29 | 34,446,036,146.07 | 29,386,212,736.01 |
| Less: Treasury stock | | - | - |
| Other comprehensive income | | - | - |
| Surplus reserves | VII.30 | 172,443,103.83 | 172,443,103.83 |
| Undistributed profits | VII.31 | -2,386,233,483.71 | -1,851,469,007.78 |
| Total equity attributable to the owner of parent company | | 47,232,245,766.19 | 42,707,186,832.06 |
| Minority interest | | 3,238,201,337.66 | 2,452,210,688.17 |
| **Total shareholders' equity** | | **50,470,447,103.85** | **45,159,397,520.23** |
| **Total liabilities and shareholders' equity** | | **73,110,313,405.89** | **66,670,556,478.20** |

Legal Representative： Chief Financial Officer: Head of Accounting Department:

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# Consolidated Income Statement

Prepared by: Henan Railway Investment Co., Ltd. 2020 Unit: RMB (yuan)

| Item | Note | Amount in current year | Amount in prior year |
|---|---|---|---|
| **I. Total operating revenues** | | **555,473,813.10** | **790,048,710.50** |
| Including: Operating revenues | VII.32 | 555,473,813.10 | 790,048,710.50 |
| **II. Total operating costs** | | **1,270,861,642.81** | **1,393,436,189.01** |
| Including: Operating costs | VII.32 | 474,374,205.48 | 663,003,945.31 |
| Taxes and surcharges | VII.33 | 21,737,046.55 | 33,116,316.70 |
| Sales expenses | | 4,625,734.05 | 5,268,810.88 |
| Administrative expenses | VII.34 | 70,574,835.72 | 63,336,224.10 |
| Research and development expenses | | - | - |
| Financial expenses | VII.35 | 699,549,821.01 | 628,710,892.02 |
| Including: Interest expenses | | 839,181,677.19 | 671,659,561.59 |
| Interest income | | 164,810,857.56 | 70,563,789.31 |
| Add: Other incomes | VII.36 | 2,772,144.62 | 48,573.44 |
| Investment income (loss to be listed with“-”) | VII.37 | 81,832,933.70 | 14,372,692.35 |
| Including: Investment income from associated enterprises and joint ventures | | 6,832,133.70 | 14,372,692.35 |
| Income from changes in fair value (loss to be listed with“-”) | | 109,124,203.65 | - |
| Loss from impairment of assets (loss to be listed with“-”) | VII.38 | -93,571.31 | 291,015.42 |
| Income from disposal of assets (loss to be listed with“-”) | | - | - |
| **III. Operating profits (losses to be listed with“-”)** | | **-521,752,119.05** | **-588,675,197.30** |
| Add: Non-operating revenue | VII.39 | 143,707.06 | 119,899.03 |
| Less: Non-operating expenditures | VII.40 | 351,894.84 | 71,696.79 |
| **IV. Total profits (total losses to be listed with“-”)** | | **-521,960,306.83** | **-588,626,995.06** |
| Less: Income tax expenses | VII.41 | 27,054,019.61 | 20,759,106.89 |
| **V. Net profits (net losses to be listed with“-”)** | | **-549,014,326.44** | **-609,386,101.95** |
| (i) Classification by continuing operations | | | |
| 1. Net profits from continuing operations (net losses to be listed with“-”) | | -549,014,326.44 | -609,386,101.95 |
| 2. Net profits from discontinued operations (net losses to be listed with“-”) | | | |
| (ii) Classification by ownership | | | |
| 1. Minority interest incomes (net losses to be listed with“-”) | | -20,489,350.51 | -15,874,142.24 |
| 2. Net profits attributable to the owner of parent company (net losses to be listed with“-”) | | -528,524,975.93 | -593,511,959.71 |
| **VI. After-tax net amount of other comprehensive incomes** | | - | - |
| After-tax net amount of other comprehensive incomes attributable to the owner of the parent company | | - | - |
| (i) Other comprehensive incomes that cannot be subsequently reclassified into profit and loss | | - | - |
| 1. Re-measurement of changes in defined benefit plan | | | |
| 2. Other comprehensive incomes that cannot be transferred into profit and loss by equity method | | | |
| (ii) Other comprehensive incomes that will be subsequently reclassified into profit and loss | | - | - |
| 1. Other comprehensive incomes that can be transferred into profit and loss by equity method | | | |
| 2. Profit and loss of change in fair value of available-for-sale financial assets | | | |
| 3. Profit and loss of held-to-maturity investments that are reclassified as available-for-sale financial assets | | | |
| 4. Effective portion of cash flow hedge profit and loss | | | |
| 5. Exchange differences on translating foreign operations | | | |
| 6. Others | | | |
| After-tax net amount of other comprehensive incomes attributable to minority shareholders | | | |
| **VII. Total comprehensive incomes** | | **-549,014,326.44** | **-609,386,101.95** |
| Total comprehensive incomes attributable to the owner of the parent company | | -528,524,975.93 | -593,511,959.71 |
| Total comprehensive incomes attributable to minority shareholders | | -20,489,350.51 | -15,874,142.24 |

Legal Representative： Chief Financial Officer: Head of Accounting Department:

# Consolidated Cash Flow Statement

Prepared by: Henan Railway Investment Co., Ltd. 2020 Unit: RMB (yuan)

| Item | Note | Amount in current year | Amount in prior year |
|---|---|---|---|
| **I. Cash flows from operating activities:** | | | |
| Cash received from sales of goods and rendering of labor services | | 126,789,141.99 | 49,960,380.26 |
| Refund of taxes and surcharges | | - | - |
| Other cash received related to operating activities | | 501,688,504.74 | 999,726,869.59 |
| **Sub-total of cash inflows from operating activities** | | **628,477,646.73** | **1,049,687,249.85** |
| Cash paid for purchasing goods and accepting labor services | | 355,847,683.61 | 274,741,408.49 |
| Cash paid to and on behalf of employees | | 70,052,895.98 | 63,541,041.17 |
| Taxes and surcharges paid | | 37,958,173.90 | 176,447,423.08 |
| Other cash paid related to operating activitie | | 1,422,196,181.98 | 532,636,486.75 |
| **Sub-total of cash outflows from operating activities** | | **1,886,054,935.47** | **1,047,366,359.49** |
| **Net cash flows from operating activities** | | **-1,257,577,288.74** | **2,320,890.36** |
| **II. Cash flows from investing activities:** | | | |
| Cash received from withdrawal of investments | | - | - |
| Cash received from returns on investments | | - | 5,133,249.00 |
| 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 | | - | - |
| Other cash received related to investing activities | | 3,342,940.63 | 4,186,888.52 |
| **Sub-total of cash inflows from investing activities** | | **3,342,940.63** | **9,320,137.52** |
| Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets | | 1,651,992,597.21 | 1,534,493,864.29 |
| Cash paid for investments | | 3,017,892,119.65 | 8,160,183,089.91 |
| Net cash paid to acquire subsidiaries and other business units | | - | - |
| Other cash paid related to investing activities | | 15,000,000.00 | - |
| **Sub-total of cash outflows from investing activities** | | **4,684,884,716.86** | **9,694,676,954.20** |
| **Net cash flows from investing activities** | | **-4,681,541,776.23** | **-9,685,356,816.68** |
| **III. Cash flows from financing activities:** | | | |
| Cash received from investors | | 3,162,386,000.00 | 4,538,031,400.00 |
| Including: Cash received by subsidiaries from investments by minority shareholders | | - | - |
| Cash received from borrowings | | 2,162,400,000.00 | 2,478,200,000.00 |
| Cash received from issuing bonds | | - | - |
| Other cash received related to financing activities | | 2,303,560,257.39 | 3,650,390,967.38 |
| **Sub-total of cash inflows from financing activities** | | **7,628,346,257.39** | **10,666,622,367.38** |
| Cash paid for debt repayments | | 857,043,046.44 | 1,136,851,000.00 |
| Cash paid for distribution of dividends and profits or payment of interest | | 853,037,261.20 | 854,366,851.82 |
| Including: Dividends and profits paid by subsidiaries to minority shareholders | | - | - |
| Other cash paid related to financing activities | | 16,013,845.52 | 38,960,000.00 |
| **Sub-total of cash outflows from financing activities** | | **1,726,094,153.16** | **2,030,177,851.82** |
| **Net cash flows from financing activities** | | **5,902,252,104.23** | **8,636,444,515.56** |
| **IV. Effect of foreign exchange rate changes on cash and cash equivalents** | | - | - |
| **V. Net increase in cash and cash equivalents** | | **-36,866,960.74** | **-1,046,591,410.76** |
| Add: Opening balance of cash and cash equivalents | | 3,455,936,941.75 | 4,502,528,352.51 |
| **VI. Closing balance of cash and cash equivalents** | | **3,419,069,981.01** | **3,455,936,941.75** |

Legal Representative： Chief Financial Officer: Head of Accounting Department:

# Consolidated Statement of Changes in Owners' Equity

Prepared by: Henan Railway Investment Co., Ltd.

Unit: RMB (yuan)

| Item | Amount in current year | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Equity attributable to owners of the parent company | | | | | | | | | | | | Minority interest | Total owners' equity |
| | Paid-in capital | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other comprehensive income | Special reserves | Surplus reserves | General risk reserve | Undistributed profits | Others | | |
| | | Preferred shares | Perpetual bonds | Others | | | | | | | | | | |
| **I. Closing balance of prior year** | 15,000,000,000.00 | - | - | - | 29,386,212,736.01 | - | - | - | 172,443,103.83 | - | -1,851,469,007.78 | - | 2,452,210,688.17 | 45,159,397,520.23 |
| Add: Changes in accounting policies | | | | | | | | | | | | | | - |
| Correction of errors of prior year | | | | | 400,400,000.00 | | | | | | | | | 400,400,000.00 |
| Business combination under common control | | | | | | | | | | | | | | - |
| Others | | | | | | | | | | | | | | - |
| **II. Opening balance of current year** | 15,000,000,000.00 | - | - | - | 29,786,612,736.01 | - | - | - | 172,443,103.83 | - | -1,851,469,007.78 | - | 2,452,210,688.17 | 45,559,797,520.23 |
| **III. Increase or decrease in current year (decrease to be listed with"-")** | - | - | - | - | 4,659,423,410.06 | - | - | - | - | - | -534,764,475.93 | - | 785,990,649.49 | 4,910,649,583.62 |
| **(i) Total comprehensive incomes** | | | | | | | - | | | | -528,524,975.93 | | -20,489,350.51 | -549,014,326.44 |
| **(ii) Capital invested and decreased by owners** | - | - | - | - | 4,659,423,410.06 | - | - | - | - | - | - | - | 806,480,000.00 | 5,465,903,410.06 |
| 1. Capital invested by owners | - | | | | 4,659,423,410.06 | | | | | | | | 806,480,000.00 | 5,465,903,410.06 |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | | | - |
| 3. Amounts of share-based payments recognized in owners' equity | | | | | | | | | | | | | | - |
| 4. Others | - | | | | - | | - | | | | - | | - | - |
| **(iii) Profit distribution** | - | - | - | - | - | - | - | - | - | - | -6,239,500.00 | - | - | -6,239,500.00 |
| 1. Withdrawal of surplus reserves | | | | | | | | | - | | - | | | - |
| 2. Withdrawl of general risk reserve | | | | | | | | | | | | | | - |
| 3. Distribution to owners | | | | | | | | | | | -6,239,500.00 | | | -6,239,500.00 |
| 4. Others | | | | | | | | | | | - | | | - |
| **(iv) Internal transfer of owners' equity** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Capital (or share capital) from capital reserves | | | | | | | | | | | | | | - |
| 2. Capital (or share capital) from surplus reserves | | | | | | | | | | | | | | - |
| 3. Surplus reserves for making up losses | | | | | | | | | | | | | | - |
| 4. Carry-over of changes in defined benefit plans to retained earnings | | | | | | | | | | | | | | |
| 5. Others | | | | | | | | | | | | | | - |
| **(v) Special reserves** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Withdrawl in current year | | | | | | | | | | | | | | - |
| 2. Use in current year | | | | | | | | | | | | | | - |
| **(vi) Others** | | | | | | | | | | | | | | - |
| **IV. Closing balance of current year** | 15,000,000,000.00 | - | - | - | 34,446,036,146.07 | - | - | - | 172,443,103.83 | - | -2,386,233,483.71 | - | 3,238,201,337.66 | 50,470,447,103.85 |

Legal Representative: Chief Financial Officer: Head of Accounting Department:

# Consolidated Statement of Changes in Owners' Equity

Prepared by: Henan Railway Investment Co., Ltd.

Unit: RMB (yuan)

| Item | Amount in prior year | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Equity attributable to owners of the parent company | | | | | | | | | | | | Minority interest | Total owners' equity |
| | Paid-in capital | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other comprehensive income | Special reserves | Surplus reserves | General risk reserve | Undistributed profits | Others | | |
| | | Preferred shares | Perpetual bonds | Others | | | | | | | | | | |
| **I. Closing balance of prior year** | 15,000,000,000.00 | | | | 21,541,822,596.10 | | - | | 172,443,103.83 | | -1,257,957,048.07 | | 2,454,934,830.41 | 37,911,243,482.27 |
| Add: Changes in accounting policies | | | | | | | | | | | | | | - |
| Correction of errors of prior year | | | | | | | | | | | | | | - |
| Business combination under common control | | | | | | | | | | | | | | - |
| Others | | | | | | | | | | | | | | - |
| **II. Opening balance of current year** | 15,000,000,000.00 | - | - | - | 21,541,822,596.10 | - | - | - | 172,443,103.83 | - | -1,257,957,048.07 | - | 2,454,934,830.41 | 37,911,243,482.27 |
| **III. Increase or decrease in current year (decrease to be listed with"-")** | - | - | - | - | 7,844,390,139.91 | - | - | - | - | - | -593,511,959.71 | - | -2,724,142.24 | 7,248,154,037.96 |
| **(i) Total comprehensive incomes** | | | | | | | - | | | | -593,511,959.71 | | -15,874,142.24 | -609,386,101.95 |
| **(ii) Capital invested and decreased by owners** | - | - | - | - | 7,844,390,139.91 | - | - | - | - | - | - | - | 13,150,000.00 | 7,857,540,139.91 |
| 1. Capital invested by owners | - | | | | 7,844,390,139.91 | | | | | | - | | 13,150,000.00 | 7,857,540,139.91 |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | | | - |
| 3. Amounts of share-based payments recognized in owners' equity | | | | | | | | | | | | | | - |
| 4. Others | - | | | | - | | | | | | - | | - | - |
| **(iii) Profit distribution** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Withdrawal of surplus reserves | | | | | | | | | - | | - | | | - |
| 2. Withdrawl of general risk reserve | | | | | | | | | | | | | | - |
| 3. Distribution to owners | | | | | | | | | | | - | | | - |
| 4. Others | | | | | | | | | | | - | | | - |
| **(iv) Internal transfer of owners' equity** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Capital (or share capital) from capital reserves | | | | | | | | | | | | | | - |
| 2. Capital (or share capital) from surplus reserves | | | | | | | | | | | | | | - |
| 3. Surplus reserves for making up losses | | | | | | | | | | | | | | - |
| 4. Carry-over of changes in defined benefit plans to retained earnings | | | | | | | | | | | | | | |
| 5. Others | | | | | | | | | | | | | | - |
| **(v) Special reserves** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Withdrawl in current year | | | | | | | | | | | | | | - |
| 2. Use in current year | | | | | | | | | | | | | | - |
| **(vi) Others** | | | | | | | | | | | | | | - |
| **IV. Closing balance of current year** | 15,000,000,000.00 | - | - | - | 29,386,212,736.01 | - | - | - | 172,443,103.83 | | -1,851,469,007.78 | - | 2,452,210,688.17 | 45,159,397,520.23 |

Legal Representative: Chief Financial Officer: Head of Accounting Department:

# Balance Sheet of the Parent Company

Prepared by: Henan Railway Investment Co., Ltd. 31/12/2020 Unit: RMB (yuan)

| Item | Note | Closing balance | Opening balance |
|---|---|---|---|
| **Current assets:** | | | |
| Monetary capital | | 2,345,950,576.55 | 2,607,217,950.20 |
| Trading financial assets | | 331,624,203.30 | - |
| Derivative financial assets | | - | - |
| Notes receivable | | - | - |
| Accounts receivable | | - | - |
| Prepayments | | 5,467,826.67 | 2,380,217.07 |
| Other receivables | XII.1 | 5,309,633,519.44 | 4,493,180,832.67 |
| Inventories | | - | - |
| Assets held for sale | | - | - |
| Non-current assets due within one year | | - | - |
| Other current assets | | 2,917,616.87 | 3,359,714.36 |
| Total current assets | | **7,995,593,742.83** | **7,106,138,714.30** |
| **Non-current assets:** | | | |
| Other equity instrument investments | | 46,807,896,835.90 | 43,963,111,142.17 |
| Other debt investments | | - | 189,000,000.00 |
| Long-term receivables | | 2,914,945,600.00 | 1,914,945,600.00 |
| Long-term equity investments | | 8,859,953,358.87 | 8,314,324,798.90 |
| Investment property | | - | - |
| Fixed assets | | 2,694,604.48 | 437,693.34 |
| Construction in progress | | 972,153,788.91 | 806,702,122.55 |
| Productive biological assets | | - | - |
| Oil and gas assets | | | |
| Intangible assets | | 64,012,677.00 | 65,467,592.16 |
| Research and development expenditures | | - | - |
| Goodwill | | - | - |
| Long-term deferred expenses | | 10,224,308.02 | - |
| Deferred income tax assets | | - | - |
| Other non-current assets | | 735,384,816.01 | 744,574,952.83 |
| Total non-current assets | | **60,367,265,989.19** | **55,998,563,901.95** |
| **Total assets** | | **68,362,859,732.02** | **63,104,702,616.25** |

Legal Representative： Chief Financial Officer: Head of Accounting Department:

# Balance Sheet of the Parent Company (Continued)

Prepared by: Henan Railway Investment Co., Ltd. 31/12/2020 Unit: RMB (yuan)

| Item | Note | Closing balance | Opening balance |
|---|---|---|---|
| **Current liabilities:** | | | |
| Short-term borrowings | | - | 400,000,000.00 |
| Financial liabilities held for trading | | - | - |
| Derivative financial liabilities | | - | - |
| Notes payable | | - | - |
| Accounts payable | | 30,750,538.89 | 16,814,801.26 |
| Advances from customers | | 197,916.68 | 197,916.68 |
| Contract liabilities | | - | - |
| Employee compensation payable | | 12,691,057.12 | 6,680,967.62 |
| Taxes and fees payable | | 79,007.83 | 436,301.42 |
| Other payables | | 129,280,082.91 | 87,733,753.19 |
| Liabilities held for sale | | - | - |
| Non-current liabilities due within one year | | 1,077,089,064.62 | 88,745,543.84 |
| Other current liabilities | | - | - |
| Total current liabilities | | **1,250,087,668.05** | **600,609,284.01** |
| **Non-current liabilities:** | | | |
| Long-term borrowings | | 9,437,500,000.00 | 10,536,000,000.00 |
| Bonds payable | | 7,268,899,000.00 | 5,768,899,000.00 |
| Including: Preferred shares | | - | - |
| Perpetual bonds | | - | - |
| Long-term payables | | 2,737,165,391.54 | 3,081,254,456.16 |
| Long-term employee compensation payable | | - | - |
| Estimated liabilities | | - | - |
| Deferred incomes | | - | - |
| Deferred income tax liabilities | | - | - |
| Other non-current liabilities | | - | - |
| Total non-current liabilities | | **19,443,564,391.54** | **19,386,153,456.16** |
| Total liabilities | | **20,693,652,059.59** | **19,986,762,740.17** |
| **Shareholders' equity:** | | | |
| Paid-in capital | | 15,000,000,000.00 | 15,000,000,000.00 |
| Other equity instruments | | - | - |
| Including: Preferred shares | | - | - |
| Perpetual bonds | | - | - |
| Capital reserves | | 34,278,964,664.54 | 29,219,141,254.48 |
| Less: Treasury stock | | - | - |
| Other comprehensive income | | - | - |
| Special reserves | | - | - |
| Surplus reserves | | 172,443,103.83 | 172,443,103.83 |
| General risk reserve | | | |
| Undistributed profits | | -1,782,200,095.94 | -1,273,644,482.23 |
| **Total shareholders' equity** | | **47,669,207,672.43** | **43,117,939,876.08** |
| **Total liabilities and shareholders' equity** | | **68,362,859,732.02** | **63,104,702,616.25** |

Legal Representative： Chief Financial Officer: Head of Accounting Department:

# Income Statement of the Parent Company

Prepared by: Henan Railway Investment Co., Ltd. 2020 Unit: RMB (yuan)

| Item | Note | Amount in current year | Amount in prior year |
|---|---|---|---|
| **I. Operating revenues** | XII.2 | **113,248,089.65** | **88,744,309.93** |
| Less: Operating costs | XII.2 | - | - |
| Taxes and surcharges | | 1,168,734.18 | 2,230,164.10 |
| Sales expenses | | - | - |
| Administrative expenses | | 32,419,864.86 | 19,259,032.70 |
| Research and development expenses | | - | - |
| Financial expenses | | 704,363,985.72 | 622,238,152.41 |
| Including: Interest expenses | | 733,467,268.39 | 663,685,617.59 |
| Interest income | | 54,224,278.59 | 68,976,913.65 |
| Add: Other incomes | | 72,772.00 | |
| Investment income (loss to be listed with“-”) | | 6,832,133.70 | 14,372,692.35 |
| Including: Investment income from associated enterprises and joint ventures | | 6,832,133.70 | 14,372,692.35 |
| Income from changes in fair value (loss to be listed with“-”) | | 109,124,203.65 | - |
| Loss from impairment of assets (loss to be listed with“-”) | | - | - |
| Income from disposal of assets (loss to be listed with“-”) | | | |
| **II. Operating profits (losses to be listed with“-”)** | | **-508,675,385.76** | **-540,610,346.93** |
| Add: Non-operating revenue | | 119,772.05 | 33,668.57 |
| Less: Non-operating expenditures | | - | - |
| **III. Total profits (total losses to be listed with“-”)** | | **-508,555,613.71** | **-540,576,678.36** |
| Less: Income tax expenses | | - | - |
| **IV. Net profits (net losses to be listed with“-”)** | | **-508,555,613.71** | **-540,576,678.36** |
| (i) Net profits from continuing operations (net losses to be listed with“-”) | | -508,555,613.71 | -540,576,678.36 |
| (ii) Net profits from discontinued operations (net losses to be listed with“-”) | | | |
| **V. After-tax net amount of other comprehensive incomes** | | **-** | **-** |
| (i) Other comprehensive incomes that cannot be subsequently reclassified into profit and loss | | **-** | **-** |
| 1. Re-measurement of changes in defined benefit plan | | | |
| 2. Other comprehensive incomes that cannot be reclassified and transferred into profit and loss by equity method | | | |
| (ii) Other comprehensive incomes that will be subsequently reclassified into profit and loss | | **-** | **-** |
| 1. Other comprehensive incomes that can be transferred into profit and loss by equity method | | | |
| 2. Profit and loss of change in fair value of available-for-sale financial assets | | | |
| 3. Profit and loss of held-to-maturity investments that are reclassified as available-for-sale financial assets | | | |
| 4. Effective portion of cash flow hedge profit and loss | | | |
| 5. Exchange differences on translating foreign operations | | | |
| 6. Others | | | |
| **VI. Total comprehensive incomes** | | **-508,555,613.71** | **-540,576,678.36** |
| **VII. Earnings per share:** | | | |
| (i) Basic earnings per share | | | |
| (ii) Diluted earnings per share | | | |

Legal Representative： Chief Financial Officer: Head of Accounting Department:

# Cash Flow Statement of the Parent Company

Prepared by: Henan Railway Investment Co., Ltd. 2020 Unit: RMB (yuan)

| Item | Note | Amount in current year | Amount in prior year |
|---|---|---|---|
| **I. Cash flows from operating activities:** | | | |
| Cash received from sales of goods and rendering of labor services | | 89,613,659.35 | 30,475,657.46 |
| Refund of taxes and surcharges | | - | - |
| Other cash received related to operating activities | | 743,814,714.89 | 549,242,720.58 |
| **Sub-total of cash inflows from operating activities** | | **833,428,374.24** | **579,718,378.04** |
| Cash paid for purchasing goods and accepting labor services | | - | - |
| Cash paid to and on behalf of employees | | 16,420,072.57 | 12,774,286.92 |
| Taxes and surcharges paid | | 2,791,148.26 | 7,004,750.65 |
| Other cash paid related to operating activitie | | 1,738,616,624.92 | 1,012,824,681.72 |
| **Sub-total of cash outflows from operating activities** | | **1,757,827,845.75** | **1,032,603,719.29** |
| **Net cash flows from operating activities** | | **-924,399,471.51** | **-452,885,341.25** |
| **II. Cash flows from investing activities:** | | | |
| Cash received from withdrawal of investments | | - | - |
| Cash received from returns on investments | | - | 5,133,249.00 |
| 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 | | - | - |
| Other cash received related to investing activities | | 2,000.00 | 410,000,000.00 |
| **Sub-total of cash inflows from investing activities** | | **2,000.00** | **415,133,249.00** |
| Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets | | 193,958,425.33 | 151,126,455.53 |
| Cash paid for investments | | 3,591,082,119.65 | 8,160,183,089.91 |
| Net cash paid to acquire subsidiaries and other business units | | - | - |
| Other cash paid related to investing activities | | 15,000,000.00 | - |
| **Sub-total of cash outflows from investing activities** | | **3,800,040,544.98** | **8,311,309,545.44** |
| **Net cash flows from investing activities** | | **-3,800,038,544.98** | **-7,896,176,296.44** |
| **III. Cash flows from financing activities:** | | | |
| Cash received from investors | | 2,355,906,000.00 | 4,207,161,400.00 |
| Cash received from borrowings | | 1,498,400,000.00 | 2,178,200,000.00 |
| Cash received from issuing bonds | | - | - |
| Other cash received related to financing activities | | 2,303,560,257.39 | 3,650,390,967.38 |
| **Sub-total of cash inflows from financing activities** | | **6,157,866,257.39** | **10,035,752,367.38** |
| Cash paid for debt repayments | | 854,043,046.44 | 1,136,851,000.00 |
| Cash paid for distribution of dividends and profits or payment of interest | | 824,638,722.59 | 831,510,702.14 |
| Other cash paid related to financing activities | | 16,013,845.52 | 38,960,000.00 |
| **Sub-total of cash outflows from financing activities** | | **1,694,695,614.55** | **2,007,321,702.14** |
| **Net cash flows from financing activities** | | **4,463,170,642.84** | **8,028,430,665.24** |
| **IV. Effect of foreign exchange rate changes on cash and cash equivalents** | | - | - |
| **V. Net increase in cash and cash equivalents** | | **-261,267,373.65** | **-320,630,972.45** |
| Add: Opening balance of cash and cash equivalents | | 2,525,762,251.30 | 2,846,393,223.75 |
| **VI. Closing balance of cash and cash equivalents** | | **2,264,494,877.65** | **2,525,762,251.30** |

Legal Representative： Chief Financial Officer: Head of Accounting Department:

# Statement of Changes in Owners' Equity of the Parent Company

Prepared by: Henan Railway Investment Co., Ltd. | Unit: RMB (yuan)

| Item | Amount in current year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Paid-in capital | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other comprehensive income | Special reserves | Surplus reserves | General risk reserve | Undistributed profits | Total owners' equity |
| | | Preferred shares | Perpetual bonds | Others | | | | | | | | |
| **I. Closing balance of prior year** | 15,000,000,000.00 | - | - | - | 29,219,141,254.48 | - | - | | 172,443,103.83 | | -1,273,644,482.23 | 43,117,939,876.08 |
| Add: Changes in accounting policies | | | | | | | | | | | | - |
| Correction of errors of prior year | | | | | 400,400,000.00 | | | | | | | 400,400,000.00 |
| Others | | | | | | | | | | | | - |
| **II. Opening balance of current year** | 15,000,000,000.00 | - | - | - | 29,619,541,254.48 | - | - | - | 172,443,103.83 | - | -1,273,644,482.23 | 43,518,339,876.08 |
| **III. Increase or decrease in current year (decrease to be listed with"-")** | - | - | - | - | 4,659,423,410.06 | - | - | - | - | - | -508,555,613.71 | 4,150,867,796.35 |
| **(i) Total comprehensive incomes** | | | | | | | - | | | | -508,555,613.71 | -508,555,613.71 |
| **(ii) Capital invested and decreased by owners** | - | - | - | - | 4,659,423,410.06 | - | - | - | - | - | - | 4,659,423,410.06 |
| 1. Capital invested by owners | - | | | | 4,659,423,410.06 | | | | | | | 4,659,423,410.06 |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | - |
| 3. Amounts of share-based payments recognized in owners' equity | | | | | | | | | | | | - |
| 4. Others | | | | | - | | | | | | - | - |
| **(iii) Profit distribution** | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Withdrawal of surplus reserves | | | | | | | | | - | | - | - |
| 2. Withdrawl of general risk reserve | | | | | | | | | | | | - |
| 3. Distribution to owners | | | | | | | | | | | - | - |
| 4. Others | | | | | | | | | | | | - |
| **(iv) Internal transfer of owners' equity** | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Capital (or share capital) from capital reserves | | | | | | | | | | | | - |
| 2. Capital (or share capital) from surplus reserves | | | | | | | | | | | | - |
| 3. Surplus reserves for making up losses | | | | | | | | | | | | - |
| 4. Carry-over of changes in defined benefit plans to retained earnings | | | | | | | | | | | | |
| 5. Others | | | | | | | | | | | | - |
| **(v) Special reserves** | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Withdrawl in current year | | | | | | | | | | | | - |
| 2. Use in current year | | | | | | | | | | | | - |
| **(vi) Others** | | | | | | | | | | | | - |
| **IV. Closing balance of current year** | 15,000,000,000.00 | - | - | - | 34,278,964,664.54 | - | - | - | 172,443,103.83 | - | -1,782,200,095.94 | 47,669,207,672.43 |

Legal Representative: Chief Financial Officer: Head of Accounting Department:

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# Statement of Changes in Owners' Equity of the Parent Company

Prepared by: Henan Railway Investment Co., Ltd. Unit: RMB (yuan)

| Item | Amount in prior year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Paid-in capital | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other comprehensive income | Special reserves | Surplus reserves | General risk reserve | Undistributed profits | Total owners' equity |
| | | Preferred shares | Perpetual bonds | Others | | | | | | | | |
| **I. Closing balance of prior year** | 15,000,000,000.00 | | | | 21,374,751,114.57 | | | | 172,443,103.83 | | -733,067,803.87 | 35,814,126,414.53 |
| Add: Changes in accounting policies | | | | | | | | | | | | - |
| Correction of errors of prior year | | | | | | | | | | | | - |
| Others | | | | | | | | | | | | - |
| **II. Opening balance of current year** | 15,000,000,000.00 | - | - | - | 21,374,751,114.57 | - | - | - | 172,443,103.83 | - | -733,067,803.87 | 35,814,126,414.53 |
| **III. Increase or decrease in current year (decrease to be listed with"-")** | - | - | - | - | 7,844,390,139.91 | - | - | - | - | - | -540,576,678.36 | 7,303,813,461.55 |
| **(i) Total comprehensive incomes** | | | | | | | - | | | | -540,576,678.36 | -540,576,678.36 |
| **(ii) Capital invested and decreased by owners** | - | - | - | - | 7,844,390,139.91 | - | - | - | - | - | - | 7,844,390,139.91 |
| 1. Capital invested by owners | | | | | 7,844,390,139.91 | | | | | | | 7,844,390,139.91 |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | - |
| 3. Amounts of share-based payments recognized inowners'equity | | | | | | | | | | | | - |
| 4. Others | | | | | - | | | | | | - | - |
| **(iii) Profit distribution** | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Withdrawal of surplus reserves | | | | | | | | | - | | - | - |
| 2. Withdrawl of general risk reserve | | | | | | | | | | | | - |
| 3. Distribution to owners | | | | | | | | | | | - | - |
| 4. Others | | | | | | | | | | | | - |
| **(iv) Internal transfer of owners' equity** | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Capital (or share capital) from capital reserves | | | | | | | | | | | | - |
| 2. Capital (or share capital) from surplus reserves | | | | | | | | | | | | - |
| 3. Surplus reserves for making up losses | | | | | | | | | | | | - |
| 4. Carry-over of changes in defined benefit plans to retained earnings | | | | | | | | | | | | |
| 5. Others | | | | | | | | | | | | - |
| **(v) Special reserves** | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Withdrawl in current year | | | | | | | | | | | | - |
| 2. Use in current year | | | | | | | | | | | | - |
| **(vi) Others** | | | | | | | | | | | | - |
| **IV. Closing balance of current year** | 15,000,000,000.00 | - | - | - | 29,219,141,254.48 | - | - | - | 172,443,103.83 | - | -1,273,644,482.23 | 43,117,939,876.08 |

Legal Representative: Chief Financial Officer: Head of Accounting Department:

# Henan Railway Investment Co., Ltd.
# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

**(All amounts are denominated in RMB unless otherwise stated)**

## I. Basic Condition of the Company

1. Company Profile

(1) The history of the Company

Henan Railway Investment Co., Ltd. (hereinafter referred to as "Company" or "the Company") was incorporated on September 3, 2009 with the approval of the Henan Provincial People’s Government on the "*Approval of the Formation Plan of Henan Railway Investment Group Co., Ltd*." (Yuzheng Wen [2009] No. 113). It is a wholly state-owned enterprise under the control of the Henan Provincial Government. The investor is the Henan Provincial People's Government who holds 100% of the shares.

According to the document of Yuzheng Wen [2009] No. 113, the Company is a large-scale provincial state-owned enterprise. The Henan Provincial People’s Government has entrusted Henan Investment Group Co., Ltd. (hereinafter referred to as the “Investment Group”) to serve as the investor, the State-owned Assets Supervision and Administration Commission of the Henan Provincial People’s Government to be responsible for asset supervision and Development and Reform Commission of the Henan Provincial People’s Government to be responsible for industry management, business guidance and personnel management. In October 2011, in order to further clarify the company system, the Henan Provincial People's Government decided that the Investment Group would no longer perform the duties of the Company's entrusted investor. In December 2011, according to the document of Yu Fagai Investment [2011] No. 2319, the equity invested by the Investment Group was converted into debt.

According to the "*Approval of the Articles of Association of Henan Railway Investment Co., Ltd.*" (Yuzheng Wen [2012] No. 105) issued by Henan Provincial People's Government and the revised Articles of Association of the Company, the Company made an industrial and commercial registration change on June 20, 2012. In December 2017, in accordance with the document of “*Notice on Approving the Articles of Association of Henan Railway Investment Co., Ltd*.” (Yucai Office [2017] No. 53) issued by the Henan Provincial Department of Finance, the Henan Provincial People’s Government, as the investor, entrusted the Henan Provincial Department of Finance to perform the duties of an investor, and Development and Reform Commission of the Henan Provincial People’s Government to be responsible for industry management.

2. Basic information

Name of company:Henan Railway Investment Co., Ltd.

Unified social credit code: 91410000694858692Q.

Address: Finance Building, No. 21, Business Outer Ring Road, Zhengdong New District, Zhengzhou City

Legal Representative: Yue Guoyong.

Registered capital: 15 billion yuan.

Date of incorporation: September 3, 2009.

Business Scope: Investment, construction and management of railway projects; asset management; warehousing, logistics supporting services, hotel management, property management, advertising operations. (Anything that requires approval in the above range shall not be allowed to operate before approval)

**II. Basis for Preparation of Financial Statements**

On the basis of going concern assumption and in reference to actual transactions and events, the Financial Statements of the Company have been prepared in accordance with the Accounting Standards for Business Enterprises - Basic Standards issued by the Ministry of Finance and concrete accounting standards, Application Guide of the Accounting Standards for Business Enterprises, Interpretation of the Accounting Standards and other relevant regulations (collectively referred to as “the Accounting Standards for Business Enterprises”), as well as the following significant accounting policies and accounting estimates.

**III. Statement of Compliance with Accounting Standards for Business Enterprises**

The Financial Statements of the Company conform to the Accounting Standards for Business Enterprises, and truly and completely reflect the financial position of the Company as of December 31, 2020, as well as operating results and cash flows for 2020.

**IV. Significant Accounting Policies and Accounting Estimates**

(I) Accounting Period

The fiscal year of the Company is calendar year from 1 January to 31 December.

(II) Recording Currency

The Company adopts RMB as its recording currency.

(III) Basis of Accounting and Principle of Measurement

The Company’s accounting shall be on accrual basis.

The Company measures accounting elements based on their historical costs. If the determined amount of accounting elements can be obtained and reliably measured, individual accounting elements are measured with replacement cost, net realizable value, present value, or fair value.

1. Measurement attributes adopted in the reporting period

Under historical cost measurement, assets shall be measured at the amount of cash or cash equivalents paid at the time of acquisition, or at the fair value of the consideration paid at the time of acquisition of the asset. Liabilities shall be measured according to the amount of money or assets to be actually received due to assumption of current obligations, or the contract amount for assumption of current obligations, or the amount of cash or cash equivalents expected to be paid for repayment of liabilities in daily activities.

2. Report items whose measurement attributes have changed in the reporting period

The measurement attributes remained unchanged in the reporting period.

(IV) Business Combination

1. Business combination 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 issues. The difference between the original investment cost of the long-term equity investment and the total carrying amount of the combination (or the total par value of shares issued) shall be adjusted to the capital reserve. If the capital reserve is insufficient to absorb the difference, the retained earnings shall be adjusted.

If a business combination under common control is realized step by step through multiple transactions, which is a package deal, the combining party shall account such transactions as one transaction in which the combining party obtains the control right. If it is not a package deal, the initial investment cost of such investment in the financial statements of the parent company, shall be the share of the book value of owner equity of the combining party calculated on the combination date based on the shareholding ratio on the combination date, and the capital reserves (equity premium)shall be adjusted for the difference between initial investment cost and the sum of the book value of the initial long-term equity investment and the book value of the new consideration paid on the combination date for further equity. If the capital reserves are insufficient for the write downs, the retained profit shall be written downs.

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. The acquired assets, liabilities and contingent liabilities of the acquiree of the determination condition acquired through the business combination not under common control shall be measured at their fair value on the acquisition date. If the acquirer's combined cost is more than the fair value share of the acquiree's identifiable net assets obtained in the combination, the difference between them is reflected in the value of goodwill. Where the combination cost is less than the fair value of the acquiree's net identifiable assets obtained by the acquirer in the business combination, if, after the reexamination, the combination cost is still less than the difference in the fair value of net identifiable assets obtained from the acquiree, the acquirer shall include the difference in the current non-operating income.

If a business combination not under common control is realized step by step through multiple transactions, the initial investment cost of such investment in the financial statements of the parent company, shall be the sum of the book value of the acquiree's equity investment held before the acquisition date and the new investment cost on the acquisition date. In the consolidated financial statements, the acquiree's equity held before the acquisition date shall be remeasured at the fair value of such equity on the acquisition date, and the difference between the fair value and its book value shall be included in the current investment income; if the acquiree's equity held before the acquisition date involves other comprehensive income, the relevant comprehensive income shall be converted into the current income on the acquisition date, except for other comprehensive income which cannot be reclassified and included in current profits and losses.

The Company shall determine the combination cost based on the sum of the fair value of the acquiree's equity held before the acquisition date on the acquisition date and the fair value of the consideration paid for the newly acquired equity on the acquisition date, and the goodwill or the amount that should be included in the current profit and loss of the period of acquisition which shall be recognized on the acquisition date based on the comparison between the combination cost and the share of the fair value of the acquiree's net identifiable assets acquired by the acquirer according to the shareholding ratio on the acquisition date.

(V) Method of Preparing Consolidated Financial Statements

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 investee and structured entities.

2. Uniform accounting policies, balance sheet date, and accounting period of the parent company and its subsidiaries

If the subsidiary adopts the accounting policies or accounting periods different from the Company, necessary adjustments shall be made to the financial statements of the subsidiary in accordance with the Company's accounting policies or accounting periods when preparing consolidated financial statements.

3. The elimination in the preparation of consolidated financial statements

The consolidated financial statements are prepared based on the balance sheets of the parent company and subsidiaries, the internal transactions between the parent company and the subsidiaries and between the subsidiaries have been offset. The share of the owner's equity of subsidiary that does not belong to the parent company is treated as a minority shareholder's equity and listed under the owner's equity item in the consolidated balance sheet as "minority's equity". The long-term equity investment of the parent company held by one subsidiary shall be treated as the Company's treasury shares of the Group, and as an item of deduction from the owner's equity, the long-term equity investment is presented in the consolidated balance sheet as "less: treasury shares" under the "owner's equity".

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 have occurred since the ultimate controlling party commences its actual control, and the 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 individual financial statements.

(VI) Joint Arrangement Classification and Accounting Treatments for Joint Operations

1. The classifications of joint arrangements

Joint arrangements are classified as joint operations or joint ventures. A joint arrangement not concluded by separate subjects is classed as a joint operation. A separate subject refers to a subject that has a separate identifiable financial structure, which includes a separate legal entity and an entity rather than a legal entity but is legally recognized. A joint arrangement concluded by separate subjects is classed as a joint venture. In case that any change of the relevant facts and conditions leads to changes to the rights and obligations of the parties under a joint arrangement, the type of that joint arrangement shall be reassessed by the said parties.

2. The accounting treatment of joint operations

The company acted as a party participating in joint operations, recognizes the items mentioned below relating to its interests in the joint operations and accounts for them in accordance with related accounting standards for enterprises: Recognize the assets or liabilities held separately, as well as assets or liabilities held jointly in one's share; recognize the income generated by sale of the output in one's share from the joint operation; recognize the income in one's share generated by sale of the output from the joint operation; recognize the cost individually incurred, and the cost in one's share from the joint operation.

In relation to a party who has no common control over the joint operation, if it is entitled to the relevant assets and liable for the relevant liabilities from the joint operation, accounting treatment shall be conducted according to the regulations applicable to parties under the joint operation; otherwise, the provisions of relevant accounting standards for enterprises shall be applied in accounting treatment.

3. Accounting treatment for joint ventures

The parties to a joint venture shall, in accordance with the provisions under the Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investment, conduct accounting treatment for the investment in the joint venture, and the parties who are not under a common control shall, depending on its influence on the joint venture, conduct accounting treatment.

(VII) Standards for Recognition of Cash and Cash Equivalents

The cash recognized by the Company in preparing the cash flow statement refers to the Company's cash on hand, and the deposits that are available for payment at any time. The cash equivalent recognized in preparing the cash flow statement refers to any investment that is with short term, highly liquid, and easy to be converted into a predefined amount of money, and low risk in changes in value.

(VIII) Transactions in Foreign Currency and Foreign Currency Translation in the Financial Statements

1. Transactions in foreign currency

A transaction of the Company in foreign currency shall be accounted between that foreign currency and the functional currency on the day when the transaction happened. The monetary items in foreign currency on the balance sheet date shall be converted by applying a spot exchange rate between that foreign currency and the functional currency on the balance sheet date, and the exchange difference caused by variation between the spot exchange rate on that date and the exchange rate recognized initially or on the last balance sheet date shall be treated as the current profits or losses, except for the exchange difference arising from a dedicated borrowing in foreign currency that is eligible for capitalization and therefore has been capitalized and accounted as the cost of relevant assets. In relation to non-monetary items in foreign currency that are measured at historical cost, the spot exchange rate on the transaction date shall be applied, for which its amount in functional currency shall not be changed. In relation to non-monetary items in foreign currency that are measured at fair value, the spot exchange rate on the date when such fair value is recognized shall be applied, and the difference in the translated amount in functional currency and the amount in functional currency shall be treated as the amount of changes in fair value (including exchange rate fluctuation) and accounted as the current income or loss or other comprehensive income.

2. Foreign currency translation in the financial statements

If the Company's controlling subsidiaries, joint ventures, associated enterprises apply different functional currency with the one applied by the Company, these entities are required to first translate amounts in foreign currency in their financial statements, and then conduct accounting treatment and prepare consolidated financial statements. Assets and liabilities in the balance sheet are translated by applying the spot exchange rate on the balance sheet date, other items are translated by applying the spot exchange rate on the date when these items happened, except for "undistributed profits" under owner's equity. Income and cost in the profit statement, the spot exchange rate on the transaction date shall be applied. The exchange difference arising from the foreign currency translation in financial statements shall be entered into other comprehensive income under owner's equity in the balance sheet. If the cash flow in foreign currency is determined using a system reasonable method, the spot exchange rate on the transaction date shall be applied. A change in amount due to exchange rate fluctuations shall be listed separately in the cash flow statement. In dealing with overseas operations, the exchange difference arising from foreign currency translation related to the overseas operations shall be all or in the proportion for dealing the overseas operations accounted as the current profits or losses.

(IX) Financial Instruments

(1) Classification, recognition and measurement of financial assets

The Company divides financial assets into the following categories based on the business model and contract cash flow of the financial assets managed by it: Financial assets measured at amortized cost; financial assets measured at fair value and their changes included in other comprehensive income; financial assets measured at fair value through current profits or losses.

Financial assets are measured at fair value in initial recognition. As for the financial assets which are measured at fair value through current profits and losses, the transaction expenses thereof shall be directly included in current profits and losses; for other categories of financial assets, the transaction expenses thereof shall be included in the initially recognized amount. For accounts receivable or notes receivable arising from the sale of products or the provision of labor services that do not contain or consider significant financing components, the amount of the consideration that the Company is expected to be entitled to receive shall be the initial recognition amount

① Financial assets measured at amortized cost

The Company's business model for managing financial assets measured at amortized cost is aimed to collect contractual cash flow as the goal, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangement, that is, the cash flow generated on a specific date, is only for the payment of principal and interest outstanding calculated based on the principal amount. For such type of financial assets, the Company shall adopt the effective interest rate method to measure the financial assets subsequently at the amortized cost, and the profits or losses resulting from amortization or impairment shall be included in current profits and losses.

② Financial assets measured at fair value and their changes included in other comprehensive income

The Company's business model for managing such financial assets is aimed to both collect contractual cash flows and sell, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. The Company measures such financial assets at fair value and the changes in their value shall be included in other comprehensive income, but impairment losses or profits, profits and losses on exchange, and interest income calculated in accordance with the effective interest rate method are included in current profits and losses.

In addition, the Company designated some non-trading equity instrument investments as financial assets that are measured at fair value and whose changes are included in other comprehensive income. The Company included the relevant dividend income of such financial assets in current profits and losses, and changes in fair value in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred from the other comprehensive income to retained earnings, and shall not be included in current profits and losses.

③ Financial assets measured at fair value through current profits and losses

The Company classifies financial assets other than financial assets measured at amortized cost and financial assets measured at fair value with changes included in other comprehensive income as financial assets measured at fair value with changes included in current profits and losses. Furthermore, at the time of initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company designated some of the financial assets as financial assets measured at fair value with changes included in current profits and losses. For such type of financial assets, the Company adopts fair value for subsequent measurement, and changes in fair value are included in current profits and losses.

(2) Classification, recognition and measurement of financial liabilities

In the initial recognition, financial liabilities are divided into the financial liabilities measured at fair value through current profits and losses and other financial liabilities. As for the financial liabilities which are measured at fair value through current profits and losses, the transaction expenses thereof shall be directly included in current profits and losses; for other categories of financial liabilities, the transaction expenses thereof shall be included in the initially recognized amount.

① Financial liabilities measured at fair value through current profits and losses

Financial liabilities measured at fair value with changes included in current profits and losses include trading financial liabilities (including instrument derivatives which are financial liabilities) and financial liabilities designated at the time of initial recognition as financial liabilities measures at fair value with changes included in current profits and losses.

Trading financial liabilities (including instrument derivatives that are financial liabilities) shall be subsequently measured at fair value, and except those related to hedge accounting, their changes in fair value shall be included in current profits and losses.

For the financial liability designated as financial liability measured at fair value with their changes included in current profits and losses, the changes in the fair value of such liability caused by the changes of the Company's own credit risk shall be included in other comprehensive income, and when the liability is derecognized, the accumulated changes in fair value caused by changes in its own credit risk and included in other comprehensive income shall be transferred to retained earnings. The other changes in fair value shall be included in current profits and losses. If the effect of changes in credit risk of such financial liabilities, which is dealt with in the above way, will cause or expand the accounting mismatch in profits and losses, the Company shall include all gains or losses of such financial liabilities (including the amount affected by changes in credit risk of the enterprise) in current profits and losses.

② Other financial liabilities

Except for the financial liabilities that are caused by the transfer of financial assets which do not meet the condition of derecognition or continuous involvement in transferred financial assets or by financial guarantee contracts, the other financial liabilities which are classified as financial liabilities measured at amortized cost shall be subsequently measured at amortized cost and the gains or losses arising from derecognition or amortization shall be included in current profits and losses.

(3) Impairment of financial assets

The Company, based on the expected credit losses, makes provision for impairment and recognizes the credit impairment losses for financial assets measured at amortized cost, investment in debt instruments measured at fair value with changes included in other comprehensive income, lease receivables, contract assets and financial guarantee contracts.

Credit loss refers to the difference between all the cash flows that are converted using the original effective interest rate and receivable under the relevant contracts and the cash flows that are expected to be received. Among them, the purchased or underlying financial assets of the Company that suffered credit impairment, shall be converted using the effect interest rate after credit adjustment of the asset.

On each balance sheet date, the Company assesses whether the credit risk of financial assets has increased significantly since the initial recognition. If the credit risk has increased significantly since the initial recognition, the Company shall measure the provision for losses at an amount equivalent to the expected credit loss during the entire lifetime of such assets. If the credit risk has not increased significantly since the initial recognition, the Company shall measure the provision for losses at an amount equivalent to expected credit losses in the next 12 months. The Company shall consider all reasonable and well-founded information, including forward-looking information, when assessing expected credit losses.

For receivables that do not contain significant financing components, the Company shall adopt simplified measurement methods to measure provision for losses at an amount equivalent to expected credit losses during the entire lifetime. For financial instruments with low credit risk on the balance sheet date, the Company shall assume that their credit risk has not increased significantly since the initial recognition, and measure the provision for losses based on the expected credit losses in the next 12 months.

(X) Receivables

The receivables of the Company mainly include accounts receivable, advance payments and other receivables. If there is objective evidence indicating the impairment of these receivables on the balance sheet date, the Company shall recognize the impairment loss based on the difference between the carrying amount and the present value of estimated future cash flow of these receivables.

At the end of the year, if there is proof indicating that the receivables are impaired, their book value shall be written down to the recoverable amount, and the written-down amount shall be recognized as asset impairment losses and included in current profits and losses.

The Company shall account for bad debt losses according to the following classifications and methods:

① For receivables with significant single amount, the specific identification method shall be adopted, and the impairment test is performed separately. If there is objective proof indicating that the receivables have been impaired, the impairment loss shall be recognized and provision for bad debts shall be made.

Standards for recognition of receivables with significant single amounts and provision for bad debts: Receivables with single amounts of one million yuan and above shall be regarded as receivables with significant single amounts.

② Receivables with insignificant single amounts shall be divided into risk-free portfolios and credit risk portfolios. No provision for bad debt shall be made for risk-free portfolios, and for credit risk portfolios, the allowance method shall be adopt to account for bad debt losses. For receivables (other receivables), a provision for bad debt shall be made at 30% of their closing balance; for receivables (accounts receivable), a provision for bad debt shall be made at 5% of their closing balance; for receivables (advance payments), a provision for bad debt shall be made at 5% of their closing balance.

Standards for recognition of risk-free portfolio: Current accounts between parent and subsidiaries, between subsidiaries and between other related parties within the scope of consolidation, the Company's receivables from government departments, internal employee loans, the accounts withhold.

Except for the risk-free portfolio, other receivables shall be classified as credit risk portfolios.

(XI) Inventories

1. Classification of inventories

Classification of inventories: Raw materials, development costs, etc.

2. Inventory System

Perpetual Inventory System.

3. Valuation method when acquiring and delivering

The inventories shall be priced at the actual cost when obtained, and the inventories delivered shall be generally calculated by the weighted average method.

4. Amortization method of turnover materials

One-off amortization method shall be adopted both for low-value consumables and packaging materials.

5. Method of inventory falling price reserves

On the balance sheet date, the inventories shall be measured whichever is lower in accordance with the cost and the net realizable value. If the cost of inventories is higher than the net realizable value, the inventory falling price reserve shall be made. The Inventory Falling Price Reserves are withdrawn according to a single inventory item; However, for the inventory with large quantity and low unit price, the Inventory Falling Price Reserves shall be withdrawn based on the inventory category; If the inventory is related to the product series produced and sold in the same area, has the same or similar end use or purpose, and is difficult to be measured separately from other items, the Inventory Falling Price Reserves shall be withdrawn in a consolidated manner.

If the factors that previously caused inventories to be written down no longer exist, the write-down amount shall be reversed. The original inventory falling price reserves shall be reversed and the amount reversed shall be included in the current profits or losses.

Determination of inventory net realizable value: For goods inventory directly used for sale, such as finished products, commodities and materials for sale, the net realizable value shall be determined by the estimated selling price of the inventory minus the estimated selling expenses and relevant taxes and fees. For the materials inventory that needs to be processed, the net realizable value shall be determined by the estimated selling price of the produced product minus the estimated cost to completion, estimated sales expense and related taxes and fees. For the inventory held for the performance of sales contracts or labor service contracts, the net realizable value shall be determined based on the contract price. If the quantity of inventory held is more than the quantity ordered in the sales contract, the net realizable value of the excess inventory shall be calculated based on the general selling price.

(XII) Long-term Equity Investments

Long-term equity investment refers to equity investments in which the Company exercises control and significant influence on the investee, as well as equity investments in joint ventures and associates.

1. Determination of investment cost

(1) Long-term equity investment formed by business combination

Business combination under common control: If the Company pays cash, transfers non-cash assets or assumes debts, and issues equity securities as the combination consideration, the share of book value of the owner's equity of the combined party acquired in the ultimate controlling party's consolidated financial statements shall be recognized as the initial investment cost of the long-term equity investment. The equity premium in the capital reserve shall be adjusted for the difference between the initial investment cost of long-term equity investment and the book value of the cash paid, the transferred non-cash assets and the debt assumed, or the total face value of the issued shares; If the equity premium in the capital reserve is insufficient for write downs, the retained earnings shall be adjusted. If the Company can exercise control over the investee under the common control due to additional investment or other reasons, the share of the book value of the combined party's net assets acquired on the combination date in the ultimate controlling party's consolidated financial statements shall be recognized as the initial investment cost of the long-term equity investment. The equity premium shall be adjusted for the difference between the initial investment cost of long-term equity investment on combination date and the sum of the book value of the long-term equity investment before the combination plus the book value of the newly paid consideration for the shares acquired on the combination date; If the equity premium is insufficient for write downs, the retained earnings shall be written down.

Business combination not under common control: The Company recognized the combination cost determined on the acquisition date as the initial investment cost of the long-term equity investment. If the Company can exercise control over the investee not under the common control due to additional investment or other reasons, the sum of the book value of the equity investment held previously plus the new investment cost shall be recognized as the initial investment cost of the long-term equity investment.

Intermediary fees such as fees for auditing, legal services, evaluation and consulting, and other related management fees incurred in business combination shall be included in current profits and losses when incurred; transaction costs incurred in the process of issuance of equity securities or debt securities as the combination consideration by the acquirer shall be included in the initially recognized amount of equity securities or debt securities.

(2) Long-term equity investment obtained by other means

For long-term equity investments obtained by paying cash, the actual acquisition price paid shall be recognized as the initial investment cost.

For long-term equity investments obtained by issuing equity securities, the fair value of the issued equity securities shall be recognized as the initial investment cost.

On the premise that the non-monetary asset exchange has commercial essence and the fair value of the received assets or the relinquished assets can be reliably measured, the initial investment cost of the long-term equity investment exchanged in the non-monetary asset exchange shall be determined based on the fair value of the relinquished assets and the relevant taxes and fees payable, unless there is conclusive evidence showing that the fair value of the received assets is more reliable; for non-monetary asset exchanges that do not meet the above premises, the book value of the relinquished assets and the relevant taxes and fees payable shall be recognized as the initial investment cost of the long-term equity investment.

For long-term equity investments obtained through debt restructuring, the initial investment cost shall be determined on the basis of fair value.

2. Subsequent measurement and recognition of profits or losses

(1) Long-term equity investments measured by using the cost method

The Company's long-term equity investments in subsidiaries shall be measured by for employing the cost method. The cash dividends or profits declared by the subsidiary shall be recognized as investment income for the current period.

(2) Long-term equity investments measured by using the equity method

Long-term equity investments in associates and joint ventures shall be measured by employing the equity method. If the initial investment cost is higher than the difference of the share of the fair value of the identifiable net asset of the investee that shall be enjoyed at the time of investment, the initial investment cost of the long-term equity investment shall not be adjusted; if the initial investment cost is less than the share of the fair value of the identifiable net asset of the investee that shall be enjoyed at the time of investment, shall be included in current profit and loss.

The Company shall recognize the attributable share of the net profits or losses and other comprehensive incomes of the investee as the investment income and other comprehensive income, and adjust the book value of the long-term equity investment. The Company shall, in light of the profits or cash dividends declared to be distributed by the investee, calculate the proportion it shall obtain, and shall reduce the book value of the long-term equity investment correspondingly. Where any change is made to the owner's equity other than the investee's net profits and losses, other comprehensive income and profit distribution, the book value of the long-term equity investment shall be adjusted and be included in owners' equity.

When determining the share of the net profits and losses of the investee that shall be enjoyed, the fair value of the identifiable net asset of the investee at the time of investment shall be used as the basis, and according to the Company's accounting policies and accounting period, the determination shall be made after adjusting the net profit of the investee. During the investment holding period, if the investee prepares consolidated financial statements, the share shall be measured base on the amount attributable to the investee in the changes of net profit, other comprehensive income and other owner's equity in the consolidated financial statements.

For the unrealized internal transaction profits and losses between the Company and its associates and joint ventures, the part attributable to the Company shall be calculated according to the proportion enjoyed and then offset, and the investment income shall be recognized on this basis thereafter. If the unrealized internal transaction gains and losses with the investee, which belong to asset impairment losses, shall be fully recognized. If there are asset investment or asset sales between the Company and the associated enterprise or joint venture and the asset constitutes a business, the accounting treatment shall be carried out in accordance with the relevant policies disclosed by the Company.

If the company confirms that it should share the losses incurred by the investee, the losses shall be dealt with in the following order: Firstly, to write down the book value of long-term equity investments. Secondly, if the book value of the long-term equity investment is insufficient for write down, to continue to recognize the investment losses within the limit of the book value of the other long-term equity which actually constitutes the net investment in the investee (notes: The specific content and standards for identification of such long-term rights and interests shall be clarified) and then to write down the book value of long-term receivable items. Finally, after the above treatment, if the Company still undertakes additional obligations under investment contract or agreement, the estimated liabilities shall be recognized according to the expected obligations and included in the current investment losses. If the investee realizes profit in the subsequent period, the Company shall, after deducting the unrecognized loss share, deal with it in the reverse order as abovementioned, namely to write down the book balance of the recognized estimated liabilities, to recover the book value of the other long-term equity which actually constitutes the net investment in the investee and the long-term equity investment and to recognize the investment income.

(3) Disposal of long-term equity investments

To dispose long-term equity investments, the difference between its book value and actual purchase price is included in current profits or losses.

Where the long-term equity investment is calculated by equity method, to dispose such investment, the basis shall be the same as the one used by the invested entity in disposing the relevant assets or liabilities, in which case the part originally included in the other comprehensive income shall be accounted according to the corresponding ratio. Owner's equity recognized by the invested entity due to changes in other owner's rights other than net profits or losses, other comprehensive income and profit distribution shall be carried forward to the current profits or losses. The other comprehensive income arising from net liabilities or changes in net assets that are included in the benefit plan following re-measurement by the invested entity shall be excluded.

Where the common control over or significant influence on the invested entity due to disposal of partial equity investment does not exist, the rest equity after such disposal shall be changed to be treated by financial instruments and based on measurement criteria. The difference between fair value and book value of such investment on the day when the said control or influence disappears shall be included in current profits or losses. Other comprehensive income that is calculated and recognized by equity method from the original equity investment shall be accounted when the equity method is no longer used in the same basis that is used by the invested entity in treating the relevant assets or liabilities. The owner's equity recognized as a result of changes in owner's equity other than the net profits and losses, other comprehensive income and profit distribution of the invested entity shall be transferred to the current profits or losses when the equity method is no longer used.

Where the disposal of partial equity investments or other causes leads to end of the control over the invested entity, in preparing separate financial statements, for the rest equity after the disposal through which common control or significant impact can be exerted over the invested entity, such equity shall be changed to be calculated by the equity method, and the relevant adjustment shall be deemed to have been made to the said equity using the equity method since the day when such equity was acquired; where the rest equity after the disposal through which no common control or significant impact can be exerted over the invested entity, such equity shall be changed to be recognized by financial instruments and accounted according to measurement standards. The difference between the fair value and the book value on the day when the control no longer exists shall be included in current profits or losses.

Where the equity to be disposed is acquired through additional investment or business merge, in preparing separate financial statements, the rest equity after such disposal shall be calculated by the cost method or the equity method, and for the equity investment held before the purchase date, other comprehensive income and other owner's interests recognized by the equity method shall be proportionally carried forward; the rest equity after disposal is changed to be accounted and confirmed by financial instruments and measurement criteria, and other comprehensive income and other owner's interests shall be all carried forward.

3. The basis for determining the joint control and significant influence on the investee

The term "joint control" refers to the control of the Company over an arrangement in accordance with relevant agreements, and no decision shall be made to relevant activities without the consent of participants sharing the control right. Where the Company jointly controls and is entitled to net assets of the invested entity with other joint venture, the invested entity shall be the Company's joint venture company.

The term "significant influence" refers to the power to participate in making decisions on the financial and operating policies of the investee, but not to control or exert joint control together with other parties over the formulation of these policies. If the investor can exert significant influence on the invested entity, the invested entity shall be the joint operation company.

4. Impairment test method and method of making impairment provision

It is judged whether there are signs of possible impairment of assets on the balance sheet date. If there are signs of impairment, the Company may estimate the recoverable amount and conduct impairment test. The recoverable amount shall be determined as the higher of the following two values: the net amount of the fair value of the assets minus the disposal expenses; the present value of the expected future cash flow of the assets.

If the recoverable amount is lower than the book value of the long-term equity investments, provision for impairment shall be made. Once losses from impairment of long-term equity investments are recognized, it will not be reversed.

(XIII) Entrusted Loans

The entrusted loan is initially booked by the amount of the actual entrusted loan, and interest is accrued on a regular basis, which is included in the profits or losses, that is, at the end of each accounting period, the interest receivable is accrued at the specified interest rate, and the book value of the entrusted loan is increased accordingly. If the accrued interest cannot be recovered after maturity, the accrual of interest shall be discontinued and the original accrued interest shall be offset.

At the end of the accounting period, a comprehensive inspection of the principal of the entrusted loan shall be carried out. If there are signs indicating that the principal of the entrusted loan is higher than the recoverable amount, the corresponding impairment provision shall be made and the provision for impairment shall be used to offset the investment return.

(XIV) Fixed Assets

1、 Recognition of fixed assets

Fixed assets refer to the tangible assets held for product manufacturing, labor service provision, leasing or operation management, which have a useful life of more than one fiscal year. Fixed assets recognized if they meet the following conditions at the same time:

(1) The economic benefits related to fixed assets are likely to flow into the enterprise;

(2) The cost of fixed assets can be measured reliably.

2、 Classification and measurement of fixed assets

The Company's fixed assets include five categories, including houses and buildings, machinery & equipment, transportation equipment, Electronic equipment and others. Fixed assets are usually initially measured at actual cost. The entry value of fixed assets acquired by finance lease is the lower of the original book value of the leased asset and the present value of the minimum lease payment. The cost of abandonment of fixed assets shall be calculated according to the present value to determine the entry amount. In relation to follow-up and subsequent expenditures associated with fixed assets, where the economic benefits of the fixed assets possibly flowing into the company exceed the original estimation, these benefits shall be accounted into book value of the fixed assets, and the amount after the increase shall not exceed the recoverable amount of the fixed assets.

3、 Depreciation method of fixed assets

The Company extracts depreciation of fixed assets using straight-line method. Depreciation of fixed assets shall be made on the next month after the fixed assets reach the predefined purpose. In the case where the impairment preparation is not considered, according to the fixed asset category, expected useful life and residual value, the Company determines that the annual depreciation rate of various types of fixed departures is as follows:

| Category of fixed assets | Depreciation life (years) | Estimated salvage value rate (%) | Annual depreciation rate (%) |
|---|---|---|---|
| Houses and buildings | 8-40 | 5 | 2.38-11.88 |
| Machinery & equipment | 10-20 | 5 | 4.75-9.50 |
| Transportation equipment | 4-6 | 5 | 15.83-23.75 |
| Office equipment and others | 3-5 | 5 | 19.00-31.66 |

Fixed assets acquired under finance lease use the same depreciation policy as self-owned depreciated assets. If it can be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, depreciation shall be accrued within the useful life of the leased asset; if it cannot be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, depreciation is accrued in the shorter of the lease term and the useful period of the fixed assets.

In relation to depreciation of fixed assets for which provision for impairment has been made, the depreciation rate and depreciation amount shall be recalculated according to the book value of the fixed asset and the remaining useful life.

4、 Impairment of fixed assets: On the balance sheet date, an impairment test is performed on fixed assets with signs of impairment. Where the impairment test indicates that the recoverable amount is lower than its book value, the provision for impairment shall be made based on the difference and included in impairment loss. The recoverable amount shall be determined as the higher of the following two values: the net amount of the fair value of the assets minus the disposal expenses; the present value of the expected future cash flow of the assets. Impairment provision of assets shall be calculated and recognized on the basis of single item asset. Where it is difficult to estimate the recoverable amount of single item asset, the Company shall determine the recoverable amount of the asset group on the basis of the asset group to which the asset belongs.

If it can be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, depreciation shall be accrued within the useful life of the leased asset; if it cannot be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, depreciation is accrued in the shorter of the lease term and the useful period of the leased asset.

5、 Idle fixed assets: When fixed assets are unable to serve the production of goods, provision of labor, rental or operating management services of the Company, the Company may include such assets in the idle fixed asset management, and the idle fixed assets shall be depreciated as fixed assets in use.

(XV) Construction in Progress

1. Category of construction in progress

Construction in progress is classified and calculated in details in the name of project in progress.

2. Time point for construction in progress being transferred to fixed assets

All the expenses incurred before the construction in progress is ready for intended use shall be accounted as the entry value of the fixed assets. If the fixed assets (construction in progress) are ready for intended use, but their final accounting has not yet been completed, the same shall be transferred to the fixed asset from the date when the assets are ready for intended use and be accounted according to the value estimated in accordance with the project budget, cost or actual cost, etc., the cost of such project is determined according to the estimated value, and depreciation shall be made accordingly. After the final accounting upon completion has been done, the original provisional value shall be adjusted based on the actual cost, but the depreciation of the original amount shall not be adjusted.

3. Provision for impairment of construction in progress

The Company should conduct impairment test on the construction in progress on the balance sheet date. Where the impairment test indicates that the recoverable amount of the asset is lower than its book value, the provision for impairment shall be made based on the difference and included in impairment loss. The recoverable amount shall be determined as the higher of the following two values: the net amount of the fair value of the assets minus the disposal expenses; the present value of the expected future cash flow of the assets. Impairment provision of assets shall be calculated and recognized on the basis of single item asset. Where it is difficult to estimate the recoverable amount of single item asset, the Company shall determine the recoverable amount of the asset group on the basis of the asset group to which the asset belongs. The asset group is the smallest asset portfolio that can independently generate cash inflows.

Once the provision for impairment of construction in progress has been accrued, it shall not be reversed.

(XVI) Intangible Assets

1、 Recognition conditions of intangible assets

An intangible asset refers to the identifiable non-monetary asset without physical substances that is owned or controlled by the Company. Intangible assets can only be recognized if they meet the following conditions at the same time:

(1) The economic benefits related to intangible assets are likely to flow into the enterprise;

(2) The cost of intangible assets can be measured reliably.

2、 Valuation method of intangible assets

An intangible asset of the Company should be measured initially at cost.

3、 Useful life and amortization of intangible assets

When the Company obtains intangible assets, it analyzes and judges the useful life. The useful life of intangible assets is limited. Where the number of years of the useful life or the number of similar measurement units that constitute the useful life are estimated; if it is impossible to predict the period of intangible assets that will bring economic benefits to the company, the intangible asset shall be regarded as the one with an uncertain useful life.

For intangible assets with a limited useful life, the amortized amount shall be amortized systematically and reasonably within the useful life. Intangible assets with uncertain useful life shall not be amortized.

4、 On the balance sheet date, the useful life and amortization method of intangible assets with limited service life shall be rechecked. If the service life and amortization method are different from the previous estimates, the amortization period and amortization method shall be changed. The useful life of intangible assets with uncertain useful life shall be reviewed. If there is evidence that the useful life of intangible assets is limited, it shall be amortized as intangible assets with limited useful life.

5、 Research and development expenditures

The expenditures for its internal research and development projects of the Company are classified into research expenditures and development expenditures.

Research expenditures refer to the expenditures incurred in the original, exploratory and planned investigations conducted by the Company to acquire and understand new scientific or technological knowledge. It aims at preparing data and related aspects for further development activities. Whether research activities will be transferred to development in the future and whether intangible assets will be formed after development are all uncertain.

Expenditure in the development stage refers to the expenditure incurred in applying research results or other knowledge to a certain plan or design before commercial production or use to produce new or substantially improved materials, devices, products, etc. Compared with the research phase, the development phase is the work belonging to the completed research phase, which to a large extent has the basic conditions for forming a new product or new technology.

The expenditure incurred in research stage of internal R&D projects should be included in the current profits or losses when it occurs; the expenditure incurred in development stage shall be recognized as intangible assets if all of the following conditions are met:

(1) It is technically feasible to complete the intangible assets so that they can be used or sold.

(2) It is intended to complete the intangible assets and use or sell them.

(3) The way that intangible assets generate economic benefits.

(4) There are sufficient technical, financial and other resource supports facilitating research and development of the intangible assets, and the Company is able to use or sell the intangible assets.

(5) The expenditure attributable to development stage of the intangible assets can be measured reliably.

6、 Intangible assets that show signs of impairment on the balance sheet date shall be tested for impairment. Where the impairment test indicates that the recoverable amount of the asset is lower than its book value, the provision for impairment shall be made based on the difference and included in impairment loss. The recoverable amount shall be determined as the higher of the following two values: the net amount of the fair value of the assets minus the disposal expenses; the present value of the expected future cash flow of the assets. Impairment provision of assets shall be calculated and recognized on the basis of single item asset. Where it is difficult to estimate the recoverable amount of single item asset, the Company shall determine the recoverable amount of the asset group on the basis of the asset group to which the asset belongs. The asset group is the smallest asset portfolio that can independently generate cash inflows.

(XVII) Long-term Deferred Expenses

Long-term deferred expenses refer to various expenses incurred but undertaken by the current period and future periods with the amortization term of more than one year. Long-term deferred expenses are accounted according to actual expenditures and amortized evenly during the project benefit period.

(XVIII) Employee Compensation

Employee payroll refers to various forms of remuneration or compensation given by an enterprise for services rendered by an employee or for the termination of a labor contract. Employee compensation mainly includes short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

1. Short-term compensation

Actual short-term payroll of an employee is recognized as a liability and recognized in profits or losses in the accounting period in which the employee performs services for the Company, excluding those required or permitted by other accounting standards to be recognized in the cost of assets. Employee benefit expenses incurred by the Company shall be recognized in the current profits or losses or the cost of related assets upon occurrence based on the actual amount incurred. Employee benefit expenses shall be measured at fair values if they are non-monetary benefits. The social security contributions made by an enterprise for its employees to health care insurance, work-related injury insurance, maternity insurance and housing fund, as well as the labor union funds and employee education funds withdrawn in accordance with relevant regulations shall be calculated according to the specified bases and proportions over the accounting period in which the employees have provided services to the enterprise to determine the corresponding payroll amount, recognize corresponding liabilities and record such liabilities in the current profits or losses or the cost of related assets.

2. Post-employment benefits and termination benefits

The Company recognizes a liability for the amount to be contributed based on the defined contribution plan in the accounting period in which the employees provide services to the Company, and recognizes it in the current profits or losses or the cost of related assets. Benefit obligations arising from defined benefit plans are attributed to employees in the period in which they provide services in accordance with the formula determined by the expected accumulated benefit unit method and shall be recognized in the current profits or losses or to the cost of related assets.

When an enterprise provides termination benefits to an employee, it shall recognize a payroll liability arising from termination benefits at the earlier one of the following dates and recognize it in the current profits or losses: when an enterprise cannot unilaterally withdraw termination benefits provided as a result of a labor termination plan or a reduction proposal; or when an enterprise recognizes costs or expenses related to a restructuring involving the payment of termination benefits.

3. Other long-term employee benefits

Other long-term employee benefits provided by the Company to employees that comply with defined contribution plans should be treated in accordance with the provisions of such plans; in addition, a net liability or net asset for other long-term employee benefits should be recognized and measured in accordance with the relevant provisions of the defined benefit plans.

(XIX) Bonds Payable

Bonds payable are booked on the basis of the amount actually received, and the bond interest expense is calculated based on the amortized cost and the actual interest rate on the balance sheet date. In the case of a small difference between the actual interest rate and the coupon rate, the coupon rate is used to determine the interest expense.

(XX) Borrowing Costs

1. Principles for handling borrowing costs

If the borrowing costs incurred to the Company can be directly attributable to the acquisition, construction or production of assets meeting the capitalization conditions, they should be capitalized and included in the cost of relevant assets; other borrowing costs incurred thereafter should be recognized as expenses according to the amount incurred and included in the current profits or losses.

The assets eligible for capitalization refer to fixed assets, investment property, inventories and other assets which require a substantial period of time before the same is ready for its intended use or sale after the acquisition, construction or production activities.

2. Conditions of borrowing costs capitalization

(1) Asset expenditure has occurred, asset expenditures include expenditures in cash or by transfer of non-cash assets or interest-bearing liabilities that are used to purchase or build or produce assets that can be capitalized;

(2) Borrowing costs have incurred;

(3) The purchase, construction or production activities necessary for the asset to reach the intended usable or saleable state have begun.

If an asset that meets the capitalization conditions is abnormally interrupted during the acquisition, construction or production process, and the interruption lasts for more than 3 months, the capitalization of borrowing costs shall be suspended.

When the acquisition, construction or production of assets that meet the capitalization conditions reaches the intended usable or saleable state, the capitalization of borrowing costs shall cease.

3. Period of borrowing costs capitalization

Where borrowing costs incurred for the purchase, construction or production of assets that meet the capitalization conditions satisfy the above-mentioned capitalization conditions, those incurred before the asset reaches the expected usable or saleable state shall be included in the cost of the asset. Those incurred after it reached the usable or saleable state shall be directly included in the financial expenses in current period.

4. Calculation method of borrowing costs capitalization

The interest expense of special borrowing (deducting the interest income obtained by deposited unused borrowing funds in the bank or the investment return obtained by temporary investment) and its auxiliary expenses shall be capitalized before the purchased, constructed or produced assets meet the conditions of capitalization and are ready for use or sale.

The amount of interest of general borrowing shall be calculated and determined that should be capitalized according to the weighted average of the cumulative asset expenditures exceeding the portion of the special borrowings multiplied by the capitalization rate of the general borrowings. The capitalization rate shall be determined using the weighted average interest rate of general borrowings.

Where there is a discount or premium on borrowings, the amount of discount or premium that should be amortized in each accounting period shall be determined using the effective interest method, and the amount of interest in each period shall be adjusted.

(XXI) Estimated Liabilities

(1) Recognition principle of estimated liabilities

The obligation pertinent to contingencies shall be recognized as an liability when the following conditions are satisfied simultaneously:

① The obligation is the current obligation undertaken by the Company;

② The performance of the obligation is likely to cause flow of the economic benefits out from the Company;

③ The amount of the obligation can be measured reliably.

If the Company's loss-making contract and its restructuring obligations meet the above conditions, it shall be recognized as an estimated liability.

(2) Method for determining the best estimate of estimated liabilities

If the required expenditure is set in a range of amounts, the best estimate is determined by the average of the upper and lower limits of the range; if the required expenditure has no range of amounts, it is determined as follows:

① When the contingency involves a single project, the best estimate is determined by the amount that most likely occurs;

② When a contingency involves multiple items, the best estimate is calculated and determined according to various possible amounts and their probability of occurrence. If all or part of the expenses required to settle the confirmed liabilities are expected to be compensated by a third party or other parties, the compensation amount shall be separately recognized as an asset when it is basically certain that it can be received. The confirmed compensation amount does not exceed the book value of the recognized liability.

(XXII) Government Subsidies

Government subsidies are classified into government subsidies pertinent to assets and government subsidies pertinent to income. Government subsidies related to assets refer to government subsidies obtained by enterprises for purchase and construction or to form long-term assets in other ways. Government subsidies related to income refer to government subsidies other than these related to assets.

Government subsidies can only be recognized if they meet the following conditions at the same time:

(1) The Company can meet the conditions required for the government subsidy;

(2) The Company can receive government subsidies.

If a government subsidy is a monetary asset, it should be measured at the amount received or receivable. If a government subsidy is a non-monetary asset, it should be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount.

Asset-related government subsidies should offset the book value of related assets or be recognized as deferred income. The government subsidies pertinent to assets should be recognized as deferred income, and included in profits and losses on installments within the useful life of relevant assets in a reasonable and systematic way. The government subsidy measured at its nominal amount shall be included in current profits and losses. If the relevant asset is sold, transferred, scrapped or damaged before the end of its useful life, the balance of the relevant deferred income that has not been distributed shall be transferred to the current profits or losses of asset disposal.

The government subsidies related to income shall be accounted for according to the following principles: ① If it is used to compensate the relevant costs or losses of the Company in the subsequent periods, it shall be recognized as deferred income, and the relevant costs or losses shall be recognized in the current profits or losses or offset the relevant costs during the period when the relevant costs or losses are recognized; ② If it is used to compensate the related costs or losses incurred by the Company, it shall be directly included in the current profits or losses or offset the related costs.

With regard to the government subsidies pertinent to both assets and income, accounting treatment should be made to different parts respectively; if it is difficult to distinguish, such government subsidies should be classified as government subsidies pertinent to income.

Government subsidies pertinent to daily activities of the Company should, according to the nature of economic business, be included in other income or be offset against relevant costs or expenses. Government subsidies not pertinent to daily activities should be included in the non-operating income and expenditure.

(XXIII) Principles of Income Recognition

1、 Sales of goods

① General sales: The revenues from operating shall be recognized when the Company has transferred to the purchaser the significant risks and rewards of ownership of the goods; the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenues can be measured reliably; the relevant economic benefits are likely to flow into the Company; and the costs incurred or to be incurred can be measured reliably.

② Real estate sales: The income is recognized when the control of the product is transferred to the customer. Whether the control of the goods is transferred within a certain period of time or at a certain point in time depends on the terms of the contract and the legal provisions applicable to the contract. If the Company meets the following conditions, the control of the goods will be transferred within a certain period of time:

• The customer could acquire and consume the economic benefits at the time when the Company performs the contract; or

• The customer is able to control the commodities under construction when the Company is performing the contract; or

• The commodities produced in the course of the Company's performance of the contract are of irreplaceable use and the Company is entitled to receive payment for the cumulative portion of the completed part of the contract to date throughout the term of the contract. If the control of the goods is transferred within a certain period of time, the Company shall recognize income based on the progress of the completion of the performance obligations during the entire contract period. Otherwise, income is recognized at a certain point in time when the customer obtains control of the product.

On the reporting date, the Company recognizes income from sales contracts for which type of income has been recognized within a certain period of time based on the progress of completed performance obligations. The progress of the completed performance obligations is measured by the Company's expenditure or investment in completing the performance obligations, and the progress is calculated based on the proportion of the cost incurred by each contract as of the end of the reporting period in the budgeted cost.

2、 Provision of labor services

Revenue from the provision of labor services shall be recognized using the percentage of completion method if the outcome of the service provision transaction can be reliably estimated on the balance sheet date.

3、 Transfer of rights to use assets

Where the economic benefits related to the transaction are likely to flow into the Company and the amount of income can be reliably measured, the Company shall determine the amount of income from the transfer of asset use rights under the following conditions:

(1) The amount of interest income shall be determined based on the timing of the use of the Company's monetary funds by others and the effective interest rate.

(2) The amount of royalty income shall be calculated and determined in accordance with the time and method of charging as agreed in the relevant contract or agreement.

(XXIV) Accounting Treatment of Income Tax

The Company uses the balance sheet debt method for income tax accounting.

1. Recognition of deferred income tax assets

(1) The Company shall recognize the deferred income tax assets arising from deductible temporary differences to the extent of the amount of the taxable income that is probable to be obtained and can be deducted from the deductible temporary difference. However, deferred income tax assets arising from the

initial recognition of assets or liabilities in transactions that also have the following characteristics shall be not recognized:

① The transaction is not a business combination;

② When the transaction occurs, neither accounting profits nor taxable income (or deductible losses) will be affected.

(2) The Company recognizes the corresponding deferred income tax assets for deductible temporary differences related to investments in subsidiaries, associates and joint ventures that meet the following conditions at the same time:

① Temporary differences are likely to reverse in the foreseeable future;

② In the future, it is likely to obtain taxable income used to offset temporary differences.

(3) As for any deductible loss or tax deduction that can be carried forward in future years, the Company shall recognize the corresponding deferred income tax assets to the extent of the amount of future taxable income that is probable to be obtained and can be deducted from the deductible loss or tax deduction.

2. Recognition of deferred income tax liabilities

Except for the deferred income tax liabilities arising from the following circumstances, the Company recognizes all deferred income tax liabilities arising from taxable temporary differences:

(1) Initial recognition of goodwill;

(2) The initial recognition of assets or liabilities arising from transactions that satisfy the following characteristics at the same time:

① The transaction is not a business combination;

② When the transaction occurs, neither accounting profits nor taxable income (or deductible losses) will be affected.

(3) The temporary taxable differences related to investments by the Company in subsidiaries, associates and joint ventures that meet the following conditions at the same time:

① The period that the invested entity can control the reversal of temporary differences;

② The temporary difference will probably not be reversed in the foreseeable future.

3. Measurement of income tax expenses

The Company includes current income tax and deferred income tax as income tax expense or income in current profits or losses, but does not include income tax arising from the following circumstances:

(1) Business combination

(2) Transactions or events directly recognized in the owner's equity.

(XXV) Lease

The Company's asset leases are classified into financing lease and operating leases, and leases other than financing lease are operating leases.

1. If a lease satisfies any of the following criteria, it is considered as a financing lease:

(1) Upon the expiration of the lease term, the ownership of the assets is transferred to the lessee;

(2) The lessee has the option to purchase the leased assets, and the agreed purchase price is expected to be far lower than the fair value of the leased assets at time of exercise of the option. It can be reasonably determined that the lessee will exercise such option on the lease commencement date;

(3) The lease term accounts for most of the useful life of the leased asset;

(4) With respect to the lessee, the present value of the minimum lease payment on the lease commencement date is almost equal to the fair value of the leased assets on the lease commencement date;

(5) The leased assets are special in nature, and are only usable by the lessee if they are not substantially modified.

2. Accounting treatment

(1) Financing lease (lessor):

On the lease commencement date, the difference between the sum of the receivable financing lease payment and the unsecured residual value and the sum of their present values is recognized as the unrealized financing income, which will be calculated and recognized as the lease income in the effective interest rate method for each future period for which the rent is received. The initial direct expenses incurred are included in the initial measurement of financing lease receivables, and offset the lease income recognized during the lease term when the lease income for each period is recognized during the lease term.

In case that the unsecured residual value decreases and the unsecured residual value of the recognized loss is restored, the rental internal rate of return shall be recalculated, the net rental investment shall be revised, and the rental income shall be calculated and determined on the basis of the revised net rental investment and recalculated rental internal rate of return.

The effective interest rate method is used to calculate the financing income that should be recognized for the current period. Contingent rent is recognized as current income when it is actually received.

(2) Operating lease (lessor):

Rents are recognized as income for each period of the lease term in the straight-line method.

The initial direct expenses incurred shall be recognized as current expenses. For the fixed assets of the operating lease assets, the depreciation policy adopted in connection with such fixed assets is adopted for depreciation. Other operating lease assets shall be amortized according to the corresponding amortization system for such assets.

Contingent rent is recognized as current income when it is actually received.

(XXVI) Held-for-sale

The Company classifies the non-current assets or disposal groups that meet the following conditions as held-for-sale: I. According to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under the current situation; II. The sale is very likely to occur, i.e., the enterprise has made a resolution on a sale plan and obtained a confirmed purchase commitment, and the sale is expected to be completed within one year. If the relevant provisions require the approval of the relevant authority or regulatory authority of the enterprise before such assets or disposal groups can be sold, such approval shall have been approved.

If the carrying amount of non-current assets or disposal groups held for sale is higher than the net amount of fair value minus sales expenses when the initial measurement or re-measurement is made on the balance sheet date, the carrying amount shall be written down to the net amount of fair value minus sales expenses, and the written-down amount shall be recognized as asset impairment loss and included in the current profits or losses, and the impairment provision for assets held for sale shall be accrued at the same time.

Non-current assets held for sale or assets in disposal group held for sale in the balance sheet are presented as assets held for sale, and liabilities in disposal group held for sale are presented as liabilities held for sale.

(XXVII) Discontinued Operation

Discontinued operation is a separately distinguishable component that meets one of the following conditions, and this component has been disposed of by the Company or classified as held for sale by the Company:

1. This component represents an independent main business or a separate main business area;

2. This component is part of an associated plan to dispose of an independent main business or a separate main business area;

3. This component is a subsidiary specially acquired for resale.

**V. Changes in Significant Accounting Policies and Accounting Estimates**

No change in significant accounting policies and accounting estimates in current year

**VI. Taxes**

(I) Main Types of Taxes and Rate

| Category of tax | Tax rate |
|---|---|

| Category of tax | Tax rate |
|---|---|
| Value-added tax | 6%、9%、13% |
| Urban maintenance and construction tax | 7% |
| Education surcharge | 3% |
| Local education surcharge | 2% |
| Corporate income tax | 25% |
| Stamp duty | 0.03%、0.05%、0.1% |

(II) Tax Incentives and Approvals

According to the *Notice of Henan Local Taxation Bureau on Local Railway System Enterprise Property Tax and Urban Land Use Tax* (Y. D. S. H. (2006) No.366), the Company is eligible for the tax exemption, therefore, the self-use property is exempt from property tax and the land use right is exempt from land use tax. Apart from the above tax reduction and exemption, the Company has no other preferential tax policies during the current period.

**VII. Notes to Items in the Consolidated Financial Statements**

**1. Monetary Capital**

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Cash on hand | 316,404.40 | 376,389.58 |
| Bank deposit | 3,500,209,275.51 | 3,537,016,251.07 |
| Other monetary capital | - | - |
| Total | 3,500,525,679.91 | 3,537,392,640.65 |

Details of restricted monetary capital are as follows:

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Frozen certificates of deposit | 81,455,698.90 | 81,455,698.90 |
| Total | 81,455,698.90 | 81,455,698.90 |

**2. Trading Financial Assets**

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Financial assets measured at fair value through current profits or losses | | |
| Including: Equity instrument investments | 331,624,203.30 | - |
| Total | 331,624,203.30 | - |

**3. Notes Receivable**

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Bank acceptance bill | - | 150,000.00 |
| Total | / | 150,000.00 |

### 4. Accounts Receivable

(1) Accounts receivable

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Accounts receivable balance | 344,813,117.16 | 254,981,065.45 |
| Less: Bad-debt provision | 177,112.91 | 154,017.45 |
| Total | 344,636,004.25 | 254,827,048.00 |

① Disclosure by classification of accounts receivable

| Category | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Book balance | | Bad-debt provision | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| Receivables with significant single amounts and provision for bad debts made separately | 343,025,301.61 | 99.48 | - | - | 343,025,301.61 |
| Receivables with non-significant single amounts | 1,692,368.55 | 0.49 | 81,665.91 | 4.83 | 1,610,702.64 |
| Credit risk portfolio | 1,632,368.55 | 96.45 | 81,665.91 | 5.00 | 1,550,702.64 |
| Risk free portfolio | 60,000.00 | 3.55 | - | - | 60,000.00 |
| Receivables with insignificant single amounts but with provision for bad debts made separately | 95,447.00 | 0.03 | 95,447.00 | 100.00 | - |
| Total | 344,813,117.16 | 100.00 | 177,112.91 | / | 344,636,004.25 |

(Continued)

| Category | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Book balance | | Bad-debt provision | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| Receivables with significant single amounts and provision for bad debts made separately | - | - | - | - | - |
| Receivables with non-significant single amounts | 254,885,618.45 | 99.96 | 58,570.45 | 0.02 | 254,827,048.00 |
| Credit risk portfolio | 1,171,409.09 | 0.46 | 58,570.45 | 5.00 | 1,112,838.64 |
| Risk free portfolio | 253,714,209.36 | 99.54 | - | - | 253,714,209.36 |
| Receivables with insignificant single amounts but with provision for bad debts made separately | 95,447.00 | 0.04 | 95,447.00 | 100.00 | - |

| Category | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Book balance | | Bad-debt provision | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| Total | 254,981,065.45 | 100.00 | 154,017.45 | / | 254,827,048.00 |

Receivable with insignificant single amounts at the end of the period but with provision for bad debts made separately

| Debtor name | December 31, 2020 | Bad-debt provision | Aging | Proportion (%) | Reason |
|---|---|---|---|---|---|
| Nie Yucai | 95,447.00 | 95,447.00 | More than 3 years | 100.00 | Basically determined to be unrecoverable |
| Total | 95,447.00 | 95,447.00 | / | / | / |

(2) Top five closing balances of accounts receivable on the debtors

| Entity name | Nature of the amount | December 31, 2020 | Aging | Proportion of total closing balance of accounts receivables (%) |
|---|---|---|---|---|
| Zhumadian Finance Bureau | Land development receivable | 196,416,050.54 | Within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5years, more than 5 years | 56.96 |
| Antang Xincheng Administrative Committee | Income from primary land development | 146,609,251.07 | 1-2 years, 2-3 years, 3-4 years, 4-5years, more than 5 years | 42.53 |
| Zhengzhou Coal & Electric Co., Ltd. | Freight | 805,350.26 | Within 1 year | 0.23 |
| Zhengzhou Coal Group (Henan) Baiping Coal Industry Co., Ltd. | Freight | 704,633.75 | Within 1 year, 1-2 years | 0.20 |
| Henan Ping Yu Railway Co., Ltd. | Loan | 96,622.94 | 2-3 years | 0.03 |
| Total | / | 344,631,908.56 | / | 99.95 |

**5. Advance Payment**

(1) Analysis of account ages

| Aging | December 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Amount | Proportion (%) | Amount | Proportion (%) |
| Within 1 year | 265,825,649.60 | 35.27 | 582,049,184.54 | 59.01 |
| 1-2 years | 83,674,468.74 | 11.10 | 198,327,570.84 | 20.11 |
| 2-3 years | 198,094,320.00 | 26.29 | 130,074,736.12 | 13.18 |
| More than 3 years | 205,998,957.34 | 27.34 | 75,929,921.23 | 7.70 |
| Total | 753,593,395.68 | 100.00 | 986,381,412.73 | 100.00 |

(2) Top five closing balances of advance payments on the debtors

| Entity name | Nature of the amount | December 31, 2020 | Aging | Proportion of total closing balance of advance payments (%) |
|---|---|---|---|---|
| Zhengzhou South Station Engineering Construction Command Headquarters of China Railway Zhengzhou Group Co., Ltd. | Project payable | 200,000,000.00 | Within 1 year | 26.53 |
| Zhengzhou Municipal Bureau of Land and Resources | Compensation for land requisition and demolition | 170,000,000.00 | 1-2 years, 2-3 years, more than 3 years | 22.55 |
| Administrative Committee of Kaifeng Urban-Rural Integration Demonstration Area | Early land requisition fee | 80,000,000.00 | More than 3 years | 10.61 |
| Antang Xincheng Administrative Committee | Land advance payment | 75,000,000.00 | More than 3 years | 9.95 |
| Kaifeng Jinming District Finance Bureau | Land transfer fee | 60,000,000.00 | 2-3 years | 7.96 |
| Total | / | 585,000,000.00 | / | 77.60 |

## 6. Other Receivables

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Other receivables | 4,585,058,885.46 | 3,500,049,413.66 |
| Dividends receivable | - | - |
| Interests receivable | 111,771,814.80 | 89,709,338.79 |
| Total | 4,696,830,700.26 | 3,589,758,752.45 |

(1) Classification of interest receivable

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Interest on borrowed funds | 111,771,814.80 | 89,709,338.79 |
| Total | 111,771,814.80 | 89,709,338.79 |

(2) Disclosure by classification of other receivables

| Category | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Book balance | | Bad-debt provision | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| Receivables with significant single amounts and provision for bad debts made separately | 4,580,460,791.31 | 99.86 | 1,603,716.32 | 0.04 | 4,578,857,074.99 |
| Receivables with non-significant single amounts | 6,357,729.47 | 0.14 | 155,919.00 | 2.45 | 6,201,810.47 |
| Credit risk portfolio | 337,460.69 | - | 155,919.00 | - | 181,541.69 |
| Risk free portfolio | 6,020,268.78 | - | - | - | 6,020,268.78 |
| Receivables with insignificant single amounts but with provision for bad debts made separately | - | - | - | - | - |
| Total | 4,586,818,520.78 | 100.00 | 1,759,635.32 | / | 4,585,058,885.46 |

(Continued)

| Category | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Book balance | | Bad-debt provision | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| Receivables with significant single amounts and provision for bad debts made separately | 3,479,329,609.68 | 99.36 | - | - | 3,479,329,609.68 |
| Receivables with non-significant single amounts | 22,487,430.28 | 0.64 | 1,767,626.30 | 7.86 | 20,719,803.98 |
| Credit risk portfolio | 5,892,087.66 | - | 1,767,626.30 | - | 4,124,461.36 |
| Risk free portfolio | 16,595,342.62 | - | - | - | 16,595,342.62 |
| Receivables with insignificant single amounts but with provision for bad debts made separately | - | - | - | - | - |
| Total | 3,501,817,039.96 | 100.00 | 1,767,626.30 | / | 3,500,049,413.66 |

(3) Top five closing balances of other receivables on the debtors

| Entity name | Nature of the amount | December 31, 2020 | Aging | Proportion of total closing balance of other receivables (%) |
|---|---|---|---|---|
| Nanyang Municipal People's Government | Borrowings | 731,860,000.00 | More than 5 years | 15.95 |
| Zhumadian Municipal People's Government | Development fund advance | 552,653,696.75 | Within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5years, more than 5 years | 12.05 |
| Zhoukou Municipal People's Government | Borrowings | 448,740,000.00 | 2-3 years, more than 5 years | 9.78 |
| Shangqiu Provincial People's Government | Borrowings | 397,000,000.00 | 2-3 years, more than 5 years | 8.65 |
| Zhongmou County Public Resources Trading Center | Land deposit | 327,070,000.00 | Within 1 year | 7.13 |
| Total | / | 2,457,323,696.75 | / | 53.56 |

**7. Inventories**

| Item | December 31, 2020 | | |
|---|---|---|---|
| | Book balance | Provision for depreciation | Book value |
| Raw materials | 2,795,970.72 | - | 2,795,970.72 |
| Development cost | 1,047,001,681.52 | - | 1,047,001,681.52 |
| Total | 1,049,797,652.24 | - | 1,049,797,652.24 |

(Continued)

| Item | December 31, 2019 | | |
|---|---|---|---|
| | Book balance | Provision for depreciation | Book value |
| Raw materials | 2,500,810.20 | - | 2,500,810.20 |
| Development cost | 1,461,313,945.70 | - | 1,461,313,945.70 |
| Total | 1,463,814,755.90 | - | 1,463,814,755.90 |

**8. Other Current Assets**

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Prepaid tax | 64,255,759.98 | 97,961,459.01 |

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Input VAT to be deducted | 373,563,340.93 | 233,718,610.40 |
| Preparatory Group for Intercity Railway | 1,618,000.00 | 1,618,000.00 |
| Total | 439,437,100.91 | 333,298,069.41 |

### 9. Other Equity Instrument Investments

(1) Available-for-sale equity instruments

| Item | December 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Book balance | Provision for impairment | Book value | Book balance | Provision for impairment | Book value |
| Available-for-sale equity instruments | - | - | - | - | - | - |
| Including: Measured at fair value | - | - | - | - | - | - |
| Measured at cost | 46,807,896,835.90 | - | 46,807,896,835.90 | 43,963,111,142.17 | - | 43,963,111,142.17 |
| Total | 46,807,896,835.90 | - | 46,807,896,835.90 | 43,963,111,142.17 | - | 43,963,111,142.17 |

（2）Details of available-for-sale equity instruments measured at cost at the end of the year

| Investee | Book balance | | | | Provision for impairment | | | |
|---|---|---|---|---|---|---|---|---|
| | December 31, 2019 | Increase in current year | Decrease in current year | December 31, 2020 | December 31, 2019 | Increase in current year | Decrease in current year | December 31, 2020 |
| Haolebaoji-Ji'an Raiway Co., Ltd. | 2,194,480,000.00 | - | - | 2,194,480,000.00 | - | - | - | - |
| Beijing-Guangzhou High-Speed Railway Henan Co., Ltd. | 4,543,710,000.00 | - | - | 4,543,710,000.00 | - | - | - | - |
| Zhengzhou-Chongqing High-speed Railway Henan Co., Ltd. | 6,750,000,000.00 | - | - | 6,750,000,000.00 | - | - | - | - |
| Zhengxi Railway Passenger Dedicated Line Co., Ltd. | 2,051,390,000.00 | - | - | 2,051,390,000.00 | - | - | - | - |
| Jin-Yu-Lu Railway Passage Co., Ltd. | 1,874,459,025.10 | - | - | 1,874,459,025.10 | - | - | - | - |
| China Pingmei Shenma Energy & Chemical Group Co. Ltd. | 387,735,000.00 | - | - | 387,735,000.00 | - | - | - | - |
| Zhengzhou Coal Industry (Group) Co., Ltd. | 343,481,500.00 | - | - | 343,481,500.00 | - | - | - | - |

| Investee | Book balance | | | | Provision for impairment | | | |
|---|---|---|---|---|---|---|---|---|
| | December 31, 2019 | Increase in current year | Decrease in current year | December 31, 2020 | December 31, 2019 | Increase in current year | Decrease in current year | December 31, 2020 |
| Zhengxi Railway Passenger Dedicated Line Co., Ltd.-(Zhengzhou-Xuzhou Railway) | 3,780,000,000.00 | - | - | 3,780,000,000.00 | - | - | - | - |
| Luohe-Fuyang Railway Co., Ltd. | 753,570,000.00 | - | - | 753,570,000.00 | - | - | - | - |
| Mengping Railway | 234,180,000.00 | - | - | 234,180,000.00 | - | - | - | - |
| Yima Coal Industry Group Co. Ltd. | 223,565,959.00 | - | - | 223,565,959.00 | - | - | - | - |
| Zhengzhou-Chongqing High-speed Railway Henan Co., Ltd.-(Zhengzhou-Hefei Railway) | 6,500,000,000.00 | - | - | 6,500,000,000.00 | - | - | - | - |
| Zhengxi Railway Passenger Dedicated Line Co., Ltd.-(Shangqiu-Hefei-Hangzhou Railway) | 2,152,000,000.00 | - | - | 2,152,000,000.00 | - | - | - | - |
| Henan Intercity Railway Co., Ltd.-(Zhengzhou-Jinan Railway) | 9,950,702,500.00 | 2,700,902,120.00 | - | 12,651,604,620.00 | - | - | - | - |
| Henan Railway Group Co., Ltd. | 677,378,568.16 | - | - | 677,378,568.16 | - | - | - | - |
| Henan Intercity Railway Co., Ltd.-(Zhengzhou-Taiyuan Railway) | 1,546,458,589.91 | 59,490,000.00 | - | 1,605,948,589.91 | - | - | - | - |
| Henan Intercity Railway Co., Ltd.-(Heze-Lankao) | - | 50,000,000.00 | - | 50,000,000.00 | - | - | - | - |
| Zhengzhou Xiliuhu Holding Co., Ltd. | - | 34,393,573.73 | - | 34,393,573.73 | - | - | - | - |
| Total | 43,963,111,142.17 | 2,844,785,693.73 | - | 46,807,896,835.90 | - | - | - | - |

### 10. Long-term Receivables

| Item | December 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Book balance | Bad-debt provision | Book value | Book balance | Bad-debt provision | Book value |
| China Railway | 1,334,105,600.00 | - | 1,334,105,600.00 | 1,334,105,600.00 | - | 1,334,105,600.00 |

| Item | December 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Book balance | Bad-debt provision | Book value | Book balance | Bad-debt provision | Book value |
| Zhengzhou Group Co., Ltd. | | | | | | |
| China Railway Wuhan Group Co., Ltd. | 580,840,000.00 | - | 580,840,000.00 | 580,840,000.00 | - | 580,840,000.00 |
| Henan Natural Resources Investment Group Co., Ltd. | 1,000,000,000.00 | - | 1,000,000,000.00 | - | - | - |
| Total | 2,914,945,600.00 | - | 2,914,945,600.00 | 1,914,945,600.00 | - | 1,914,945,600.00 |

## 11. Long-term Equity Investments

| Investee | December 31, 2019 | Increase or decrease in 2020 | | | | December 31, 2020 |
|---|---|---|---|---|---|---|
| | | Additional investment | Reduced investment | Investment profits and losses recognized under equity method | Others | |
| Zhengzhou Xiliuhu Holding Co., Ltd. | 34,393,573.73 | - | - | - | 34,393,573.73 | - |
| Central China Futures Co., Ltd. | 171,470,865.17 | - | - | 6,832,133.70 | - | 178,302,998.87 |
| Henan Zhengzhou-Luoyang Intercity Railway Co., Ltd. | 20,000,000.00 | - | - | - | - | 20,000,000.00 |
| Henan Intercity Railway Co., Ltd. | 5,777,290,360.00 | - | - | - | - | 5,777,290,360.00 |
| Total | 6,003,154,798.90 | - | - | 6,832,133.70 | 34,393,573.73 | 5,975,593,358.87 |

## 12. Fixed Assets

| Item | Houses and buildings | Machinery & equipment | Transportation equipment | Electronic equipment and others | Total |
|---|---|---|---|---|---|
| I. Original book value: | | | | | |

| Item | Houses and buildings | Machinery & equipment | Transportation equipment | Electronic equipment and others | Total |
|---|---|---|---|---|---|
| 1.December 31, 2019 | 877,029,766.00 | 37,806,137.03 | 27,608,241.76 | 8,752,322.60 | 951,196,467.39 |
| 2. Increase in current year | 159,653.47 | 28,205.75 | 1,631,849.56 | 1,893,321.55 | 3,713,030.33 |
| (1) Purchase | - | 28,205.75 | 1,631,849.56 | 1,893,321.55 | 3,553,376.86 |
| (2) Increase from combination | - | - | - | - | - |
| (3) Transfer from construction in progress | 159,653.47 | - | - | - | 159,653.47 |
| 3. Decrease in current year | - | 37,443.85 | 941,970.00 | 35,158.55 | 1,014,572.40 |
| (1) Disposal or scrapping | - | 37,443.85 | 941,970.00 | 35,158.55 | 1,014,572.40 |
| (2) Others | - | - | - | - | - |
| 4.December 31, 2020 | 877,189,419.47 | 37,796,898.93 | 28,298,121.32 | 10,610,485.60 | 953,894,925.32 |
| II. Accumulated depreciation | | | | | |
| 1.December 31, 2019 | 366,014,297.26 | 33,061,049.30 | 23,689,697.04 | 7,307,870.81 | 430,072,914.41 |
| 2. Increase in current year | 14,523,272.04 | 1,100,010.94 | 885,852.79 | 568,540.29 | 17,077,676.06 |
| (1) Provision | 14,523,272.04 | 1,100,010.94 | 885,852.79 | 568,540.29 | 17,077,676.06 |
| (2) Increase from combination | - | - | - | - | - |
| 3. Decrease in current year | - | 30,127.43 | 894,871.50 | 33,400.62 | 958,399.55 |
| (1) Disposal or scrapping | - | 30,127.43 | 894,871.50 | 33,400.62 | 958,399.55 |
| (2) Others | - | - | - | - | - |
| 4.December 31, 2020 | 380,537,569.30 | 34,130,932.81 | 23,680,678.33 | 7,843,010.48 | 446,192,190.92 |
| III. Provision for impairment | | | | | |
| 1.December 31, 2019 | - | - | - | - | - |
| 2. Increase in current year | - | - | - | - | - |
| (1) Provision | - | - | - | - | - |
| 3. Decrease in current year | - | - | - | - | - |
| (1) Disposal or scrapping | - | - | - | - | - |
| 4.December 31, 2020 | - | - | - | - | - |
| IV. Book value | | | | | |
| 1.December 31, 2020Book value | 496,651,850.17 | 3,665,966.12 | 4,617,442.99 | 2,767,475.12 | 507,702,734.40 |
| 2.December 31, 2019Book value | 511,015,468.74 | 4,745,087.73 | 3,918,544.72 | 1,444,451.79 | 521,123,552.98 |

### 13. Construction in Progress

| Item | December 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Book balance | Provision for impairment | Book value | Book balance | Provision for impairment | Book value |
| Henan Intercity Railway Integrated Command Center Project | 971,852,656.83 | - | 971,852,656.83 | 806,400,990.47 | - | 806,400,990.47 |
| Xinzheng Airport to Zhengzhou South Railway Station Project | 3,462,325,617.14 | - | 3,462,325,617.14 | 1,976,898,589.46 | - | 1,976,898,589.46 |
| Zhengzhou-Kaifeng Extension Line | 443,512,614.21 | - | 443,512,614.21 | 442,470,461.76 | - | 442,470,461.76 |
| Zhengzhou South Station Intercity Railway EMU Base | 141,509.43 | - | 141,509.43 | 141,509.43 | - | 141,509.43 |
| Emergency Engineering of Zhengzhou South Railway Station | 287,320,271.94 | - | 287,320,271.94 | 239,561,919.83 | - | 239,561,919.83 |
| Total | 5,165,152,669.55 | - | 5,165,152,669.55 | 3,465,473,470.95 | - | 3,465,473,470.95 |

### 14. Intangible Assets

| Item | Land use right | Software | Others | Total |
|---|---|---|---|---|
| I. Original book value | | | | |
| 1. December 31, 2019 | 124,968,366.91 | 439,474.77 | 759,506.19 | 126,167,347.87 |
| 2. Increase in current year | - | - | - | - |
| (1) Purchase | - | - | - | - |
| (2) Government allocating | - | - | - | - |
| 3. Decrease in current year | - | - | - | - |
| (1) Disposal | - | - | - | - |
| 4. December 31, 2020 | 124,968,366.91 | 439,474.77 | 759,506.19 | 126,167,347.87 |
| II. Accumulated amortization | | | | |
| 1. December 31, 2019 | 14,607,532.59 | 356461.95 | 689848.95 | 15,653,843.49 |

| Item | Land use right | Software | Others | Total |
|---|---|---|---|---|
| 2. Increase in current year | 2,264,068.92 | 28,461.54 | 69,657.24 | 2,362,187.70 |
| (1) Provision | 2,264,068.92 | 28461.54 | 69657.24 | 2,362,187.70 |
| 3. ~~Decrease~~ in current year | - | - | - | - |
| (1) Disposal | - | - | - | - |
| 4. December 31, 2020 | 16,871,601.51 | 384,923.49 | 759,506.19 | 18,016,031.19 |
| III. Provision for impairment | | | | |
| 1. December 31, 2019 | - | - | - | - |
| 2. Increase in current year | - | - | - | - |
| (1) Provision | - | - | - | - |
| 3. Decrease in current year | - | - | - | - |
| (1) Disposal | - | - | - | - |
| 4. December 31, 2020 | - | - | - | - |
| IV. Book value | | | | |
| 1. Book value on December 31, 2020 | 108,096,765.40 | 54,551.28 | - | 108,151,316.68 |
| 2. Book value on December 31, 2019 | 110,360,834.32 | 83,012.82 | 69,657.24 | 110,513,504.38 |

### 15. Long-term Deferred Expenses

| Item | December 31, 2019 | Increase in current year | Amortization in current year | December 31, 2020 |
|---|---|---|---|---|
| Bond underwriting fee | - | 3,000,000.00 | 374,999.94 | 2,625,000.06 |
| Financing lease service fee | - | 10,080,000.00 | 2,520,000.00 | 7,560,000.00 |
| Wande terminal service fee | - | 78,616.00 | 39,308.04 | 39,307.96 |
| Housing rental fee | 1,840,539.33 | 811,751.37 | 2,135,570.38 | 516,720.32 |
| Total | 1,840,539.33 | 13,970,367.37 | 5,069,878.36 | 10,741,028.34 |

### 16. Other Non-current Assets

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Treasury bond funds of Henan local railway bureau | 503,685,125.60 | 512,994,952.83 |
| Others | - | 11,776,237.52 |
| Total | 503,685,125.60 | 524,771,190.35 |

### 17. Short-term Borrowings

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|

| | | |
|---|---|---|
| Credit borrowings | - | 400,000,000.00 |
| Total | - | 400,000,000.00 |

**18. Accounts Payable**

(1) Presentation of accounts payable by aging

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Within 1 year | 43,111,506.15 | 23,341,090.02 |
| 1-2 years | 5,763,308.98 | 1,364,500.00 |
| 2-3 years | 1,273,790.86 | 1,608,120.39 |
| More than 3 years | 9,741,660.10 | 9,434,278.56 |
| Total | 59,890,266.09 | 35,747,988.97 |

(2) Top five balances of accounts payable as of December 31, 2020

| Creditor name | December 31, 2020 | Aging | Proportion of accounts payable (%) | Contents of the amount |
|---|---|---|---|---|
| Shenzhen Jianyi Decoration Group Co., Ltd. | 20,334,846.41 | Within 1 year, 1-2 years | 33.95 | Project payable |
| Henan Railway Construction Co., Ltd. | 5,558,070.17 | 2-3 years, more than 3 years | 9.28 | Project payable |
| Group LLC of Henan Province The First Construction Work Co., Ltd | 4,068,491.00 | Within 1 year | 6.79 | Project payable |
| Zhongzhou Construction Co., Ltd. | 3,190,604.94 | Within 1 year | 5.33 | Project payable |
| Henan Yuhong Construction Engineering Co., Ltd. | 3,092,655.89 | Within 1 year | 5.16 | Project payable |
| Total | 36,244,668.41 | / | 60.51 | / |

**19. Advances from customers**

(1) Advances from customers

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Within 1 year | 6,662,208.98 | 5,809,942.58 |
| 1-2 years | 513,711.28 | 130,043.00 |
| 2-3 years | 130,043.00 | 176,848.90 |
| More than 3 years | 1,289,023.00 | 1,234,158.12 |
| Total | 8,594,986.26 | 7,350,992.60 |

(2) Top five balances of advances from customers as of December 31, 2020

| Creditor name | December 31, 2020 | Aging | Proportion of advances from customers (%) | Contents of the amount |
|---|---|---|---|---|
| Henan Jinyang Mining Co., Ltd. | 1,867,650.00 | Within 1 year | 21.73 | Freight |
| Jiangxi Dexin Energy Co., Ltd. | 1,227,784.00 | Within 1 year | 14.28 | Freight |
| Henan Zhenfang Minerals Co., Ltd. | 774,723.00 | Within 1 year | 9.01 | Freight |
| China Resources Power Dengfeng Co., Ltd. | 497,790.00 | Within 1 year | 5.79 | Freight |
| Zhejiang Yuneng Power and Electricity Fuel Co., Ltd. | 283,771.35 | More than 3 years | 3.30 | Freight |
| Total | 4,651,718.35 | / | 54.11 | / |

**20. Contract Liabilities**

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Sales proceeds received in advance | 570,187,587.68 | 717,035,245.15 |
| Total | 570,187,587.68 | 717,035,245.15 |

**21. Employee Compensation Payable**

(1) Employee compensation payable

| Item | December 31, 2019 | Increase in current year | Decrease in current year | December 31, 2020 |
|---|---|---|---|---|
| I. Short-term compensation | 19,988,861.18 | 74,597,058.12 | 75,189,702.38 | 19,396,216.92 |
| II. Post-employment benefits - defined contribution plans | 1,549.45 | 931,788.69 | 931,788.69 | 1,549.45 |
| III. Termination benefits | - | - | - | - |
| IV. Other benefits due within one year | - | - | - | - |
| Total | 19,990,410.63 | 75,528,846.81 | 76,121,491.07 | 19,397,766.37 |

(2) Short-term compensation

| Item | December 31, 2019 | Increase in current year | Decrease in current year | December 31, 2020 |
|---|---|---|---|---|
| 1. Salaries, bonuses, allowances and | 15,051,243.70 | 58,847,830.55 | 60,130,636.29 | 13,768,437.96 |

| Item | December 31, 2019 | Increase in current year | Decrease in current year | December 31, 2020 |
|---|---|---|---|---|
| subsidies | | | | |
| 2. Employee welfare | 132,345.00 | 2,792,665.60 | 2,783,743.60 | 141,267.00 |
| 3. Social insurance | 5,513.83 | 4,881,438.59 | 4,882,024.50 | 4,927.92 |
| Including: Medical insurance | 4,927.92 | 4,577,716.48 | 4,577,716.48 | 4,927.92 |
| Work injury insurance | 585.91 | 32,408.50 | 32,994.41 | - |
| Maternity insurance | - | 271,313.61 | 271,313.61 | - |
| 4. Housing accumulation fund | 7,390.00 | 5,635,979.00 | 5,635,979.00 | 7,390.00 |
| 5. Labor union funds and employee education funds | 4,792,368.65 | 2,439,144.38 | 1,757,318.99 | 5,474,194.04 |
| 6. Short-term paid leave | - | - | - | - |
| Total | 19,988,861.18 | 74,597,058.12 | 75,189,702.38 | 19,396,216.92 |

（3）Defined contribution plan

| Item | December 31, 2019 | Increase in current year | Decrease in current year | December 31, 2020 |
|---|---|---|---|---|
| 1. Basic endowment insurance | 1,232.00 | 881,214.01 | 881,214.01 | 1,232.00 |
| 2. Unemployment insurance | 317.45 | 50,574.68 | 50,574.68 | 317.45 |
| 3. Enterprise annuity contribution | - | - | - | - |
| Total | 1,549.45 | 931,788.69 | 931,788.69 | 1,549.45 |

**22. Taxes and Surcharges Payable**

| Item | December 31, 2019 | Payable for the year | Paid for the year | December 31, 2020 |
|---|---|---|---|---|
| Corporate income tax | 2,881,201.76 | 10,502,095.33 | 11,554,844.95 | 1,828,452.14 |
| Value-added tax | 2,903,418.96 | 12,969,596.28 | 13,477,821.36 | 2,395,193.88 |
| Urban maintenance and construction tax | 203,239.32 | 610,610.43 | 782,316.32 | 31,533.43 |
| Education surcharge | 87,102.58 | 318,928.31 | 392,516.56 | 13,514.33 |
| Local education surcharge | 58,068.38 | 212,618.89 | 261,677.72 | 9,009.55 |
| Stamp duty | 214,915.17 | 1,629,017.06 | 1,690,947.30 | 152,984.93 |
| Urban land use tax | 527,050.84 | 2,108,203.36 | 2,108,203.36 | 527,050.84 |
| Individual income tax | 1,014,816.23 | 1,619,442.54 | 2,297,200.37 | 337,058.40 |
| Water resource taxe | 337.50 | 1,462.50 | 1,410.30 | 389.70 |

| Item | December 31, 2019 | Payable for the year | Paid for the year | December 31, 2020 |
|---|---|---|---|---|
| Environmental protection taxe | 4,410.00 | 17,640.00 | 17,640.00 | 4,410.00 |
| Vehicle use taxe | - | 9,949.32 | 9,949.32 | - |
| Land value increment tax | - | 6,646,308.48 | 6,646,308.48 | - |
| Total | 7,894,560.74 | 36,645,872.50 | 39,240,836.04 | 5,299,597.20 |

**23. Other Payables**

(1) Classification of other payables

| Category | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Other payables | 381,315,257.71 | 464,734,777.27 |
| Dividends payable | - | - |
| Interests payable | 113,527,384.57 | 71,806,292.20 |
| Total | 494,842,642.28 | 536,541,069.47 |

(2) Other payables by aging

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Within 1 year | 169,891,396.24 | 159,714,855.65 |
| 1-2 years | 88,616,841.57 | 271,985,274.20 |
| 2-3 years | 90,473,866.74 | 2,187,282.30 |
| More than 3 years | 32,333,153.16 | 30,847,365.12 |
| Total | 381,315,257.71 | 464,734,777.27 |

(3) Top five balances of other payables as of December 31, 2020

| Creditor name | December 31, 2020 | Aging | Proportion of other payables (%) | Nature of the amount |
|---|---|---|---|---|
| Runhong Group Co., Ltd. | 23,500,000.00 | Within 1 year | 6.16 | Borrowings |
| China Railway 16th Bureau Group Co., Ltd. | 22,006,236.43 | Within 1 year, 1-2 years, 2-3 years | 5.77 | Project payable |
| Preparatory Group for Zhengzhou Intercity Railway | 11,000,000.00 | More than 3 years | 2.88 | Project-related cost of preparatory group |
| China State Construction Engineering Co., Ltd. | 5,375,898.40 | Within 1 year, 1-2 years | 1.41 | Project payable |
| China Railway Electrification | 3,123,849.00 | Within 1 year | 0.82 | Project payable |

| | | | | |
|---|---|---|---|---|
| Bureau Group Co., Ltd. | | | | |
| Total | 65,005,983.83 | / | 17.04 | / |

**24. Non-current Liabilities Due within One Year**

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Long-term borrowings due within one year | 853,000,000.00 | - |
| Long-term payables due within one year | 224,089,064.62 | 88,745,543.84 |
| Total | 1,077,089,064.62 | 88,745,543.84 |

**25. Long-term Borrowings**

(1) Classification of long-term borrowings

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Credit borrowings | 10,398,500,000.00 | 10,847,699,690.41 |
| Total | 10,398,500,000.00 | 10,847,699,690.41 |

(2) Details of credit loan as of December 31, 2020

| Lender | Loan bank | Balance of borrowings |
|---|---|---|
| Henan Railway Investment Co., Ltd. | Henan Branch of China Development Bank | 6,477,500,000.00 |
| Henan Railway Investment Co., Ltd. | Ping An Asset Management Co., Ltd. | 1,500,000,000.00 |
| Henan Railway Investment Co., Ltd. | Dajia Asset Management Co., Ltd. | 1,460,000,000.00 |
| Henan Zhengzhou Airport Intercity | Zhengzhou Weier Road Branch of China Everbright | 132,000,000.00 |
| Henan Zhengzhou Airport Intercity | Zhengzhou Branch of Shanghai Pudong Development | 297,000,000.00 |
| Henan Zhengzhou Airport Intercity | Zhengzhou Culture Branch of Bank of China | 532,000,000.00 |
| Total | / | 10,398,500,000.00 |

**26. Bonds Payable**

(1) Bonds payable

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| 12 Yu Tie Tou Zhai | 2,795,149,000.00 | 2,795,149,000.00 |
| 14 Yu Tie Tou MTN001 | 1,473,750,000.00 | 1,473,750,000.00 |
| 19 Yu Tie Tou Zhai I | 1,500,000,000.00 | 1,500,000,000.00 |
| 20 Yu Tie 01 | 1,500,000,000.00 | - |
| Total | 7,268,899,000.00 | 5,768,899,000.00 |

(2) Increase or decrease in bonds payable

| Bond name | Par value | Issue date | Bond term | Amount issued | December 31, 2019 |
|---|---|---|---|---|---|
| 12 Yu Tie Tou Zhai | 2,800,000,000.00 | 2012-11-19 | 10 years | 2,800,000,000.00 | 2,795,149,000.00 |
| 14 Yu Tie Tou MTN001 | 1,500,000,000.00 | 2014-11-18 | 15 years | 1,500,000,000.00 | 1,473,750,000.00 |
| 19 Yu Tie Tou Zhai I | 1,500,000,000.00 | 2019-11-12 | 7 years | 1,500,000,000.00 | 1,500,000,000.00 |
| 20 Yu Tie 01 | 1,500,000,000.00 | 2020-4-21 | 7 years | 1,500,000,000.00 | - |
| Total | 7,300,000,000.00 | / | / | 7,300,000,000.00 | 5,768,899,000.00 |

(Continued)

| Bond name | Issued in current year | Amortization of premium or discount | Repayment in current year | December 31, 2020 |
|---|---|---|---|---|
| 12 Yu Tie Tou Zhai | - | - | - | 2,795,149,000.00 |
| 14 Yu Tie Tou MTN001 | - | - | - | 1,473,750,000.00 |
| 19 Yu Tie Tou Zhai I | - | - | - | 1,500,000,000.00 |
| 20 Yu Tie 01 | 1,500,000,000.00 | - | - | 1,500,000,000.00 |
| Total | 1,500,000,000.00 | - | - | 7,268,899,000.00 |

Note 1: The Company was approved to issue corporate bonds in November 2012 (referred to as "12 Yu Tie Tou Zhai"). The face value of the bonds is RMB 2.8 billion, and the term of the bond is: 10-year, with coupon rate: 6.38%。

Note 2: In November 2014, the Company was approved to issue the first interim notes of 2014 (referred to as "14 Yu Tie Tou MTN001"). The face value of the bonds is RMB 1.5 billion, and the term of the bond is: 15-year, with coupon rate: 5.92%。

Note 3: The Company was approved to issue corporate bonds in November 2019 (referred to as "19 Yu Tie Tou Zhai I"). The face value of the bonds issued in the first phase is RMB 1.5 billion, and the bond term is: 7-year, with coupon rate: 4.50%。

Note 4: The Company was approved to issue corporate bonds in April 2020 (referred to as "20 Yu Tie 01"). The face value of the bonds is RMB 1.5 billion, and the term of the bond is: 7-year, with coupon rate: 3.80%。

**27. Long-term Payables**

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Henan Investment Group Co., Ltd. | 2,640,000,000.00 | 2,890,000,000.00 |
| Financing lease payment payable | 97,165,391.54 | 191,254,456.16 |

| | | |
|---|---|---|
| Total | 2,737,165,391.54 | 3,081,254,456.16 |

Note 1: According to the document (Y.F.G.T.Z. [2011] No.2319), Henan Investment Group Co., Ltd. no longer performs the duties of entrusted investor of the Company, and its capital contribution of RMB 4.66 billion has been converted into creditor's rights to the Company, and the balance of such creditor's rights is RMB 2.64 billion as of December 31, 2020.

Note 2: In December 2019, the Company signed financing lease contracts (2019 PAZL (TJ) 0102335-ZL-01 and 2019 PAZL (TJ) 0102336-ZL-01) with Ping An International Financial Leasing (Tianjin) Co., Ltd., with the project principal of RMB 280,000,000.00.

**28. Paid-in Capital**

| Investor name | December 31, 2019 | | Increase in current year | Decrease in current year | December 31, 2020 | |
|---|---|---|---|---|---|---|
| | Investment amount | Proportion (%) | | | Investment amount | Proportion (%) |
| Henan Provincial Department of Finance | 12,011,251,241.00 | 80.08 | - | - | 12,011,251,241.00 | 80.08 |
| State-owned Assets Supervision Committee of Henan Provincial People's Government | 1,988,748,759.00 | 13.25 | - | - | 1,988,748,759.00 | 13.25 |
| Henan Province Land and Resources Development Investment Administration Center | 1,000,000,000.00 | 6.67 | - | - | 1,000,000,000.00 | 6.67 |
| Total | 15,000,000,000.00 | 100.00 | - | - | 15,000,000,000.00 | 100.00 |

**29. Capital Reserve**

| Item | December 31, 2019 | Increase in current year | Decrease in current year | December 31, 2020 |
|---|---|---|---|---|
| Capital premium | - | - | - | |
| Other capital reserves | 29,786,612,736.01 | 4,659,423,410.06 | - | 34,446,036,146.07 |
| Total | 29,786,612,736.01 | 4,659,423,410.06 | - | 34,446,036,146.07 |

Note: Due to the recognization of the capital contribution of Nanyang Municipal People's Government with respect to Zhengzhou-Wanzhou and Inner Mongolia-Jiangxi Railways, the initial capital reserve was adjusted and increased by RMB 400.4 million. Increase of capital reserve for the year: RMB1,493,940,000 of construction funds for the joint railway project, RMB 861,060,000 of provincial railway financial special funds for the second batch of construction funds for the joint railway project, RMB 700,000,000 of central infrastructure investment budget (allocation) for the central and western railway projects, and RMB1,604,420,000 of investment from local and municipal railway projects were received, of which: ① RMB 59.52 million of capital and project payment was received from local and municipal governments in connection with Taiyuan-Jiaozuo Railway, and ② RMB 1.5449 billion of capital and project payment from local and municipal governments in connection with Zhengzhou-Jinan Railway.

### 30. Surplus Reserve

| Item | December 31, 2019 | Increase in current year | Decrease in current year | December 31, 2020 |
|---|---|---|---|---|
| Statutory surplus reserve | 172,443,103.83 | - | - | 172,443,103.83 |
| Discretionary surplus reserve | - | - | - | - |
| Total | 172,443,103.83 | - | - | 172,443,103.83 |

### 31. Undistributed Profits

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Undistributed profits at the end of the previous year before adjustment | -1,851,469,007.78 | -1,270,845,378.08 |
| Adjustment to total undistributed profits at the beginning of the period | - | - |
| Undistributed profits at the beginning of period after adjustment | -1,851,469,007.78 | -1,270,845,378.08 |
| Add: Profit in current year | -528,524,975.93 | -580,623,629.70 |
| Less: Withdrawl of statutory surplus reserve | - | - |
| Withdrawl of discretionary surplus reserve | - | - |
| Withdrawl of general risk reserve | - | - |
| Dividends payable on ordinary shares | - | - |
| Dividends for ordinary shares transferred to share capital | - | - |
| Distribution to owners (or shareholders) | 6,239,500.00 | - |
| Undistributed profits at the end of current year | -2,386,233,483.71 | -1,851,469,007.78 |

### 32. Operating Revenues and Operating Costs

| Item | 2020 | | 2019 | |
|---|---|---|---|---|
| | Revenues | Costs | Revenues | Costs |
| Main business | 535,655,477.13 | 468,745,965.09 | 774,379,021.49 | 658,849,758.97 |
| Other businesses | 19,818,335.97 | 5,628,240.39 | 15,669,689.01 | 4,154,186.34 |

| Item | 2020 | | 2019 | |
|---|---|---|---|---|
| | Revenues | Costs | Revenues | Costs |
| Total | 555,473,813.10 | 474,374,205.48 | 790,048,710.50 | 663,003,945.31 |

（1）Category of incomes

| Item | 2020 | | 2019 | |
|---|---|---|---|---|
| | Revenues | Costs | Revenues | Costs |
| Main business | 535,655,477.13 | 468,745,965.09 | 774,379,021.49 | 658,849,758.97 |
| Including: Real estate sales | 512,975,863.66 | 428,313,405.80 | 706,246,998.49 | 611,196,774.96 |
| Opportunity cost of primary land development | - | - | 30,675,741.04 | - |
| Income from property management | - | 2,530,134.06 | 1,374,262.93 | 575,725.58 |
| Transportation revenue | 21,325,428.29 | 37,148,056.65 | 34,114,429.37 | 46,398,191.62 |
| Handling revenue | 1,354,185.18 | 754,368.58 | 1,967,589.66 | 679,066.81 |
| Other businesses | 19,818,335.97 | 5,628,240.39 | 15,669,689.01 | 4,154,186.34 |
| Including: Entrusted management fee | - | 1,131,288.03 | 410,961.19 | 1,441,709.32 |
| Provision for development profit | 13,128,708.49 | - | - | - |
| Interest income | 339,622.64 | - | 12,359,446.35 | - |
| Real estate rental revenue | 78,399.08 | - | 102,543.78 | - |
| Maintenance service fee | 404,060.39 | - | 461,929.33 | - |
| Revenue from movable property lease | 700,575.18 | 265,486.74 | 2,229,299.18 | 437,900.54 |
| Revenue from agent construction | 4,884,033.05 | 3,670,299.53 | - | 2,257,524.30 |
| Other incomes | 282,937.14 | 561,166.09 | 105,509.18 | 17,052.18 |
| Total | 555,473,813.10 | 474,374,205.48 | 790,048,710.50 | 663,003,945.31 |

## 33. Taxes and Surcharges

| Item | 2020 | 2019 |
|---|---|---|
| Urban maintenance and construction tax | 1,231,385.63 | 1,920,693.41 |
| Vehicle use tax | 12,624.32 | 10,459.32 |
| Land use tax | 2,108,203.36 | 2,108,203.36 |
| Education surcharge | 527,736.69 | 845,014.46 |
| Stamp duty | 1,615,337.89 | 2,733,165.55 |
| Land value increment tax | 15,870,831.69 | 24,890,298.94 |
| Local education surcharge | 351,824.47 | 526,909.42 |
| Others | 19,102.50 | 81,572.24 |
| Total | 21,737,046.55 | 33,116,316.70 |

## 34. Management Expenses

| Item | 2020 | 2019 |
|---|---|---|
| Employee compensation | 51,711,044.71 | 48,776,014.17 |
| Office expenses | 2,237,296.30 | 861,902.68 |
| Intermediary fee | 1,165,232.72 | 1,097,650.26 |
| Rental and property fee | 4,182,139.78 | 6,175,233.72 |
| Others | 11,279,122.21 | 6,425,423.27 |
| Total | 70,574,835.72 | 63,336,224.10 |

**35. Financial Expenses**

| Item | 2020 | 2019 |
|---|---|---|
| Interest expenses | 839,181,677.19 | 671,659,561.59 |
| Less: Interest income | 164,810,857.56 | 70,563,789.31 |
| Handling fees | 25,179,001.38 | 27,615,119.74 |
| Total | 699,549,821.01 | 628,710,892.02 |

**36. Other Incomes**

| Item | 2020 | 2019 |
|---|---|---|
| Government subsidies | 2,772,144.62 | 48,573.44 |
| Total | 2,772,144.62 | 48,573.44 |

**37. Investment Income**

| Item | 2020 | 2019 |
|---|---|---|
| Long-term equity investment incomes measured by using the equity method | 6,832,133.70 | 14,372,692.35 |
| Others | 75,000,800.00 | - |
| Total | 81,832,933.70 | 14,372,692.35 |

**38. Losses from Impairment of Assets**

| Item | 2020 | 2019 |
|---|---|---|
| Bad debt loss | -93,571.31 | 291,015.42 |
| Total | -93,571.31 | 291,015.42 |

**39. Non-operating Revenue**

| Item | 2020 | 2019 |
|---|---|---|
| Gains from damage or scrapping of non-current assets | 118,201.50 | - |
| Revenue from fines and liquidated damages | - | 14,664.00 |

| Item | 2020 | 2019 |
|---|---|---|
| Others | 25,505.56 | 105,235.03 |
| Total | 143,707.06 | 119,899.03 |

**40. Non-operating Expenditures**

| Item | 2020 | 2019 |
|---|---|---|
| Losses from damage or scrapping of non-current assets | 9,884.75 | 4,507.40 |
| Fine, liquidated damage and late payment fee | - | 15,453.31 |
| External donation | - | 2,400.00 |
| Others | 342,010.09 | 49,336.08 |
| Total | 351,894.84 | 71,696.79 |

**41. Income Tax Expenses**

| Item | 2020 | 2019 |
|---|---|---|
| Income tax expenses in current year | 27,054,019.61 | 20,759,106.89 |
| Deferred income tax expenses | - | - |
| Total | 27,054,019.61 | 20,759,106.89 |

**42. Supplementary Information to the Cash Flow Statement**

(1) Supplementary information to the Cash Flow Statement

| Supplementary information | 2020 | 2019 |
|---|---|---|
| **1. Reconciliation of net profit to cash flows from operating activities:** | | |
| Net profit | -549,014,326.44 | -609,386,101.95 |
| Add: Provision for impairment of assets | 93,571.31 | -291,015.41 |
| Depreciation of fixed assets | 17,077,676.06 | 26,286,438.94 |
| Amortization of intangible assets | 2,362,187.70 | 898,635.06 |
| Amortization of long-term deferred expenses | 5,069,878.36 | 1,073,737.51 |
| Losses from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-") | - | -715.58 |
| Losses from scrapping of fixed assets (gains to be listed with "-") | 118,201.50 | 4,507.40 |
| Losses from changes in fair value (gains to be listed with "-") | -109,124,203.65 | - |
| Financial expenses (gains to be listed with "-") | 839,181,677.19 | 747,507,857.18 |
| Investment losses (incomes to be listed with "-") | -81,832,933.70 | -14,372,692.35 |
| Decrease in deferred income tax assets (increase to be listed with "-") | - | - |

| Supplementary information | 2020 | 2019 |
|---|---|---|
| Increase in deferred income tax liabilities (decrease to be listed with "-") | - | - |
| Decrease in inventories (increase to be listed with "-") | 428,069,175.43 | 448,522,454.48 |
| Decrease in operating receivables (increase to be listed with "-") | -1,622,970,322.75 | -652,043,126.01 |
| Increase in operating payables (decrease to be listed with "-") | -186,607,869.75 | 54,120,911.09 |
| Others | - | - |
| Net cash flows from operating activities | -1,257,577,288.74 | 2,320,890.36 |
| **2. Significant investing and financing activities not involving cash receipts and payments:** | | |
| Conversion of debts into capital | - | - |
| Convertible corporate bonds due within one year | - | - |
| Fixed assets acquired under financial leasing | - | - |
| **3. Net changes in cash and cash equivalents:** | | |
| Closing balance of cash | 3,419,069,981.01 | 3,455,936,941.75 |
| Less: Opening balance of cash | 3,455,936,941.75 | 4,502,528,352.51 |
| Add: Closing balance of cash equivalents | - | - |
| Less: Opening balance of cash equivalents | - | - |
| Net increase in cash and cash equivalents | -36,866,960.74 | -1,046,591,410.76 |

(3) Breakdowns of cash and cash equivalents

| Item | Amount incurred in 2020 | Amount incurred in 2019 |
|---|---|---|
| I. Cash | 3,419,069,981.01 | 3,455,936,941.75 |
| Including: Cash on hand | 316,404.40 | 376,389.58 |
| Bank deposit available for payment at any time | 3,418,753,576.61 | 3,455,560,552.17 |
| Other monetary capital available for payment at any time | - | - |
| Deposits with central bank available for payment | - | - |
| Deposits from other banks | - | - |
| Call loans to banks | - | - |
| II. Cash equivalents | - | - |
| Including: Bond investment due within three months | - | - |
| III. Closing balance of cash and cash equivalents | 3,419,069,981.01 | 3,455,936,941.75 |

## VIII. Related party

### 1. Information on the Controlling Shareholders of the Company

The controlling shareholders of the Company is Henan Provincial People's Government.

**2. Subsidiaries of the Company**

| No. | Name of company | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Business scope | Shareholding ratio (%) | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect | |
| 1 | Henan Tongsheng Real Estate Co., Ltd. | Zhengzhou | 2011-07-18 | 100,000.00 | Real estate development and operation, and hotel management. | 100.00 | - | Level-1 subsidiary |
| 2 | Henan Zhengzhou Airport Intercity Railway Co., Ltd. | Zhengzhou | 2015-09-28 | 30,000.00 | Railway construction management; passenger and freight transportation; real estate development and operation; design, production and agency of advertising business; and catering service. | 33.3333 | - | Level-1 subsidiary |
| 3 | Henan Dengfeng Railway Co., Ltd. | Dengfeng | 1999-03-18 | 42,977.00 | Railway transportation; and sales of construction materials. | 73.1321 | - | Level-1 subsidiary |
| 4 | Henan Kaifeng Intercity Railway Investment Co., Ltd. | Kaifeng | 2015-12-11 | 54,975.00 | Investment, construction and management of intercity railways in Kaifeng; design, production, agency and publication of domestic advertising business; catering services; and property management. | 5.4570 | - | Level-1 subsidiary |
| 5 | Henan Railway Investment Integrated Development Co., Ltd. | Zhengzhou | 2020-10-09 | 100,000.00 | Land remediation services, land consolidation and land development; Housing demolition services; urban and rural planning, land and space planning, project management services; engaging in investment activities, planning and design management, and various engineering construction activities with its own funds; real estate consulting, real estate development and operation, real estate brokerage and property management; parking lot services; hotel management services; advertisement production, advertisement release, advertisement design and agency; conference and exhibition services; | 100.00 | - | Added in 2020, the level-1 subsidiary |

| No. | Name of company | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Business scope | Shareholding ratio (%) | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect | |
| | | | | | procurement agency services; railway freight transport, road freight transport and road freight transport station operation; tourism business; exploitation of mineral resources (non-coal mines); and manufacturing of transmission and distribution and control equipment. | | | |
| 6 | Henan High-speed Railway Co., Ltd. | Zhengzhou | 2020-11-18 | 100,000.00 | General items: Manufacturing of railway rolling stock accessories, urban rail transit equipment, and railway transportation basic equipment; public rail transport; engaging in investment activities and various engineering construction activities with its own funds; sales of building materials; advertisement production, advertisement release, advertisement design and agency; catering services; trade brokerage; property management; land remediation services, land consolidation and land development; house demolition services; urban and rural planning, land and space planning, and project management services (in addition to business subject to license, the company can independently operate projects that are not prohibited or restricted by laws and regulations). | 100.00 | - | Added in 2020, the level-1 subsidiary |

| No. | Name of company | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Business scope | Shareholding ratio (%) | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect | |
| 7 | Henan Shengtong Industry Co., Ltd. | Zhengzhou | 2011-11-15 | 1,008.00 | Storage (except for inflammable and explosive dangerous goods); sales of construction materials; hotel management; domestic advertisement agency business; conference services; and wholesale and retail of coal. | - | 100.00 | Level-2 subsidiary |
| 8 | Kaifeng Tongsheng Real Estate Co., Ltd. | Kaifeng | 2016-09-09 | 10,000.00 | Real estate development and management | - | 70.00 | Level-2 subsidiary |
| 9 | Henan Tongsheng Property Service Co., Ltd. | Zhengzhou | 2016-08-24 | 500.00 | Property services; agent for real estate marketing planning; landscaping engineering construction; safety technology prevention engineering design and construction (the above scope shall be operated with valid qualification certificate); rental of houses; hotel management (excluding accommodation and catering operations); catering enterprise management (excluding catering business); conference planning; exhibition planning; domestic service; flower rental; parking lot management; and design, production, agency and publication and other domestic advertising business. | - | 100.00 | Level-2 subsidiary |
| 10 | Henan Tiandi Dongyuan Real Estate Co., Ltd. | Zhengzhou | 2016-04-22 | 5,000.00 | Real estate development and management | - | 100.00 | Level-2 subsidiary |
| 11 | Zhumadian Tongsheng Xincheng District Construction Co., Ltd. | Zhumadian | 2013-12-27 | 10,000.00 | Primary land consolidation and development entrusted by the government; and real estate development and operation. | - | 70.00 | Level-2 subsidiary |
| 12 | Zhumadian Tongsheng Construction Development Co., Ltd. | Zhumadian | 2012-11-21 | 3,000.00 | Real estate development and management | - | 100.00 | Level-2 subsidiary |

| No. | Name of company | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Business scope | Shareholding ratio (%) | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect | |
| 13 | Henan Tongsheng Dayu Real Estate Co., Ltd. | Zhengzhou | 2015-12-24 | 10,000.00 | Real estate development and management | - | 70.00 | Level-2 subsidiary |
| 14 | Henan Sheng' an Investment Development Co., Ltd. | Anyang | 2014-10-21 | 50,000.00 | Investment and construction of public infrastructure facilities with its own funds; land development and consolidation; and real estate development and operation. | - | 67.00 | Level-2 subsidiary |
| 15 | Zhongmou County Zhongcheng Real Estate Co., Ltd. | Zhengzhou | 2020-12-24 | 5,000.00 | Licensed items: Real estate development and operation; construction engineering survey; residential interior decoration (for projects that are subject to approval according to law, business activities can only be carried out after approval by relevant departments, and the specific business projects shall be subject to the approval documents or license documents of relevant departments) General items: Non-residential real estate lease; house lease; landscaping engineering construction; and property management. | - | 49.00 | Added in 2020,level-2 subsidiary |

**3. Joint Ventures and Associated Enterprises of the Company**

| No. | Associated enterprises name | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Main business | Shareholding ratio (%) | |
|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect |
| 1 | Henan Intercity Railway Co., Ltd. | Zhengzhou | 2010-5-24 | 10,000.00 | Investment and management of railway construction; railway passenger and freight transport and service agency; domestic trade; design, production, release, and agency of domestic advertising business (Anything that requires approval in the above range shall | 50.00 | - |

| No. | Associated enterprises name | Place of registration | Date of incorporation | Registered capital (RMB 10,000) | Main business | Shareholding ratio (%) | |
|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect |
| | | | | | not be allowed to operate before approval). | | |
| 2 | Henan Zhengzhou-Luoyang Intercity Railway Co., Ltd. | Zhengzhou | 2016-11-1 | 50,000.00 | Railway construction management and passenger and freight transportation; real estate development and operation; design, production and agency of advertising business; and catering service. | 30.00 | - |
| 3 | Central China Futures Co., Ltd. | Zhengzhou | 1993-4-18 | 33,000.00 | Commodity futures brokerage; financial futures brokerage; and futures investment consulting. Asset management | 40.9352 | - |

## XI. Commitments and Contingencies

### 1. Significant Commitments

As of December 31, 2020, the Company has no significant commitments to be disclosed.

### 2. Contingencies

As of December 31, 2020, the details of our external guarantee are as follows:

| Guarantor | Guaranteed party | Guaranteed amount | Form of guarantee |
|---|---|---|---|
| Henan Railway Investment Co., Ltd. | Henan Intercity Railway Co., Ltd. | 3,576,780,000.00 | Guarantee |
| Total | / | 3,576,780,000.00 | / |

### 3. Other Contingencies

(1) According to the agreement on disposal of partial resources of Xinyu Coalfield in Dengfeng Railway phase-II project (Lvzhuang-Yuzhou section), Dengfeng Railway agreed that Xinyu Mine in Dengfeng shall participate in Dengfeng Railway Company with the assessed value of RMB 42.5047 million of overburden frozen coal resources, accounting for 9% of the registered capital of RMB 472.2747 million after the capital increase and share expansion of Dengfeng Railway Company. After compensation by means of shareholding, the right to dispose of the frozen overburden resources shall be vested in the new railway company According to the document (Y.G.Q.G. [2018] No.12), the State-owned Assets Supervision and Administration Commission (SASAC) approved Dengfeng Xinyu Coal Industry Co., Ltd. to invest in Dengfeng Railway Company with overburden frozen coal resources reserves. As of December 31, 2020, the above-mentioned shareholding procedures have not been completed. As the procedures for shareholding have not been completed, Xinyu Coal Mine sued Dengfeng Railway Company and the Company as

defendants before Zhengzhou Intermediate People's Court for breach of contract, and demanded compensation of about RMB 81.45 million. At present, the case is being tried by Zhengzhou Intermediate People's Court, which has frozen the certificate of deposits of RMB 81.45 million deposited by the Company in Hongzhuan Road Sub-branch of Shanghai Pudong Development Bank.

(2) The Company pledged the equity of RMB 1,263,930,000.00 in Shanxi-Henan-Shandong Railway Passage Co., Ltd. on August 1, 2014, and the equity of RMB 100,000,000.00 in Henan Intercity Railway Co., Ltd. on January 28, 2014 to Zhengzhou Branch of China Everbright Bank Co., Ltd.; and the Company pledged the equity of RMB 387,735,000 in China Pingmei Shenma Energy & Chemical Group Co. Ltd. on August 28, 2014, the equity of RMB 223,565,959 in Yima Coal Industry Group Co., Ltd. on August 28, 2014 and the equity of 342,481,500 in Zhengzhou Coal Industry (Group) Co., Ltd. on August 28, 2014 to Zhengzhou Branch of China Everbright Bank Co., Ltd. On September 27 and 29, 2017, the Company pledged the equity of RMB 1 billion in Henan Tongsheng Real Estate Co., Ltd. and of RMB 308,294,600 in Luohe-Fuyang Railway Co., Ltd. to Zhengzhou Branch of China Everbright Bank Co., Ltd. respectively.

## XII. Notes to Main Items of the Parent Company's Financial Statements

### 1. Other Receivables

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Other receivables | 5,021,254,304.93 | 4,258,634,266.00 |
| Interests receivable | 288,379,214.51 | 234,546,566.67 |
| Dividends receivable | - | - |
| Total | 5,309,633,519.44 | 4,493,180,832.67 |

(1) Classification of interest receivable

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Interest on borrowed funds | 288,379,214.51 | 234,546,566.67 |
| Total | 288,379,214.51 | 234,546,566.67 |

(2) Disclosure by classification of other receivables

| Category | Balance on December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Book balance | | Bad-debt provision | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| Receivables with significant single amounts and provision for bad debts made separately | 5,016,819,877.01 | 99.91 | - | - | 5,016,819,877.01 |
| Receivables with non-significant single | 4,434,427.92 | 0.09 | - | - | 4,434,427.92 |

| Category | Balance on December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Book balance | | Bad-debt provision | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| amounts | | | | | |
| Credit risk portfolio | - | - | - | - | - |
| Risk free portfolio | 4,434,427.92 | - | - | - | 4,434,427.92 |
| Receivables with insignificant single amounts but with provision for bad debts made separately | - | - | - | - | - |
| Total | 5,021,254,304.93 | 100.00 | - | / | 5,021,254,304.93 |

(Continued)

| Category | Balance on December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Book balance | | Bad-debt provision | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| Receivables with significant single amounts and provision for bad debts made separately | 4,255,109,025.32 | 99.92 | - | - | 4,255,109,025.32 |
| Receivables with non-significant single amounts | 3,525,240.68 | 0.08 | - | - | 3,525,240.68 |
| Credit risk portfolio | - | - | - | - | - |
| Risk free portfolio | 3,525,240.68 | - | - | - | 3,525,240.68 |
| Receivables with insignificant single amounts but with provision for bad debts made separately | - | - | - | - | - |
| Total | 4,258,634,266.00 | 100.00 | - | / | 4,258,634,266.00 |

(3) Top five balances of other receivables as of December 31, 2020

| Entity name | Nature of the amount | December 31, 2020 | Aging | Proportion of total closing balance of other receivables (%) |
|---|---|---|---|---|
| Nanyang Municipal People's Government | Borrowings | 731,860,000.00 | More than 5 years | 14.58 |
| Henan Zhengzhou Airport Intercity Railway Co., Ltd. | Borrowings | 513,000,000.00 | 1-2 years | 10.22 |
| Zhoukou Municipal People's Government | Borrowings | 448,740,000.00 | 2-3 years, more than 5 years | 8.94 |

| Entity name | Nature of the amount | December 31, 2020 | Aging | Proportion of total closing balance of other receivables (%) |
|---|---|---|---|---|
| Zhumadian Tongsheng Xincheng District Construction Co., Ltd. | Borrowings | 426,100,000.00 | Within 1 year, 1-2 years, 2-3 years | 8.49 |
| Henan Tongsheng Real Estate Co., Ltd. | Borrowings | 399,816,892.28 | Within 1 year | 7.96 |
| Total | / | 2,519,516,892.28 | / | 50.19 |

**2. Long-term Equity Investments**

(1) Classification of long-term equity investments

| Item | December 31, 2019 | Increase in current year | Decrease in current year | December 31, 2020 |
|---|---|---|---|---|
| Investment in subsidiaries | 2,311,170,000.00 | 573,190,000.00 | - | 2,884,360,000.00 |
| Investment in associates | 6,003,154,798.90 | 6,832,133.70 | 34,393,573.73 | 5,975,593,358.87 |
| Total | 8,314,324,798.90 | 580,022,133.70 | 34,393,573.73 | 8,859,953,358.87 |

(2) Investment in subsidiaries

| Investee | December 31, 2019 (Book value) | Increase or decrease in current year | | December 31, 2020 (Book value) |
|---|---|---|---|---|
| | | Additional investment | Reduced investment | |
| Henan Tongsheng Real Estate Co., Ltd. | 1,000,000,000.00 | - | - | 1,000,000,000.00 |
| Henan Dengfeng Railway Co., Ltd. | 310,450,000.00 | - | - | 310,450,000.00 |
| Henan Zhengzhou Airport Intercity Railway Co., Ltd. | 835,720,000.00 | 173,190,000.00 | - | 1,008,910,000.00 |
| Henan Kaifeng Intercity Railway Investment Co., Ltd. | 165,000,000.00 | - | - | 165,000,000.00 |
| Henan Railway Investment Integrated Development Co., Ltd. | - | 350,000,000.00 | - | 350,000,000.00 |
| Henan High-speed Railway Co., Ltd. | - | 50,000,000.00 | - | 50,000,000.00 |
| Total | 2,311,170,000.00 | 573,190,000.00 | - | 2,884,360,000.00 |

(3) Investment in associates

| Investee | December 31, | Increase or decrease in current year |
|---|---|---|

| | 2019 (Book value) | Additional investment | Reduced investment | Investment profits and losses recognized under equity method | Adjustment to other comprehensive income | Other changes in equity |
|---|---|---|---|---|---|---|
| Henan Intercity Railway Co., Ltd. | 5,777,290,360.00 | - | - | - | - | - |
| Zhengzhou Xiliuhu Holding Co., Ltd. | 34,393,573.73 | - | - | - | - | - |
| Central China Futures Co., Ltd. | 171,470,865.17 | - | - | 6,832,133.70 | - | - |
| Henan Zhengzhou-Luoyang Intercity Railway Co., Ltd. | 20,000,000.00 | - | - | - | - | - |
| Total | 6,003,154,798.90 | - | - | 6,832,133.70 | - | - |

(Continued)

| Investee | Increase or decrease in current year | | | December 31, 2020 (Book value) |
|---|---|---|---|---|
| | Cash dividends or profits that are declared to be distributed | Provision for impairment | Others | |
| Henan Intercity Railway Co., Ltd. | - | - | - | 5,777,290,360.00 |
| Zhengzhou Xiliuhu Holding Co., Ltd. | - | - | 34,393,573.73 | - |
| Central China Futures Co., Ltd. | - | - | - | 178,302,998.87 |
| Henan Zhengzhou-Luoyang Intercity Railway Co., Ltd. | - | - | - | 20,000,000.00 |
| Total | - | - | 34,393,573.73 | 5,975,593,358.87 |

**3. Operating Revenues and Operating Costs**

| Item | 2020 | | 2019 | |
|---|---|---|---|---|
| | Revenues | Costs | Revenues | Costs |
| Main business: | - | - | - | - |
| Other businesses: | 113,248,089.65 | - | 88,744,309.93 | - |
| Including: Interest income | 113,248,089.65 | - | 88,744,309.93 | - |
| Total | 113,248,089.65 | - | 88,744,309.93 | - |

**4. Supplementary Information to the Cash Flow Statement**

(1) Supplementary information to the Cash Flow Statement

| Supplementary information | 2020 | 2019 |
|---|---|---|
| **1. Reconciliation of net profit to cash flows from operating activities:** | | |
| Net profit | -508,555,613.71 | -540,576,678.36 |
| Add: Provision for impairment of assets | - | - |
| Depreciation of fixed assets | 206,829.27 | 142,348.26 |
| Amortization of intangible assets | 1,454,915.16 | 1,454,915.16 |
| Amortization of long-term deferred expenses | 2,934,307.98 | - |
| Losses from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with “-”) | - | - |
| Losses from scrapping of fixed assets (gains to be listed with “-”) | 118,201.50 | - |
| Losses from changes in fair value (gains to be listed with “-”) | -109,124,203.65 | - |
| Financial expenses (gains to be listed with “-”) | 733,467,268.39 | 663,685,617.59 |
| Investment losses (incomes to be listed with “-”) | -6,832,133.70 | -14,372,692.35 |
| Decrease in deferred income tax assets (increase to be listed with “-”) | - | - |
| Increase in deferred income tax liabilities (decrease to be listed with “-”) | - | - |
| Decrease in inventories (increase to be listed with “-”) | - | - |
| Decrease in operating receivables (increase to be listed with “-”) | -1,048,772,657.18 | -561,316,272.17 |
| Increase in operating payables (decrease to be listed with “-”) | 10,703,614.43 | -1,902,579.38 |
| Others | - | - |
| Net cash flows from operating activities | -924,399,471.51 | -452,885,341.25 |
| **2. Significant investing and financing activities not involving cash receipts and payments:** | | |
| Conversion of debts into capital | - | - |
| Convertible corporate bonds due within one year | - | - |
| Fixed assets acquired under financial leasing | - | - |
| **3. Net changes in cash and cash equivalents:** | | |
| Closing balance of cash | 2,264,494,877.65 | 2,525,762,251.30 |
| Less: Opening balance of cash | 2,525,762,251.30 | 2,846,393,223.75 |
| Add: Closing balance of cash equivalents | - | - |
| Less: Opening balance of cash equivalents | - | - |

| Supplementary information | 2020 | 2019 |
|---|---|---|
| Net increase in cash and cash equivalents | -261,267,373.65 | -320,630,972.45 |

(2) Breakdowns of cash and cash equivalents

| Item | December 31, 2020 | December 31, 2019 |
|---|---|---|
| I. Cash | | |
| Including: Cash on hand | 5,603.97 | 29,657.98 |
| Bank deposit available for payment at any time | 2,264,489,273.68 | 2,525,732,593.32 |
| Other monetary capital available for payment at any time | - | - |
| II. Cash equivalents | - | - |
| Including: Bond investment due within three months | - | - |
| III. Closing balance of cash and cash equivalents | 2,264,494,877.65 | 2,525,762,251.30 |

Henan Railway Investment Co., Ltd.

April 12, 2021

统一社会信用代码

91110102089698790Q

扫描二维码登录"国家企业信用信息公示系统"了解更多登记、备案、许可、监管信息

# 营业执照

(副 本)(6–1)

名　　称　中勤万信会计师事务所（特殊普通合伙）

类　　型　特殊普通合伙企业

执行事务合伙人　胡柏和

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；代理记帐；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。）

成立日期　2013年12月13日

合伙期限　2013年12月13日 至 2043年12月12日

主要经营场所　北京市西城区西直门外大街112号十层1001

中勤万信会计师事务所（特殊普通合伙）
1101020151

登记机关　北京市西城区市场监督管理局

2020年 09月 02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

会计师事务所

# 执业证书

名　　称：中勤万信会计师事务所（特殊普通合伙）

首席合伙人：胡柏和

主任会计师：

经营场所：北京市西城区西直门外大街112号十层1001

组织形式：特殊普通合伙

执业证书编号：11000162

批准执业文号：京财会许可〔2013〕0083号

批准执业日期：2013年12月11日

证书序号：0014470

## 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》。

发证机关：北京市财政局

二〇二〇年十一月十一日

中华人民共和国财政部制

证书序号：000365

# 会计师事务所

# 证券、期货相关业务许可证

经财政部、中国证券监督管理委员会审查，批准

**中勤万信会计师事务所（特殊普通合伙）** 执行证券、期货相关业务。

首席合伙人：胡柏和

证书号：05　　发证时间：二〇一九年十二月六日

证书有效期至：二〇二一年十二月五日

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

中国注册会计师协会

| | |
|---|---|
| 姓名 Full name | 孔建波 |
| 性别 Sex | 男 |
| 出生日期 Date of birth | 1974-06-17 |
| 工作单位 Working unit | 中勤万信会计师事务所有限公司河南分公司 |
| 身份证号码 Identity card No. | 41022219740617501X |

证书编号：No. of Certificate 110001620081

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 2008 年 12 月 15 日

中勤万信会计师事务所（特殊普通合伙）

1101020108514

年度检验登记

Annual Renewal Registration

本证书经检验合格，继续有效一年。

This certificate is valid for another year after this renewal.

河南省注册会计师协会 CPA 年检专用章

2013 03 25 年 月 日

年度检验登记

Annual Renewal Registration

本证书经检验合格，继续有效一年。

This certificate is valid for another year after this renewal.

河南省注册会计师协会 CPA 年检专用章

2014 03 23日 年 月 日

年度检验登记

Annual Renewal Registration

本证书经检验合格，继续有效一年。

This certificate is valid for another year after this renewal.

河南省注册会计师协会 CPA 年检专用章

2015 03 30日 年 月 日

年度检验登记

Annual Renewal Registration

本证书经检验合格，继续有效一年。

This certificate is valid for another year after this renewal.

河南省注册会计师协会 CPA 年检专用章

2016 03 30日 年 月 日

年度检验登记

Annual Renewal Registration

本证书经检验合格，继续有效一年。

This certificate is valid for another year after this renewal.

河南省注册会计师协会 CPA 年检专用章

2019年3月30日

2020年3月30日

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

中国注册会计师协会

姓 名 Full name 张莎

性 别 Sex 女

出生日期 Date of Birth 1987-12-01

工作单位 Working unit 中勤万信会计师事务所（特殊普通合伙）河南分所

身份证号码 Identity card No. 410725198712010820

中勤万信会计师事务所（特殊普通合伙）

1101020108514

证书编号: No. of Certificate 110001620298

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 年/y 05 月/m 18 日/d

年度检验登记

Annual Renewal Registration

河南省注册会计师协会 CPA 年检专用章

本证书经检验合格，继续有效一年。

This certificate is valid for another year after this renewal.

2019年3月30日

河南省注册会计师协会 CPA 年检专用章

2020年3月30日

年/y 月/m 日/d

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# Henan Railway Investment Co., Ltd.
# Auditor's Report

**Xiyufen Shenzi No.0284 (2020)**

**Contents**

Xigema Cpas(Special General Partnership) Henan Branch

# Xiyufen Shenzi No.0284 (2020)

**Henan Railway Investment Co. Ltd.:**

## I. Audit conclusions

We have audited consolidated balance sheet of Henan Railway Investment Co.,Ltd. (the company for short) and balance sheet of its parent company dated December 31, 2019, consolidated income statement of the company and income statement of its parent company in 2019, consolidated cash flow statement of the company and cash flow statement of its parent company, consolidated statement of changes in equity of the company and its parent company and notes to the financial statements.

We think that consolidated income statement of the company and financial statement of its parent company have been compiled according to provisions in Accounting Standards for Business Enterprises and they should fairly reflect the consolidated income statement of the company and financial status of its parent company on December 31, 2019, as well as the productive performance and cash flow of its parent company in 2019 in all substantial aspects.

## II. Basis for forming the audit opinion

We executed the audit work in accordance with the audit criterion for Chinese Certified Public Accountant. The Part "Obligations of Certified Public Accountant for The Audit of financial statements" in the Audit Report further clarifies our obligations under such criterion. According to the Code of Professional Conduct for Chinese Certified Public Accountant, we are separated with the company, and fulfill our obligations under the code of professional conduct. We believe, the evidence for audit that we acquire is sufficient and proper, and provides a basis for releasing the audit opinions.

## III. Other Information

Management layer of your company (management layer for short) is responsible for other information. Other information includes those covered in the annual report in 2019 of the company, excluding the financial statements and our audit report.

Our suggestion on the audit of the financial statements is exclusive for other information, and we wouldn't give any authentication conclusion for other information in any forms.

In combination with the audit of the financial statements, reading other information is our responsibility. In this process, consider whether there is inconsistency or significant mispresentation between the financial report and the situations we learn in the audit process.

Based on the work we executed, if we are sure there is significant mispresentation in other information, we should report this fact. In this perspective, no report is needed for any matters.

**IV. Obligations of the management layer and the governance layer for the financial statements**

The management layer of the company is responsible for preparing the financial statements which can realize the fair reflection according to the company's criterion for the accountant, and design, execute and maintain the necessary internal control to avoid significant mispresentation in the financial statements due to malpractice or mistake.

While preparing the financial statements, the management layers is responsible for evaluating the sustainable operation ability, disclosing and continuously managing the relevant matters, and making use of the assumption of sustainable operation, unless the company plans to make the liquidation, terminate the operation and make other realistic selections.

The governance layer is responsible for monitoring the process of financial report of the company.

**V .Obligations of certified public accountant for the audit of financial statements**

Our purpose is to give rational guarantee for whether there is significant mispresentation in the financial statements caused by malpractice or mistake and issue the audit report including audit opinion. Rational guarantee are of high level, but it is unwarrantable that the significant mispresentation could be detected during the audit executed based on the audit criterion. Mispresentation may be caused by malpractice or mistake. If the summarized or the single rational prediction for the mispresentation may impact the users of financial statements in making economic decisions accordingly, the mispresentation is regarded as significant.

In the process of executing the audit on the basis of audit criterion, we employ our occupational judgement and maintain an attitude of professional doubt. Meanwhile, we also perform the tasks below:

(I) Identify and evaluate the significant mispresentation risk of financial statements due to malpractice or mistake, design and implement the audit procedure to cope with the risks, and obtain sufficient and proper audit evidence as the basis of stating the audit opinions. Due that malpractice may involve collusion, forgery, intentional omission, misstatement or the action above internal control, the significant mispresentation risk resulted from the failure of detecting the malpractice is higher than that from the mistake.

(II) Acquaint with the internal control related to the audit to design a proper audit procedure, but the purpose is not to declare the opinions for the effectiveness of the internal control.

(III) Evaluate the appropriateness of the selected accounting policies of the management layers and the rationality of the relevant disclosure.

(IV) Reach a conclusion for the appropriateness of the assumption of sustainable operation applied by the management layer. Meanwhile, obtain a conclusion for whether there is significant uncertainty for the significant sceptical matters or conditions in the sustainable operation ability. If we consider there is significant uncertainty, the audit criterion requires us to remind the users of the statement in the audit report to pay attention to the relevant disclosure in the financial report; if the disclosure is insufficient, we should declare the modified opinion. The conclusion is based on the information accessible by the audit report date. However, the future matters or conditions may cause the company unable to operate continuously.

(V) Evaluate the overall presentation, structure and contents (covering disclosure) of the financial statements, and evaluate whether the financial statements can reflect the relevant transactions and matters fairly.

(VI) Acquire adequate and proper audit evidence for the financial information relevant to entity or business activities of the group, so as to declare the opinion on audit for the financial statements. We take the responsibility to guiding, monitoring and executing the audit of the group and take full responsibility for the audit opinion.

We communicate with the governance layers about the planned audit scope, schedule and significant audit findings, etc., including the noteworthy internal control deficiency detected through the audit.

Xigema Cpas(Special General Partnership) Henan Branch

Certified Public Accountant

Zhengzhou, China

Certified Public Accountant

April 24, 2020

## Consolidated Balance Sheet

## Consolidated Balance Sheet（Cont.）

Kuaihe 01 Sheet

Compiled by:Henan Railway Investment Co. Ltd — Dec. 31, 2019 — Unit:RMB Yuan

| Assets | Note | Ending balance | Ending balance of previous year | Liabilities and owner's equity (or stockholders' equity) | Note | Ending balance | Ending balance of previous year |
|---|---|---|---|---|---|---|---|
| **Current assets:** | | | | **Current liabilities:** | | | |
| Monetary capital | VIII（1） | 3,537,392,640.65 | 4,583,984,051.41 | Short-term borrowing | VIII（16） | 400,000,000.00 | - |
| Transacting financial assets | | | | Transacting financial liabilities | | | |
| Financial Derivative assets | | | | Financial Derivative libilities | | | |
| Notes receivable | VIII（2） | 150,000.00 | 400,000.00 | Notes payable | | - | - |
| Accounts receivable | VIII（3） | 254,827,048.00 | 211,321,435.36 | Accounts payable | VIII（17） | 35,747,988.97 | 22,958,998.54 |
| Accounts receivable financing | | | | Advance from customers | VIII（18） | 7,350,992.60 | 6,871,920.87 |
| Prepayment | VIII（4） | 986,381,412.73 | 639,588,134.62 | Contract liability | VIII（19） | 717,035,245.15 | |
| Premiums receivable* | | | | Financial assets sold for repurchase* | | | |
| Reinsurance accounts receivable* | | | | Deposits from customers and interbank | | | |
| Reinsurance reserve receivable* | | | | Vicariously Traded Securities* | | | |
| Other receivables | VIII（5） | 3,589,758,752.45 | 3,324,043,446.73 | Vicariously Sold Securities* | | | |
| Recoursable financial assets acquired* | | | | Payroll payable | VIII（20） | 19,990,410.63 | 15,524,645.24 |
| Inventory | VIII（6） | 1,463,814,755.90 | 1,865,498,829.69 | Taxes payable | VIII（21） | 7,894,560.74 | 11,404,295.02 |
| Contract assets | | | | Other payables | VIII（22） | 536,541,069.47 | 1,438,778,667.82 |
| Assets held for sale | | | | Handling charges and commissions payable* | | | |
| Non-current assets due within one year | | | | Cession insurance premiums payable* | | | |
| Other current assets | VIII（7） | 333,298,069.41 | 155,192,773.02 | Liabilities held for sale | | | |
| Total current assets | | 10,165,622,679.14 | 10,780,028,670.83 | Non-current liabilities due within one year | VIII（23） | 88,745,543.84 | |
| Non-current assets: | | | | Other current liabilities | | | |
| △Offer loans and advance* | | | | Total current liabilities | | 1,813,305,811.40 | 1,495,538,527.49 |
| Debt investment | | | | Non-current liabilities: | | | |
| Other debt investment | | | | Provision for insurance contracts* | | | |
| Long-term receivables | VIII（8） | 1,914,945,600.00 | 1,723,945,600.00 | Long-term loan | VIII（24） | 10,847,699,690.41 | 10,569,699,690.41 |
| Long term equity investment | VIII（9） | 6,003,154,798.90 | 5,813,375,355.55 | Bonds payable | VIII（25） | 5,768,899,000.00 | 4,273,750,000.00 |
| Investment in other equity instruments | VIII（10） | 43,963,111,142.17 | 36,505,338,052.26 | Including:Preferred stock | | | |
| Other non-current financial assets | | | | Perpetual Capital | | | |
| Investment Real Estate | | | | Lease liabilities | | | |
| Fixed assets | VIII（11） | 521,123,552.98 | 547,448,959.32 | Long-term accounts payable | VIII（26） | 3,081,254,456.16 | 4,000,000,000.00 |
| Construction in progress | VIII（12） | 3,465,473,470.95 | 2,255,989,972.41 | Accrued liabilities | | | |
| Biological assets | | | | Deferred income | | | |
| Oil and gas assets | | | | Deferred income tax liabilities | | | |
| Right-of-use asset | | | | **Total non-current liabilities** | | | |
| Intangible assets | VIII（13） | 110,513,504.38 | 112,867,054.60 | **Total liabilities** | | 19,697,853,146.57 | 18,843,449,690.41 |
| Development expenditure | | | | Total liabilities | | 21,511,158,957.97 | 20,338,988,217.90 |
| Business reputation | | | | **Ownership interest (or stockholders' equity):** | | | |
| Long-term deferred expenses | VIII（14） | 1,840,539.33 | 597,010.49 | Paid-in capital (or capital stock) | VIII（27） | 15,000,000,000.00 | 15,000,000,000.00 |
| Deferred income tax assets | | - | - | Other equity instrument | | | |
| Other non-current assets | VIII（15） | 524,771,190.35 | 510,641,024.71 | Including:Preferred stock | | | |
| Total non-current assets | | 56,504,933,799.06 | 47,470,203,029.34 | Perpetual Capital | | | |
| | | | | Capital accumulation | VIII（28） | 29,386,212,736.01 | 21,541,822,596.10 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Less: Treasury stock | | | |
| | | | | Other Comprehensive income | | - | - |
| | | | | Special reserve | | | |
| | | | | Surplus accumulation | VIII（29） | 172,443,103.83 | 172,443,103.83 |
| | | | | Generic Risk Reserve* | | | |
| | | | | Undistributed profits | VIII（30） | -1,851,469,007.78 | -1,257,957,048.07 |
| | | | | Total owners' equity attributable to holding company | | 42,707,186,832.06 | 35,456,308,651.86 |
| | | | | Minority interests | | 2,452,210,688.17 | 2,454,934,830.41 |
| | | | | Total owner's equity | | 45,159,397,520.23 | 37,911,243,482.27 |
| Total assets | | 66,670,556,478.20 | 58,250,231,700.17 | Total liabilities and owner's equity(or stockholders' equity) | | 66,670,556,478.20 | 58,250,231,700.17 |

Legal Representative: Principal of Accountancy: Principal of Accounting Department:

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Legal Representative: Principal of Accountancy: Principal of Accounting Department:

5

**Consolidated Statement of Income**

Kuaihe 02 Sheet

Compiled by:Henan Railway Investment Co. Ltd | Year of 2019 | Unit:RMB Yuan

| Item | Note | Current period | Previous period |
|---|---|---|---|
| **I.Gross revenue** | VIII（31） | 790,048,710.50 | 98,528,633.13 |
| Including:Operating revenue | VIII（31） | 790,048,710.50 | 98,528,633.13 |
| Interest revenue | | | |
| **II.Total operating cost** | | 1,393,436,189.01 | 762,232,439.39 |
| Including:Operating costs | VIII（31） | 663,003,945.31 | 49,019,521.68 |
| Taxes and surcharges | VIII（32） | 33,116,316.70 | 7,066,802.50 |
| Selling expense | VIII（33） | 5,268,810.88 | 1,904,375.88 |
| Administrative expenses | VIII（34） | 63,336,224.10 | 70,045,840.17 |
| R&D expenses | | - | - |
| Financial expenses | VIII（35） | 628,710,892.02 | 634,195,899.16 |
| Including:Interest expense | VIII（35） | 671,659,561.59 | 719,651,499.26 |
| Interest revenue | VIII（35） | 70,563,789.31 | 110,825,972.40 |
| Plus:Other income | VIII（36） | 48,573.44 | - |
| Investment income(loss is filled by "-") | VIII（37） | 14,372,692.35 | 56,144,188.19 |
| Including:Income from investment to associates and jointly controlled entities | | | |
| Gains on the changes in fair value(loss is filled by "-") | | | |
| Credit impairment loss(loss is filled by "-") | | | |
| Asset impairment losses(loss is filled by "-") | VIII（38） | 291,015.42 | 358,300.12 |
| Income on disposal of assets (loss is filled by "-") | | - | - |
| **III.Operating profit (loss is filled by "-")** | | -588,675,197.30 | -607,201,317.95 |
| Plus:Non-operating revenue | VIII（39） | 119,899.03 | 455,086.82 |
| Minus:Non-business expenditure | VIII（40） | 71,696.79 | 54,750.17 |
| **IV.Total profits (loss is filled by "-")** | | -588,626,995.06 | -606,800,981.30 |
| Minus:Income tax expenses | VIII（41） | 20,759,106.89 | 3,498,340.34 |
| **V.Net profit (loss is filled by "-")** | | -609,386,101.95 | -610,299,321.64 |
| (I) Classified by business continuity: | | -609,386,101.95 | -610,299,321.64 |
| 1.Net Profit of Going Concern (net loss is filled by "-") | | -609,386,101.95 | -610,299,321.64 |
| 2.Net profit of discontinuing operation (net loss is filled by "-") | | | |
| (II) Classified by ownership: | | -609,386,101.95 | -610,299,321.64 |
| 1.Net profit attributable to equity holders of the company(net loss is filled by "-") | | -593,511,959.71 | -605,615,513.86 |
| 2.Minority interest income(net loss is filled by "-") | | -15,874,142.24 | -4,683,807.78 |
| VI.Net of tax for other comprehensive income | VIII（42） | | 25,635.55 |
| Net Profit after tax attributable to other comprehensive income of Equity Holders of the Company | VIII（42） | | 25,635.55 |
| 1. Other comprehensive income which cannot be reclassified into profit and loss | | | |
| (1)Re-calculate and re-set the changes of net liabilities and net assets in beneficial plan | | | |
| (2)Shares enjoyed in other comprehensive earnings under profits and losses which cannot be reclassified by the investee under equity law | | | |
| (3)Changes in fair value of the investment in other equity instruments | | | |
| (4)Changes in fair value of the company's own credit risk | | | |
| …… | | | |
| 2. Other comprehensive income which will be reclassified into profit and loss | VIII（42） | | 25,635.55 |
| (1)Shares enjoyed in other comprehensive earnings under profits and losses which can be reclassified by the investee under equity law | VIII（42） | | 25,635.55 |
| (2)Changes in fair value of other debt investments | | | |
| (3).The amount of financial assets reclassified into other comprehensive income | | | |
| (4).Provision for credit impairment of other debt investments | | | |
| (5)Cash flow hedge reserve（ Effective portion of losses and profits of cash flow hedging） | | | |
| (6)Converted difference of foreign currency financial statements | | | |
| …… | | | |
| （II） Net Profit after tax attributable to other comprehensive income of Minority shareholder | | | |
| **VII.Total comprehensive income** | | -609,386,101.95 | -610,273,686.09 |
| （I） Total comprehensive income attributable to equity Holders of the Company | | -593,511,959.71 | -605,589,878.31 |
| （II）Total comprehensive income attributable to minority holders | | -15,874,142.24 | -4,683,807.78 |
| **Ⅷ. Earnings per share(EPS)** | | | |
| 1. Basic EPS | | | |
| 2. Diluted EPS | | | |

Legal Representative: Principal of Accountancy: Principal of Accounting Department:

**Consolidated Statement of Cash Flow**

Kuaihe 03 Sheet

Compiled by:Henan Railway Investment Co. Ltd — Year of 2019 — Unit: RMB Yuan

| Item | Note | Current period | Previous period |
|---|---|---|---|
| **I. Cash flows from operating activities** | | | |
| Cash received from sales of goods or rendering of services | | 49,960,380.26 | 65,864,785.51 |
| Received refund of taxes and levies | | | |
| Cash received relating to other operating activities | VIII（43） | 999,726,869.59 | 881,134,679.18 |
| **Sub-total of cash inflow of business activity** | | 1,049,687,249.85 | 946,999,464.69 |
| Cash paid for goods and services | | 274,741,408.49 | 1,070,418,188.56 |
| Cash paid to and on behalf of employees | | 63,541,041.17 | 66,579,782.59 |
| Payments of taxes and levies | | 176,447,423.08 | 26,539,775.10 |
| Cash paid relating to other operating activities | VIII（43） | 532,636,486.75 | 65,855,659.71 |
| **Sub-total of cash outflow of business activity** | | 1,047,366,359.49 | 1,229,393,405.96 |
| **Net cash flows from operating activities** | | 2,320,890.36 | -282,393,941.27 |
| **II. Cash flows from investing activities:** | | | |
| Proceeds from sell of investment | | - | - |
| Cash received from returns on investments | | 5,133,249.00 | 6,754,275.00 |
| 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 | VIII（43） | 4,186,888.52 | 921,476,674.30 |
| **Sub-total of cash inflow of investing activities** | | 9,320,137.52 | 928,230,949.30 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | 1,534,493,864.29 | 1,124,109,126.24 |
| Cash paid to acquire investments | | 8,160,183,089.91 | 7,815,636,845.00 |
| Net cash paid to acquire subsidiaries and other business units | | | |
| Cash paid relating to other investing activities | | - | - |
| **Sub-total of cash outflow of investing activities** | | 9,694,676,954.20 | 8,939,745,971.24 |
| **Net cash flows from investing activities** | | -9,685,356,816.68 | -8,011,515,021.94 |
| **III. Cash flows from financing activities:** | | | |
| Cash received from capital contributions | | 4,538,031,400.00 | 4,070,130,000.00 |
| Including: Cash received from investment of minority shareholders in subsidiaries | | | |
| Cash received from borrowings | | 2,478,200,000.00 | 167,000,000.00 |
| Cash received relating to other financing activities | VIII（43） | 3,650,390,967.38 | 3,339,150,827.29 |
| **Sub-total of cash inflow of financing activities** | | 10,666,622,367.38 | 7,576,280,827.29 |
| Cash repayments of amounts borrowed | | 1,136,851,000.00 | 821,433,333.33 |
| Cash payments for interest expenses and distribution of dividends or profits | | 854,366,851.82 | 865,901,260.23 |
| Including: Dividends and profits paid to minority shareholders by subsidiaries | | | |
| Cash payments relating to other financing activities | VIII（43） | 38,960,000.00 | 27,680,000.00 |
| **Sub-total of cash outflow of financing activities** | | 2,030,177,851.82 | 1,715,014,593.56 |
| **Net cash flows from financing activities** | | 8,636,444,515.56 | 5,861,266,233.73 |
| **IV.Effect of foreign exchange rate changes on cash and cash equivalents** | | | |
| **V. Net increase/(decrease) in cash and cash equivalents** | | -1,046,591,410.76 | -2,432,642,729.48 |
| Add: Cash and cash equivalents at beginning of year | | 4,502,528,352.51 | 6,935,171,081.99 |
| **VI. Ending balance of cash and cash equivalents** | | 3,455,936,941.75 | 4,502,528,352.51 |

Legal Representative: Principal of Accountancy: Principal of Accounting Department:

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Kuaihe 04Sheet

Compiled by:Henan Railway Investment Co. Ltd | Year of 2019 | Unit: RMB Yuan

| Item | Paid-in Capital (share capital) | Other equity instrument | | | Capital surplus | Less: Treasury stock | Other Comprehensive income | Special reserve | Surplus reserves | Generic Risk Reserve* | Undistributed profits | Subtotal | Minority interest | Total owner's equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Preferred stock | Perpetual Capital | Others | | | | | | | | | | |
| **I. Ending balance of previous year** | 15,000,000,000.00 | - | - | - | 21,541,822,596.10 | - | - | - | 172,443,103.83 | - | -1,257,957,048.07 | 35,456,308,651.86 | | |
| Add: Changes in accounting policies | | | | | | | | | | | | - | | - |
| Corrections of prior period errors | | | | | | | | | | | | - | | - |
| Others | | | | | | | | | | | | - | | - |
| **II. Beginning balance in the current year** | 15,000,000,000.00 | - | - | - | 21,541,822,596.10 | - | - | - | 172,443,103.83 | - | -1,257,957,048.07 | 35,456,308,651.86 | - | 35,456,308,651.86 |
| **III. Increase/decrease of the year (loss is filled by "-")** | - | - | - | - | 7,844,390,139.91 | - | - | - | - | - | -593,511,959.71 | 7,250,878,180.20 | -2,724,142.24 | 7,248,154,037.96 |
| (i) Total comprehensive income | | | | | | | | | | | -593,511,959.71 | -593,511,959.71 | -15,874,142.24 | -609,386,101.95 |
| (ii) Capital invested or reduced by the owner | - | - | - | - | 7,844,390,139.91 | - | - | - | - | - | - | 7,844,390,139.91 | 13,150,000.00 | 7,857,540,139.91 |
| 1.Capital invested by the owner of common stock | | | | | 7,844,390,139.91 | | | | | | | 7,844,390,139.91 | 13,150,000.00 | 7,857,540,139.91 |
| 2.Capital invested by other equity instrument | | | | | | | | | | | | - | | - |
| 3. Payment for shares attributed into owner's equity | | | | | | | | | | | | - | | - |
| 4.Others | | | | | | | | | | | | - | | - |
| (iii) Profit distribution | - | - | - | - | - | - | - | - | - | - | - | - | | - |
| 1. Appropriated surplus reserves | | | | | | | | | - | | - | - | | - |
| 2.Appropriated Generic Risk Reserve | | | | | | | | | | | | - | | - |
| 3.Distribution to owners (or shareholders) | | | | | | | | | | | | - | | - |
| 4.Others | | | | | | | | | | | | - | | - |
| (iv) Internal transfer of owner's equity | | | | | | | | | | | | - | | - |
| 1. Capital reserves transferred to capital (or share capital) | | | | | | | | | | | | - | | - |
| 2. Surplus reserves transferred to capital (or share capital) | | | | | | | | | | | | - | | - |
| 3. Surplus reserves covering loss | | | | | | | | | | | | - | | - |
| 4.Retained income carried forward of defined benefit plan amount | | | | | | | | | | | | - | | - |
| 5.Retained income carried forward from other comprehensive income | | | | | | | | | | | | - | | - |
| 6.Others | | | | | | | | | | | | - | | - |
| **IV.Ending balance of the current year** | 15,000,000,000.00 | - | - | - | 29,386,212,736.01 | - | - | - | 172,443,103.83 | - | -1,851,469,007.78 | 42,707,186,832.06 | -2,724,142.24 | 42,704,462,689.82 |

Legal Representative: Principal of Accountancy: Principal of Accounting Department:



| | | | | | | | |
|---|---|---|---|---|---|---|---|
| - | - | - | - | - | -2,454,934,830.41 | -2,454,934,830.41 | |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY(Cont.)**

Kuaihe 04Sheet

Compiled by:Henan Railway Investment Co. Ltd | Year of 2019 | Unit: RMB Yuan

| Item | Paid-in Capital (share capital) | Other equity instrument | | | Capital surplus | Less: Treasury stock | Other Comprehensive income | Special reserve | Surplus reserves | Generic Risk Reserve* | Undistributed profits | Subtotal | Minority interest | Total owner's equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Preferred stock | Perpetual Capital | Others | | | | | | | | | | |
| **I. Ending balance of previous year** | 15,177,970,154.57 | | | | 13,850,781,841.53 | | -25,635.55 | | 172,443,103.83 | | -652,341,534.21 | 28,548,827,930.17 | | |
| Add: Changes in accounting policies | | | | | | | | | | | | - | | - |
| Corrections of prior period errors | | | | | | | | | | | | - | | - |
| Others | | | | | | | | | | | | - | | - |
| **II. Beginning balance in the current year** | 15,177,970,154.57 | - | - | - | 13,850,781,841.53 | - | -25,635.55 | - | 172,443,103.83 | - | -652,341,534.21 | 28,548,827,930.17 | - | 28,548,827,930.17 |
| **III. Increase/decrease of the year (loss is filled by "-")** | -177,970,154.57 | - | - | - | 7,691,040,754.57 | - | 25,635.55 | - | - | - | -605,615,513.86 | 6,907,480,721.69 | 1,505,316,192.22 | 8,412,796,913.91 |
| (i)Total comprehensive income | | | | | | | 25,635.55 | | | | -605,615,513.86 | -605,589,878.31 | -4,683,807.78 | -610,273,686.09 |
| (ii) Capital invested or reduced by the owner | 2,560,130,000.00 | - | - | - | 4,952,940,600.00 | - | - | - | - | - | - | 7,513,070,600.00 | 1,510,000,000.00 | 9,023,070,600.00 |
| 1.Capital invested by the owner of common stock | 2,560,130,000.00 | | | | 4,952,940,600.00 | | | | | | | 7,513,070,600.00 | 1,510,000,000.00 | 9,023,070,600.00 |
| 2.Capital invested by other equity instrument | | | | | | | | | | | | - | | - |
| 3. Payment for shares attributed into owner's equity | | | | | | | | | | | | - | | - |
| 4.Others | | | | | | | | | | | | - | | - |
| (iii) Profit distribution | | | | | | | | | | | | - | | - |
| 1. Appropriated surplus reserves | | | | | | | | | | | | - | | - |
| 2.Appropriated Generic Risk Reserve | | | | | | | | | | | | - | | - |
| 3.Distribution to owners (or shareholders) | | | | | | | | | | | | - | | - |
| 4.Others | | | | | | | | | | | | - | | - |
| (iv) Internal transfer of owner's equity | -2,738,100,154.57 | - | - | - | 2,738,100,154.57 | - | - | - | - | - | - | - | | - |
| 1. Capital reserves transferred to capital (or share capital) | | | | | | | | | | | | - | | - |
| 2. Surplus reserves transferred to capital (or share capital) | | | | | | | | | | | | - | | - |
| 3. Surplus reserves covering loss | | | | | | | | | | | | - | | - |
| 4.Retained income carried forward of defined benefit plan amount | | | | | | | | | | | | - | | - |
| 5.Retained income carried forward from other comprehensive income | | | | | | | | | | | | - | | - |
| 6.Others | -2,738,100,154.57 | | | | 2,738,100,154.57 | | | | | | | - | | - |
| **IV.Ending balance of the current year** | 15,000,000,000.00 | - | - | - | 21,541,822,596.10 | - | - | - | 172,443,103.83 | - | -1,257,957,048.07 | 35,456,308,651.86 | 1,505,316,192.22 | 36,961,624,844.08 |

Legal Representative: Principal of Accountancy: Principal of Accounting Department:



| | | | | | |
|---|---|---|---|---|---|
| - | - | - | - | -949,618,638.19 | -949,618,638.19 |

## Balance Sheet

Kuaiqi 01 Sheet

Compiled by:Henan Railway Investment Co. Ltd　　Dec. 31, 2019　　Unit: RMB Yuan

| Assets | Note | Ending balance | nding balance of previous y |
|---|---|---|---|
| **Current assets:** | | | |
| Monetary capital | | 2,607,217,950.20 | 2,927,848,922.65 |
| Transacting financial assets | | | |
| Financial Derivative assets | | | |
| Notes receivable | | | |
| Accounts receivable | | | |
| Accounts receivable financing | | | |
| Prepayment | | 2,380,217.07 | 168,943.00 |
| Other receivables | XIV（1） | 4,493,180,832.67 | 3,850,271,685.09 |
| Inventory | | | |
| Contract assets | | | |
| Assets held for sale | | | |
| Non-current assets due within one year | | | |
| Other current assets | | 3,359,714.36 | 1,618,000.00 |
| Total current assets | | 7,106,138,714.30 | 6,779,907,550.74 |
| Non-current assets: | | | |
| Debt investment | | | |
| Other debt investment | | 189,000,000.00 | 599,000,000.00 |
| Long-term receivables | | 1,914,945,600.00 | 1,723,945,600.00 |
| Long term equity investment | XIV（2） | 8,314,324,798.90 | 7,806,825,355.55 |
| Investment in other equity instruments | | 43,963,111,142.17 | 36,505,338,052.26 |
| Other non-current financial assets | | | |
| Investment Real Estate | | | |
| Fixed assets | | 437,693.34 | 571,429.95 |
| Construction in progress | | 806,702,122.55 | 581,306,537.79 |
| Biological assets | | | |
| Oil and gas assets | | | |
| Right-of-use asset | | | |
| Intangible assets | | 65,467,592.16 | 66,922,507.32 |
| Development expenditure | | | |
| Business reputation | | | |
| Long-term deferred expenses | | - | - |
| Deferred income tax assets | | | |
| Other non-current assets | | 744,574,952.83 | 730,477,257.97 |
| Total non-current assets | | 55,998,563,901.95 | 48,014,386,740.84 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| **Total assets** | | 63,104,702,616.25 | 54,794,294,291.58 |

Legal Representative:　Principal of Accountancy:　　Principal of Accounting Department:



## Balance Sheet（Cont.）

Kuaiqi 01 Sheet

Compiled by:Henan Railway Investment Co. Ltd　　Dec. 31, 2019　　Unit: RMB Yuan

| lities and owner's equity (or stockholders' ec | Note | Ending balance | nding balance of previous yea |
|---|---|---|---|
| **Current liabilities:** | | | |
| Short-term borrowing | | 400,000,000.00 | - |
| Transacting financial liabilities | | | |
| Financial Derivative libilities | | | |
| Notes payable | | | |
| Accounts payable | | 16,814,801.26 | - |
| Advance from customers | | 197,916.68 | - |
| Contract liability | | | |
| Payroll payable | | 6,680,967.62 | 4,234,029.12 |
| Taxes payable | | 436,301.42 | 4,555,305.79 |
| Other payables | | 87,733,753.19 | 139,628,542.14 |
| Liabilities held for sale | | | |
| Non-current liabilities due within one year | | 88,745,543.84 | |
| Other current liabilities | | - | - |
| Total current liabilities | | 600,609,284.01 | 148,417,877.05 |
| Non-current liabilities: | | | |
| Long-term loan | | 10,536,000,000.00 | 10,558,000,000.00 |
| Bonds payable | | 5,768,899,000.00 | 4,273,750,000.00 |
| Including:Preferred stock | | | |
| Perpetual Capital | | | |
| Lease liabilities | | | |
| Long-term accounts payable | | 3,081,254,456.16 | 4,000,000,000.00 |
| Accrued liabilities | | | |
| Deferred income | | | |
| Deferred income tax liabilities | | | |
| Other non-current liabilities | | | |
| **Total non-current liabilities** | | 19,386,153,456.16 | 18,831,750,000.00 |
| **Total liabilities** | | 19,986,762,740.17 | 18,980,167,877.05 |
| **Owner's equity（or Shareholders' equity）：** | | | |
| Paid-in Capital(share capital) | | 15,000,000,000.00 | 15,000,000,000.00 |
| Other equity instrument | | | |
| Including:Preferred stock | | | |
| Perpetual bond | | | |
| Capital reserve | | 29,219,141,254.48 | 21,374,751,114.57 |
| Less: Treasury stock | | | |
| Other Comprehensive income | | - | - |
| Special reserve | | | |
| Surplus reserve | | 172,443,103.83 | 172,443,103.83 |
| Undistributed profits | | -1,273,644,482.23 | -733,067,803.87 |
| Total owner's equity | | 43,117,939,876.08 | 35,814,126,414.53 |
| Total liabilities and owner's equity(or stockholders' equity | | 63,104,702,616.25 | 54,794,294,291.58 |

Legal Representative:　Principal of Accountancy:　　Principal of Accounting Department:

**Income Statement**

Kuaiqi 02Sheet

Compiled by:Henan Railway Investment Co. Ltd　　Year of 2019　　Unit: RMB Yuan

| Item | Note | Current period | Previous period |
|---|---|---|---|
| **I. Operating revenues:** | XIV（3） | 88,744,309.93 | 114,925,576.66 |
| Minus: Operating cost | | - | - |
| Taxes and surcharges | | 2,230,164.10 | 4,372,822.63 |
| Selling expense | | - | - |
| Administrative expenses | | 19,259,032.70 | 26,480,814.10 |
| R&D expenses | | - | - |
| Financial expenses | | 622,238,152.41 | 630,040,104.97 |
| Including:Interest expense | | 663,685,617.59 | 714,132,139.38 |
| Interest revenue | | 68,976,913.65 | 109,340,320.01 |
| Plus:Other income | | - | - |
| Investment income(loss is filled by "-") | XIV（4） | 14,372,692.35 | 14,181,888.19 |
| Including:Income from investment to associates and jointly controlled entities | | | |
| Derecognition of profit or loss on financial assets measured at amortized cost(loss is filled by "-") | | | |
| Net exposure hedge income(loss is filled by "-") | | | |
| Gains on the changes in fair value(loss is filled by "-") | | - | - |
| Credit impairment loss(loss is filled by "-") | | | |
| Asset impairment losses(loss is filled by "-") | | - | - |
| Income on disposal of assets (loss is filled by "-") | | - | - |
| **II.Operating profit (loss is filled by "-")** | | -540,610,346.93 | -531,786,276.85 |
| Plus:Non-operating revenue | | 33,668.57 | 32,395.00 |
| Minus:Non-business expenditure | | - | - |
| **III.Operating profit (loss is filled by "-")** | | -540,576,678.36 | -531,753,881.85 |
| Plus:Non-operating revenue | | - | - |
| **IV.Net profit (loss is filled by "-")** | | -540,576,678.36 | -531,753,881.85 |
| 1.Net Profit of Going Concern (net loss is filled by "-") | | -540,576,678.36 | -531,753,881.85 |
| 2.Net profit of discontinuing operation (net loss is filled by "-") | | | |
| V.Net of tax for other comprehensive income | | | 25,635.55 |
| 1. Other comprehensive income which cannot be reclassified into profit and loss | | | |
| (1)Re-calculate and re-set the changes of net liabilities and net assets in beneficial plan | | | |
| (2)Shares enjoyed in other comprehensive earnings under profits and losses which cannot be reclassified by the investee under equity law | | | |
| (3)Changes in fair value of the investment in other equity instruments | | | |
| (4)Changes in fair value of the company's own credit risk | | | |
| …… | | | |
| 2. Other comprehensive income which will be reclassified into profit and loss | | | 25,635.55 |
| (1)Shares enjoyed in other comprehensive earnings under profits and losses which can be reclassified by the investee under equity law | | | 25,635.55 |
| (2)Changes in fair value of other debt investments | | | |
| (3).The amount of financial assets reclassified into other comprehensive income | | | |
| (4).Provision for credit impairment of other debt investments | | | |
| (5)Cash flow hedge reserve( Effective portion of losses and profits of cash flow hedging） | | | |
| (6)Converted difference of foreign currency financial statements | | | |
| …… | | | |
| **VI.Total comprehensive income** | | -540,576,678.36 | -531,728,246.30 |
| **Ⅶ. Earnings per share(EPS)** | | | |
| 1. Basic EPS | | | |
| 2. Diluted EPS | | | |

Legal Representative:　　Principal of Accountancy:　　Principal of Accounting Department:

**Cash Flow Statement**

Kuaiqi 03Sheet

Compiled by:Henan Railway Investment Co. Ltd | Year of 2019 | Unit: RMB Yuan

| Item | Note | Current period | Previous period |
|---|---|---|---|
| **I. Cash flows from operating activities** | | | |
| Cash received from sales of goods or rendering of services | | 30,475,657.46 | 97,371,443.05 |
| Received refund of taxes and levies | | - | - |
| Cash received relating to other operating activities | | 549,242,720.58 | 361,127,674.30 |
| **Sub-total of cash inflow of business activity** | | 579,718,378.04 | 458,499,117.35 |
| Cash paid for goods and services | | - | - |
| Cash paid to and on behalf of employees | | 12,774,286.92 | 15,245,479.54 |
| Payments of taxes and levies | | 7,004,750.65 | 15,048,976.56 |
| Cash paid relating to other operating activities | | 1,012,824,681.72 | 1,156,899,462.13 |
| **Sub-total of cash outflow of business activity** | | 1,032,603,719.29 | 1,187,193,918.23 |
| **Net cash flows from operating activities** | | -452,885,341.25 | -728,694,800.88 |
| **II. Cash flows from investing activities:** | | | |
| Cash received from returns on investments | | - | - |
| Cash received from investment income | | 5,133,249.00 | 6,754,275.00 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | - | - |
| Net cash paid to acquire subsidiaries and other business units | | - | - |
| Cash paid relating to other investing activities | | 410,000,000.00 | 1,318,544,301.10 |
| **Sub-total of cash inflows** | | 415,133,249.00 | 1,325,298,576.10 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | 151,126,455.53 | 110,180,546.60 |
| Cash paid to acquire investments | | 8,160,183,089.91 | 7,815,636,845.00 |
| Net cash received from disposal of subsidiaries and other business units | | - | - |
| Cash received relating to other investing activities | | - | 300,000,000.00 |
| **Sub-total of cash outflow of investing activities** | | 8,311,309,545.44 | 8,225,817,391.60 |
| **Net cash flows from investing activities** | | -7,896,176,296.44 | -6,900,518,815.50 |
| **III. Cash flows from financing activities:** | | | |
| Cash received from capital contributions | | 4,207,161,400.00 | 2,560,130,000.00 |
| Cash received from borrowings | | 2,178,200,000.00 | - |
| Cash received relating to other financing activities | | 3,650,390,967.38 | 3,339,150,827.29 |
| **Sub-total of cash inflow of financing activities** | | 10,035,752,367.38 | 5,899,280,827.29 |
| Cash repayments of amounts borrowed | | 1,136,851,000.00 | 652,000,000.00 |
| Cash payments for interest expenses and distribution of dividends or profits | | 831,510,702.14 | 857,889,976.94 |
| Cash payments relating to other financing activities | | 38,960,000.00 | 27,680,000.00 |
| **Sub-total of cash outflow of financing activities** | | 2,007,321,702.14 | 1,537,569,976.94 |
| **Net cash flows from financing activities** | | 8,028,430,665.24 | 4,361,710,850.35 |
| **IV.Effect of foreign exchange rate changes on cash and cash equivalents** | | | |
| **V. Net increase/(decrease) in cash and cash equivalents** | | -320,630,972.45 | -3,267,502,766.03 |
| Add: Cash and cash equivalents at beginning of year | | 2,846,393,223.75 | 6,113,895,989.78 |
| **VI. Ending balance of cash and cash equivalents** | | 2,525,762,251.30 | 2,846,393,223.75 |

Legal Representative: Principal of Accountancy: Principal of Accounting Department:

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Kuaiqi 04Sheet

Compiled by:Henan Railway Investment Co. Ltd　　Year of 2019　　Unit: RMB Yuan

| Item | Current period | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Paid-in Capital (share capital) | Other equity instrument | | | Capital surplus | Less: Treasury stock | Other Comprehensive income | Special reserve | Surplus reserves | Undistributed profits | **Total owner's equity** |
| | | Preferre | Perpetual Capital | Others | | | | | | | |
| **I. Ending balance of previous year** | 15,000,000,000.00 | | | | 21,374,751,114.57 | | | - | 172,443,103.83 | -733,067,803.87 | 35,814,126,414.53 |
| Add: Changes in accounting policies | | | | | | | | | | | - |
| Corrections of prior period errors | | | | | | | | | | | - |
| Others | | | | | | | | | | | - |
| **II. Beginning balance in the current year** | 15,000,000,000.00 | | | | 21,374,751,114.57 | | | - | 172,443,103.83 | -733,067,803.87 | 35,814,126,414.53 |
| **III. Increase/decrease of the year(loss is filled by "-")** | - | | | | 7,844,390,139.91 | | | - | - | -540,576,678.36 | 7,303,813,461.55 |
| (i)Total comprehensive income | | | | | | | | | | -540,576,678.36 | -540,576,678.36 |
| （ii）Capital invested or reduced by the owner | - | - | - | - | 7,844,390,139.91 | - | - | - | - | | 7,844,390,139.91 |
| 1.Capital invested by the owner of common stock | | | | | 7,844,390,139.91 | | | | | | 7,844,390,139.91 |
| 2.Capital invested by other equity instrument | | | | | | | | | | | - |
| 3. Payment for shares attributed into owner's equity | | | | | | | | | | | - |
| 4.Others | | | | | | | | | | | - |
| （iii）Profit distribution | - | | | | - | | | - | - | - | - |
| 1. Appropriated surplus reserves | | | | | | | | | - | - | - |
| 2. Distribution to owners (or shareholders) | | | | | | | | | | | - |
| 3. Others | | | | | | | | | | | - |
| （iv） Internal transfer of owner's equity | | | | | | | | | | | - |
| 1. Capital reserves transferred to capital (or share capital) | | | | | | | | | | | - |
| 2. Surplus reserves transferred to capital (or share capital) | | | | | | | | | | | - |
| 3. Surplus reserves covering loss | | | | | | | | | | | - |
| 4.Retained income carried forward of defined benefit plan amount | | | | | | | | | | | - |
| 5.Retained income carried forward from other comprehensive income | | | | | | | | | | | - |
| 6.Others | | | | | | | | | | | - |
| **IV.Ending balance of the current year** | 15,000,000,000.00 | | | | 29,219,141,254.48 | | | - | 172,443,103.83 | -1,273,644,482.23 | 43,117,939,876.08 |

Legal Representative:　Principal of Accountancy:　Principal of Accounting Department:



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Kuaiqi 04Sheet

Compiled by:Henan Railway Investment Co. Ltd　　Year of 2019　　Unit: RMB Yuan

| Item | Previous period | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Paid-in Capital (share capital) | Other equity instrument | | | Capital surplus | Less: Treasury stock | Other Comprehensive income | Special reserve | Surplus reserves | Undistributed profits | **Total owner's equity** |
| | | Preferred stock | Perpetual | Others | | | | | | | |
| **I. Ending balance of previous year** | 15,177,970,154.57 | | | | 13,683,710,360.00 | | -25,635.55 | | 172,443,103.83 | -201,313,922.02 | 28,832,784,060.83 |
| Add: Changes in accounting policies | | | | | | | | | | | - |
| Corrections of prior period errors | | | | | | | | | | | - |
| Others | | | | | | | | | | | - |
| **II. Beginning balance in the current year** | 15,177,970,154.57 | - | - | - | 13,683,710,360.00 | - | -25,635.55 | - | 172,443,103.83 | -201,313,922.02 | 28,832,784,060.83 |
| **III. Increase/decrease of the year(loss is filled by "-")** | -177,970,154.57 | - | - | - | 7,691,040,754.57 | - | 25,635.55 | - | - | -531,753,881.85 | 6,981,342,353.70 |
| (i)Total comprehensive income | | | | | | | 25,635.55 | | | -531,753,881.85 | -531,728,246.30 |
| （ii）Capital invested or reduced by the owner | 2,560,130,000.00 | - | - | - | 4,952,940,600.00 | - | - | - | - | - | 7,513,070,600.00 |
| 1.Capital invested by the owner of common stock | 2,560,130,000.00 | | | | 4,952,940,600.00 | | | | | | 7,513,070,600.00 |
| 2.Capital invested by other equity instrument | | | | | | | | | | | - |
| 3. Payment for shares attributed into owner's equity | | | | | | | | | | | - |
| 4.Others | | | | | | | | | | | - |
| （iii）Profit distribution | | | | | | | | | | | - |
| 1. Appropriated surplus reserves | | | | | | | | | | | - |
| 2. Distribution to owners (or shareholders) | | | | | | | | | | | - |
| 3. Others | | | | | | | | | | | - |
| （iv） Internal transfer of owner's equity | -2,738,100,154.57 | - | - | - | 2,738,100,154.57 | - | - | - | - | - | - |
| 1. Capital reserves transferred to capital (or share capital) | | | | | | | | | | | - |
| 2. Surplus reserves transferred to capital (or share capital) | | | | | | | | | | | - |
| 3. Surplus reserves covering loss | | | | | | | | | | | - |
| 4.Retained income carried forward of defined benefit plan amount | | | | | | | | | | | - |
| 5.Retained income carried forward from other comprehensive income | | | | | | | | | | | - |
| 6.Others | -2,738,100,154.57 | | | | 2,738,100,154.57 | | | | | | - |
| **IV.Ending balance of the current year** | 15,000,000,000.00 | - | - | - | 21,374,751,114.57 | - | - | - | 172,443,103.83 | -733,067,803.87 | 35,814,126,414.53 |

Legal Representative:　Principal of Accountancy:　Principal of Accounting Department:

| | 2019年 | 2018年 | 本期比上年增减(%) | 2017年 | 2016年 |
|---|---|---|---|---|---|
| 资产总额 | 66,670,556,478.20 | 58,250,231,700.17 | 0.14 | 49,828,163,920.77 | |
| 资产负债率 | 32.26% | 34.92% | -7.59% | 40.80% | |
| 净资产 | 45,159,397,520.23 | 37,911,243,482.27 | 0.19 | 29,498,446,568.36 | 23,843,039,278.99 |
| 归属于母公司所有者的净资产 | 42,707,186,832.06 | 35,456,308,651.86 | 0.20 | 28,548,827,930.17 | |
| 营业总收入 | 790,048,710.50 | 98,528,633.13 | 7.02 | 149,082,857.28 | |
| 利润总额 | -588,626,995.06 | -606,800,981.30 | -0.03 | -619,457,135.77 | |
| 归属于母公司所有者的净利润 | -593,511,959.71 | -605,615,513.86 | -0.02 | -619,653,066.74 | |
| 经营活动产生的现金流量净额 | 2,320,890.36 | -282,393,941.27 | -1.01 | -70,532,693.98 | |
| 加权平均净资产收益率 | -1.47% | -1.81% | -18.97% | -2.36% | |
| 国有资本保值增值率 | 119.12% | 128.52% | -0.07 | 123.72% | |
| 实际上缴税收 | 176,447,423.08 | 26,539,775.10 | 5.65 | 24,059,497.08 | |

| | | | |
|---|---|---|---|
| 41,535,320,501.25 | 33,704,845,025.32 | | 26,670,742,923.68 |
| -609,386,101.95 | -610,299,321.64 | | -629,173,320.09 |
| -1.47% | -1.81% | | -0.023590393 |

# Notes to Financial Statements

(Unless otherwise specified, the following currency is RMB and the monetary unit is Yuan)

## I. Basic condition of the Company

### (1) Registration place, organization form and headquarters address of company

Henan Railway Investment Co., Ltd. (hereinafter referred to as "the Company" or "Company") is a wholly state-owned enterprise subordinated to Henan Provincial Government and established upon the approval of *Reply to the Formation Plan of Henan Railway Investment Group Co., Ltd.* (Yu Zheng Wen [2009] No. 113) by Henan Provincial People's Government. The company was registered in Henan Administration for Industry and Commerce on September 3, 2009, with the business license registration number of 410000000020921, registered capital of RMB 10 billion Yuan, paid-in capital of RMB 2 billion Yuan, the legal representative being Duan Jianxin and registered address being Block B, Investment Building, No. 41 East Nongye Road, Zhengzhou City.

According to the document Yu Zheng Wen [2009] No. 113, the Company is a large-scale provincial state-owned enterprise. Henan Provincial People's Government entrusted Henan Investment Group Co., Ltd. (hereinafter referred as the "Investment Group") to be the investor, and the State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government with the responsibilities for asset supervision and Henan Provincial Development and Reform Commission for industrial management, business guidance and personnel management. In October 2011, in order to further rationalize the Company's system, Henan Provincial People's Government decided that the Investment Group would no longer perform the duties as the Company's entrusted investor. In December 2011, according to Yu Fa Gai Tou Zi [2011] No. 2319 document, the equity invested by the Investment Group was converted into debt.

According to the *Reply to the Articles of Association of Henan Railway Investment Co., Ltd.* (Yu Zheng Wen [2012] No. 105) by Henan Provincial People's Government and the revised *Articles of Association*, the Company made an industrial and commercial change on June 20, 2012, and held a registered capital of RMB 15 billion Yuan after the change, with the initial paid-in capital of RMB 3 billion Yuan, the unified social credit code of 91410000694858692Q, the legal representative being Duan Jianxin, and registered address being Finance Building, No. 21 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City.

In December 2017, according to the *Notice on Approving the Articles of Association of Henan Railway Investment Co., Ltd.* (Yu Cai Ban [2017] No. 53) by Henan Provincial Department of Finance, Henan Provincial People's Government was the Company's investor and entrusted Henan Provincial Department of Finance with the responsibilities of the investor and Henan Provincial Development and Reform Commission the responsibilities for industrial management.

**(2)Business scope**

Business scope: Investment, construction and management of railway projects; asset management; warehousing, logistics supporting services, hotel management, property management, advertising operations (Projects within the above scope subject to approval shall not be carried out unless otherwise approved).

Main business activities: Investment in railway projects.

**(3) Controlling shareholder and governance body of the Company**

The controlling shareholder of the Company is the Henan Provincial Department of Finance.

Governance structure: The Company adopts the general manager responsibility system under the leadership of the board of directors. Internal organization structure: Development Planning Department, Asset Management Department I, Asset Management Department II, Asset Management Department III, General Office, Financial Accounting Department, Human Resources Department, Supervision and Audit Department, etc.

### （4）Approval of financial statement

This financial statement was approved by the Company's board of directors on April 24, 2020.

## II. Basis for the preparation of financial statements

The Company's financial statements are prepared based on continuing operations, according to actual transactions and events, in accordance with the *Accounting Standards for Business Enterprises (ASBE) — Basic Standards* and specific accounting standards (hereinafter collectively referred to as "Accounting Standards for Business Enterprises" (ASBE)) issued by the Ministry of Finance, and based on the following important accounting policies and accounting estimates.

The Company has no matters or circumstances that cause major doubts about the assumption of the ability to continue operations for at least 12 months from the end of the reporting period.

## III.Statement for conformance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises (ASBE), and truly and completely reflect the financial status of the Company's combination on December 31, 2019 and the parent company, as well as the operating results and cash flows of the combination in 2019, and the parent company.

## IV. Important accounting policies and accounting estimates

### (1) Fiscal year

The Company's fiscal year is the Gregorian calendar year, that is, from January 1 to December 31 of each year.

### (2) Recording currency

The company's cisborder projects and cisborder subsidiaries adopt RMB as recording currency.

### （3）Accounting basis and pricing principle

The Company's accounting is based on the accrual system.

When the Company measures accounting elements, historical costs are generally used. If the determined amount of accounting elements can be obtained and reliably measured, individual accounting elements are measured by replacement cost, net realizable value, present value, and fair value.

<1> Measurement attribution used in the current reporting period

Under historical cost measurement, assets are measured according to the amount of cash or cash equivalents paid at the time of purchase, or according to the fair value of the consideration paid at the time of purchase of the asset. Liabilities are measured according to the amount of money or assets actually received as a result of assuming current obligations, or the contract amount for assuming current obligations, or the amount of cash or cash equivalents expected to be paid in daily activities to repay the liabilities.

<2> Report items with measurement attribution changes during the reporting period

There's no change of measurement attribution during the reporting period.

### （4）Corporation combination

<1> Business combination under the same control

If the long-term equity investment merging party formed by a business combination under the same control pays cash, transfers non-cash assets or assumes debts as the combined consideration, the share of the book value of the merged party's net assets in the ultimate controlling party's consolidated financial statements obtained by the Company on the combination date shall be used as the initial investment cost of the long-term equity investment. If the merging party issues equity instruments as the combined consideration, the total par value of the issued shares shall be used as the share capital. Based on the difference between the initial investment cost of the long-term equity investment and the book value of the combined consideration (or the total face value of the issued shares), the capital reserve shall be adjusted; if the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

If a business combination under the same control is realized step by step through multiple transactions, which belongs to a package deal, the merging party shall treat each transaction as a transaction that obtains the control right for accounting treatment. If it is not a “package deal”, in the financial statements of the parent company, take the share of the book owner’s equity of the merged party to be enjoyed on the combination date calculated based on the shareholding ration on the combination date as the initial investment cost of this investment, and the capital reserve (stock premium) shall be adjusted based on the difference between the initial investment cost and the sum of the book value of its original long-term equity investment plus the book value of the new payment consideration for obtaining further shares on the combination date; if the capital reserve is insufficient to offset, the retained earnings shall be offset.

<2>Business combination of enterprises under the different control

For business combination of enterprises under the different control, the combined cost is the sum of the assets paid by the purchaser to obtain control of the purchaser, the liabilities incurred or assumed, and the fair value of the issued equity securities on the purchase date. The identifiable assets, liabilities and contingent liabilities of the acquiree obtained in a business combination under the different control that meet the recognition conditions shall be measured at their fair value on the purchase date. If the purchaser's combined cost is more than the fair value share of the acquiree's identifiable net assets obtained in the combination, the difference between them is reflected in the value of goodwill. If the purchaser’s combined cost is less than the fair value share of the acquiree’s identifiable net assets obtained in the combination, the difference is included in the current non-operating income after the review.

If a business combination under the different control is realized step by step through multiple transactions, in the financial statements of the parent company, take the sum of the book value of the equity investment of the purchaser held before the purchase date plus the new investment cost on the purchase date as the initial investment cost of the investment. In the consolidated financial statements, the equity of the purchaser held before the purchase date is remeasured at the fair value of the equity on the purchase date, and the difference between the fair value and its book value is included in the current investment income; if equity of the acquiree held before the purchase date involves other comprehensive income, the relevant other comprehensive income shall be converted to the current investment income of the purchase date, except for other comprehensive income that cannot be reclassified and included in the current profit and loss.

The company takes the sum of the fair value of the acquiree’s equity on the purchase date held before the purchase date plus the fair value of the consideration paid for the newly purchased equity on the purchase date as the combined cost, and compares it with the fair value share of the acquiree's identifiable net assets on the purchase date to be enjoyed on the calculation of shareholding ratio on the purchase date that is obtained by the purchaser, to confirm the goodwill that should be recognized on the purchase date or the amount that should be included in the current profit and loss of the combination.

**（5）Preparation of consolidated financial statements**

<1> Scope of consolidated financial statements

The Company includes all its subsidiaries (including individual entities controlled by the Company) into the scope of consolidated financial statements, including companies controlled by the Company, divisible parts and structured entities of the investees.

<2> Unification of accounting policies, the balance sheet date and accounting period of parent and subsidiary companies

If the accounting policies or accounting periods adopted by the subsidiary and the Company are inconsistent, when preparing the consolidated financial statements, the subsidiary's financial statements shall be adjusted as necessary in accordance with the Company's accounting policies or accounting period.

<3> Offsets of consolidated financial statements

The consolidated financial statements are based on the balance sheets of the parent company and the subsidiaries, and the internal transactions between the parent company and the subsidiaries and between the subsidiaries have been offset. The share of the owner's equity of subsidiary that does not belong to the parent company is treated as a minority shareholder's equity and listed under the owner's equity item in the consolidated balance sheet as "minority's equity". The long-term equity investment of the parent company held by the subsidiary is regarded as the treasury stock of the enterprise group, and as a deduction of the owner's equity, and listed as "less: treasury stock" under the owner's equity item in the consolidated balance sheet.

<4> Accounting treatment of consolidated subsidiary

For a subsidiary acquired by a business combination under the same control, it is deemed that the business combination has occurred since the ultimate controlling party began real-time control, and its assets, liabilities, operating results and cash flows are included in the consolidated financial statements from the beginning of the current period of the combination; for subsidiaries acquired by a business combination under the different control, when preparing consolidated financial statements, adjust their individual financial statements on the basis of the fair value of the identifiable net assets on the purchase date.

**(6) Classification of joint venture arrangements and accounting treatment methods for joint operations**

<1>Classification of joint venture arrangements

Joint venture arrangements are divided into joint operations and joint ventures. Joint venture arrangements that are not reached through separate entities are classified as joint operations. Separate entities refer to entities with a separately identifiable financial structure, including separate legal entities and entities that do not have legal entity qualifications but are recognized by law. Joint venture arrangements reached through separate entities are usually classified as joint ventures. If changes in relevant facts and circumstances lead to changes in the rights and obligations of the joint venture party in the joint venture arrangement, the joint venture party shall re-evaluate the classification of the joint venture arrangement.

<2> Accounting treatment of joint operations

Participants in a joint operation shall recognize the following items related to their share of interests in the joint operation, and perform accounting treatment in accordance with the relevant ASBE: recognize the assets or liabilities held separately, and recognize the assets held jointly by their shares or liabilities; recognize the income from the sale of its share of the joint operation output; recognize the income from sale of the joint operation output according to its share; recognize the expenses incurred separately, and the expenses from the joint operation according to its share.

For participants in a joint operation that do not enjoy common control, if they enjoy the assets of the joint operation and bear the liabilities related to the joint operation, the accounting treatment shall be carried out in accordance with the regulations for the joint operation participants; otherwise, the accounting treatment shall be carried out in accordance with the relevant ASBE.

<3> Accounting treatment of joint ventures

Participants of a joint venture shall perform accounting treatment for the investment of the joint venture in accordance with the *Accounting Standards for Business Enterprises No. 2 — Long-term Equity Investment*. Participants that do not enjoy common control shall perform accounting treatment in accordance with the degree of their influence on the joint venture.

**（7）Basis to recognize cash and cash equivalents**

The cash recognized by the Company when preparing the cash flow statement refers to the Company's cash on hand and deposits that can be used for payment at any time. The cash equivalents determined during the preparation of the cash flow statement refer to investments with a short holding period, strong liquidity, easy conversion into cash of a known amount, and low risk of value changes.

**(8) Foreign currency transaction and foreign currency financial statement translation**

<1>Foreign currency business translation

The Company's foreign currency transactions shall be recorded in the functional currency on the transaction date. Monetary items in foreign currencies on the balance sheet date are translated at the spot exchange rate on the balance sheet date, because the exchange difference arising from the difference between the spot exchange rate on that date and the spot exchange rate at the time of initial recognition or the previous balance sheet date is included in the current profit and loss except for the exchange differences of foreign currency special borrowings that meet the capitalization conditions are capitalized and included in the cost of related assets during the capitalization period. Foreign currency non-monetary items measured at historical cost are still translated at the spot exchange rate on the transaction date, and the amount in the functional currency is not changed. Non-monetary items in foreign currencies are translated at the spot exchange rate on the recognition date of fair value. The difference between the translated bookkeeping currency amount and the original bookkeeping currency amount is treated as fair value changes (including exchange rate changes), and is included in the current profit and loss or recognized as other comprehensive income.

<2>Transactions of foreign currency financial statements

If the Company’s holding subsidiaries, joint ventures, and associated ventures use different bookkeeping currencies from the Company, they need to translate their foreign currency financial statements before the financial accounting and preparation of the consolidated financial statements. Assets and liabilities items in the balance sheet are translated at the spot exchange rate on the balance sheet date. Owners' equity items are translated at the spot exchange rate at the time of occurrence except for the "undistributed profit" item. The income and expense items in the income statement are translated at the spot exchange rate on the transaction date. The foreign currency financial statement translation difference arising from the translation is shown in the balance sheet under the other comprehensive income of the owner's equity item. If foreign currency cash flows are recognized in accordance with a systematic and reasonable method, they are translated at the spot exchange rate on the transaction date. The impact of exchange rate changes on cash is separately listed in the cash flow statement. When disposing of an overseas operation, the translation difference of the foreign currency statement related to the overseas operation shall be transferred to the current profit and loss based on the proportion of the disposal of the overseas operation in full.

**(9)Financial tools**

<1>Classification and recognition 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 equity instrument.

At the time of initial recognition, financial assets are classified as: financial assets measured at fair value with changes included in current profits and losses, held-to-maturity investments, receivables, and available-for-sale financial assets. The classification of financial assets other than accounts receivable depends on the Company and its subsidiaries' holding intentions and holding capabilities for financial assets. At the time of initial recognition, financial liabilities are classified as: financial liabilities measured at fair value with changes included in the current profits and losses and other financial liabilities.

Financial assets that are measured at fair value with changes included in the current profit and loss include financial transaction assets that are held for short-term sales and financial assets that are recognized as fair value measurement with changes included in current profit and loss at the time of initial recognition; receivables refer to non-derivative financial assets that have no quotation in an active market and whose recovery amount is fixed or recognizable; available-for-sale financial assets include non-derivative financial assets that are designated as available-for-sale at the time of initial recognition and are not classified as other financial assets; held-to-maturity investment refers to non-derivative financial assets with a fixed maturity date, a fixed or recognizable recovery amount, and the management has a clear intention and ability to hold to maturity.

<2> Measurement of financial instruments

The initial recognition of the Company's financial instruments is measured at fair value. Subsequent measurement categories are: financial assets measured at fair value with changes included in the current profit and loss, available-for-sale financial assets, and financial liabilities measured at fair value with changes included in the current profit and loss, are measured at fair value; held-to-maturity investments, loans, receivables, and other financial liabilities are measured at amortized cost; equity instrument investments that do not have a quotation on an active market and Including the fair value cannot be reliably measured, and derivative financial assets and financial liabilities that are linked to the equity instrument and must be settled by the delivery of the equity instrument, are measured at cost. The gains or losses arising from changes in the fair value of the Company’s financial assets or financial liabilities in the subsequent measurement, except for being related to the hedging, shall be treated as follows: [1] For financial assets or financial liabilities that are measured at fair value with changes included in the current profit and loss, the gains or losses resulting from changes in fair value are included in the gains and losses 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 method of recognizing the fair value of financial instruments

If there is a financial instrument in an active market, its fair value is recognized based on the quoted price in the active market; if there is no financial instrument in an active market, its fair value is recognized by using valuation techniques. Valuation techniques mainly include market method, income method and cost method.

<4> Recognition basis and measurement method for transfer of financial assets and liabilities

When almost all the risks and rewards in the ownership of financial assets are transferred, or are neither transferred nor retained, but control of the financial assets is given up, the recognition of the financial assets shall be terminated. 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 due to the transfer plus the cumulative amount of fair value changes originally directly included in other comprehensive income shall be included in the current profit and loss. If the partial transfer meets the conditions for termination of recognition, the overall book value of the transferred financial assets shall be amortized according to their respective relative fair values between the part that has been terminated for recognition and the part that has not been terminated for recognition.

If all or part of the current obligations of the financial liability have been discharged, the recognition of the financial liability or part of it shall be terminated.

<5> Impairment of financial asset

When financial assets measured at amortized cost are impaired, provision for impairment is made based on the difference between the present value of the estimated future cash flow (excluding future credit losses that have not yet occurred) and the book value of it. If there is objective evidence showing that the value of the financial asset has been recovered and it is objectively related to events that occurred after the loss was recognized, the previously recognized impairment loss shall be transferred back and included in the current profit and loss.

When financial assets measured at cost are impaired, provision for impairment is made. Once the impairment loss has been recognized, it will not be transferred back.

When there is objective evidence that the available-for-sale financial assets are impaired, the accumulated losses caused by the decline in fair value that were originally directly included in shareholders' equity shall be transferred out and included in the impairment loss. For investments in available-for-sale debt instruments, Including the impairment losses have been recognized, if the fair value increases after the period and is objectively related to events that occurred after the original impairment losses were recognized, the originally recognized impairment losses shall be transferred back and included in the current profit and loss. For investments in available-for-sale equity instruments that have recognized impairment losses, the increase in fair value after the period is directly included in shareholders' equity.

**(10) Receivables**

The Company's receivables mainly include accounts receivable, prepaid accounts and other receivables. If there is objective evidence showing that it has been impaired on the balance sheet date, the Company recognizes the impairment loss based on the difference between its book value and the present value of expected future cash flows.

At the end of the year, if there is evidence showing that the receivables have been impaired, the book value shall be written down to the recoverable amount, and the written down amount shall be recognized as an asset impairment loss and included in the current profit and loss.

The Company accounts for bad debt losses according to the following classifications and methods:

[1] For receivables with a significant single amount, the individual identification method is adopted, and the impairment test is performed separately. If there is objective evidence showing

that it has been impaired, the impairment loss is recognized and a bad debt provision is made.

Recognition criteria for bad debt provision of receivables with a single significant amount: receivables with a single amount of RMB 1 million Yuan and above are regarded as receivables with a single significant amount.

[2] Receivables with insignificant individual amounts are classified into risk-free portfolios and credit risk portfolios. No provision for bad debts is provided for risk-free portfolios, and the allowance method is used for credit risk portfolios to account for bad debt losses. For accounts receivable (other receivables), provision for bad debts is made at 30% of the ending balance; for receivables (accounts receivable), provision for bad debts is made based on 5% of the ending balance; for receivables (prepayments), provision for bad debts is made based on 5% of the ending balance.

Recognition criteria for risk-free portfolios: receivables and payables between parent and subsidiary companies, between subsidiaries and other related parties included in the scope of consolidation, receivables of the Company from government departments, internal employee loans, and withholding payments.

Other receivables except for the risk-free portfolio are classified as credit risk portfolio.

**(11) Inventory**

<1>Classification of the inventory

Inventory is classified into: raw materials, inventory goods, revolving materials, development costs and other major categories.

<2>Inventory inventory system

Adopt the perpetual inventory system

<3> Pricing method for acquisition and delivery

It is priced at the actual cost acquisition, and the delivery of inventories is generally calculated by the weighted average method.

<4> Amortization method of revolving materials

One-off amortization method is adopted for low-value consumables and packaging materials.

<5> The accrual method for inventory falling price reserves

On the balance sheet date, the Company's inventory is measured at the lower of cost and net realizable value. When its net realizable value is lower than its cost, provision for inventory falling price reserves is made. Inventory falling price reserves are usually made according to a single inventory item; for inventories with a large quantity and low unit price, inventory falling price reserves are made according to the inventory category; for inventory related to product series produced and sold in the same region, with the same or similar end use or purpose, and it is difficult to measure them separately from other items, the provision for inventory falling prices shall be accrued in a consolidated manner.

If the factors affecting the previous write-down of the value of inventories have disappeared, the amount of the write-down shall be restored and transferred back within the amount of the original inventory falling price reserve that has been withdrawn, and the transferred amount shall be included in the current profit and loss.

Recognition of the net realizable value of inventory: For the inventory of finished products, commodity, materials for sale, etc. directly used for sale, the net realizable value shall be recognized by the estimated selling price of the inventory minus the estimated selling expenses and relevant taxes and dues. For the inventory of materials to be processed, the net realizable value shall be recognized by the estimated selling price of the produced product minus the estimated cost, estimated sales expense and related taxes and fees at the time of completion. The net realizable value of inventories held for the execution of sales contracts or labor service contracts shall be calculated on the basis of the contract price. If the quantity of inventory held is more than the quantity ordered in the sales contract, the net realizable value of the excess inventory shall be calculated on the basis of the general sales price.

**(12)Long term equity investment**

Long-term equity investment refers to equity investments that the Company exercises control over and has significant impact on the investee, as well as equity investments in joint ventures.

<1> Recognition of initial cost of long term investment

① Long-term equity investment formed from business combination

Business combination of enterprises under the same control: If the Company pays cash, transfers non-cash assets or assumes debts, and issues equity securities as the combination consideration, take the share of book value in the ultimate controlling party's consolidated financial statements of the owner's equity of the merged party on the date of the combination as the initial investment cost of long-term equity investment. According to the initial investment cost and cash paid for long-term equity investment, the transferred non-cash assets, and the difference between the book value of the debt assumed and the total face value of the issued shares, the equity premium in the capital reserve shall be adjusted; if the equity premium in the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If it is possible to exercise control over the investee under the same control due to additional investment or other reasons, the initial investment cost shall be recognized according to share of book value in the ultimate controlling party's consolidated financial statements of the investee's asset to be enjoyed on the date of combination. According to the difference between the initial investment cost of the long-term equity investment on the combination date and the sum of the book value of reaching the long-term equity investment before the combination and the book value of the newly paid consideration obtained on the combination date, the equity premium shall be adjusted; if the equity premium is insufficient to offset, the retained earnings shall be adjusted.

Business combination of enterprises under the different control: The Company takes the combination cost recognized on the purchase date as the initial investment cost of the long-term equity investment. If it is possible to exercise control over investees that are under the different control due to additional investment or other reasons, the sum of the book value of the original equity investment plus the new investment cost shall be used as the initial investment cost calculated by the cost method.

Intermediary fees such as auditing, legal services, evaluation and consulting, and other related management fees incurred for business combinations are included in the current profits and losses when they are incurred; transaction costs of equity securities or debt securities issued as consideration for the combination are included in the initial recognized amount of equity securities or debt securities.

② Long-term equity investment acquired from other methods

For long-term equity investment obtained in the form of cash payment, the initial investment cost shall be the purchase price actually paid.

For long-term equity investment obtained by issuing equity securities, the fair value of equity securities issued shall be taken as the initial investment cost.

On the premise that the non-monetary asset exchange possesses the commercial substance and the fair value of the exchanged-in assets or the exchanged-out assets can be reliably measured, the long-term equity investment exchanged in non-monetary assets recognize the initial investment cost by the fair value of exchanged-out assets and relevant taxes & dues payable, unless there is conclusive evidence that the fair value of the exchanged-in assets is more reliable; for non-monetary asset exchanges that do not meet the above prerequisites, take the book value of the exchanged-out assets and the relevant taxes and dues payable as the initial investment cost for exchanged-in long-term equity investment.

For long-term equity investments obtained through debt restructuring, the initial investment cost is determined on the basis of fair value.

<2> Subsequent measurement and profit and loss recognition

① Long-term equity investment calculated in cost method

The Company’s long-term equity investments in subsidiaries are calculated with the cost method. The cash dividends or profits declared by the subsidiary shall be recognized as investment income for the current period.

② Long-term equity investment calculated in equity method

Long-term equity investments in associates and joint ventures are calculated in the equity method. If the initial investment cost is more than the difference in the fair value share to-be-enjoyed of the investee’s identifiable net assets at the time of investment, the initial cost of long-term equity investment is not to be adjusted; if the initial investment cost is less than the difference in the fair value share to-be-enjoyed of the investee’s identifiable net assets at the time of investment, it is included in the current profit and loss.

The Company recognizes investment income and other comprehensive income according to the share of the net profit and loss realized by the investee that it should enjoy or share, and adjust the book value of long-term equity investment at the same time; calculate the the part to be enjoyed according to the declared profit or cash distribution of the investee, and reduce the book value of the long-term equity investment accordingly; for other changes in the owner’s equity other than the net profit and loss, other comprehensive income and profit distribution of the investee, the book value of the long-term equity investment shall be adjusted and included in the owner’s equity.

When confirming the share of the net profit and loss of the investee, it is based on the fair value of the investee’s identifiable net assets at the time the investment is obtained, and should be recognized after the net profit adjustment of the investee in accordance with the Company’s accounting policies and accounting period. During the holding period, for investee who prepares consolidated financial statements, the accounting shall be based on the net profit, other comprehensive income and other changes in owner's equity in the consolidated financial statements attributable to the investee.

When confirming the share of the net profit and loss of the investee, it is based on the fair value of the investee’s identifiable net assets at the time the investment is obtained, and should be recognized after the net profit adjustment of the investee in accordance with the Company’s accounting policies and accounting period. During the holding period, for investee who prepares consolidated financial statements, the accounting shall be based on the net profit, other comprehensive income and other changes in owner's equity in the consolidated financial statements attributable to the investee.

When the Company are confirmed to share the losses incurred by the investee, it shall be dealt with in the following order: First, offset the book value of the long-term equity investment. Second, if the book value of the long-term equity investment is not enough to offset, the investment loss shall continue to be recognized within the limit of the book value of other long-term equity that actually constitutes the net investment in the investee, and the book value of the long-term receivables shall be offset. Finally, after the above treatment, if the enterprise still undertakes additional obligations in accordance with the investment contract or agreement, the estimated liabilities shall be recognized according to the expected obligations and included in the current investment loss. If the investee realizes profit in the subsequent period, the Company shall, after deducting the unrecognized loss share, proceed in the reverse order of the above, write down the book balance of the confirmed estimated debt, and restore the long-term equity of other net investment in the investee constituted materially and its book value, and recognize the investment income at the same time.

③ Disposal of long-term equity investments

When disposing a long-term equity investment, the difference between its book value and the actual purchase price shall be included in the current profit and loss.

For a long-term equity investment calculated in the equity method, when disposing the investment, the same basis as the direct disposal of related assets or liabilities by the investee shall be adopted, and conduct accounting treatment to the portion originally included in the other comprehensive income according to the corresponding proportion. Owner's equity recognized due to changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution of the investee, shall be carried forward to the current profit and loss on a pro rata basis, except for other comprehensive income arising from the investee's re-measurement of the defined benefit plan's net liabilities or changes in net assets.

If the common control or significant impact on the investee is lost due to the disposal of part of the equity investment, the remaining equity after the disposal shall be recognized and calculated according to the financial instrument and measurement standards, and the difference between its fair value on the date of loss of common control or significant impact and the book value is included in the current profit and loss. The other comprehensive income recognized by the original equity investment due to the adoption of the equity method shall be accounted on the same basis as the direct disposal of related assets or liabilities by the investee when the equity method is terminated. The owner’s equity recognized as a result of changes in owner’s equity other than the net profit and loss, other comprehensive income and profit distribution of the investee shall be transferred to the current profit and loss when the equity method is terminated.

If the right over control of the investee is lost due to the disposal of part of the equity investment, when preparing the individual financial statements, if the remaining equity after disposal enables the common control or significant impact on the investee, it shall be accounted according to the equity method, and has been adjusted as if the equity method has been adopted since the acquisition; if the remaining equity after disposal cannot enable the common control or significant impact on the investee, it shall be recognized and accounted in accordance with the relevant provisions of the financial instrument and the measurement standards, and the difference between its fair value and book value on the date when the common control is lost is included in the current profit and loss.

If the disposed equity is obtained through a business combination due to additional investment and other reasons, and when preparing the individual financial statements, the remaining equity after disposal is accounted by the cost method or the equity method, the other comprehensive income recognized from the equity investment due to the accounting in the equity method held before the purchase date and other owner’s equity shall be carried forward on a pro rata basis; if the remaining equity after disposal are recognized and accounted in accordance with the financial instrument and measurement standards, the other comprehensive income and other owners’ equity shall all be carried forward.

<3>Basis for same control or major influence of the investee

Common control refers to the common control of an arrangement in accordance with the relevant agreement, and the relevant activities of the arrangement must be agreed by the participants who share the control right before making decisions. Where the Company and other joint venture parties exercise common control over the investee and have rights to the net assets of the investee, the investee is a joint venture of the Company.

Significant impact refers to the power to participate in the financial and operating decisions of an investee, but not to control or jointly control the formulation of these policies with other parties. If the investor is able to exert significant impact on the investee, the investee shall be its associated enterprise.

<4>Impairment test method and impairment provision method

On the balance sheet date, judge whether there are signs of possible impairment of assets. If there are signs of impairment, the Company will estimate its recoverable amount and conduct impairment test. The recoverable amount is recognized based on the higher of the net value of the asset's fair value minus the disposal expenses and the present value of the asset's expected future cash flow.

If the recoverable amount is lower than the book value of the long-term equity investment, provision for impairment shall be made. Once the long-term equity investment impairment loss is recognized, it will not be transferred back.

**(13) Entrusted loan**

Entrusted loans are initially booked according to the actual amount of entrusted loans, and interest is accrued on a regular basis, included in the profit and loss, that is, the interest receivable is accrued at the specified interest rate, and the book value of the entrusted loan is increased accordingly, at the end of each accounting period. If the accrued interest cannot be recovered after maturity, the accrual of interest shall be stopped and the original accrued interest shall be reversed.

At the end of the period, a comprehensive inspection of the principal of the entrusted loan is carried out. If there are signs showing that the principal of the entrusted loan is higher than the recoverable amount, the corresponding impairment provision shall be made, and the provision for impairment of the entrusted loan shall be used to offset the investment income.

**(14) Fixed assets**

<1> Recognition of fixed assets

Fixed assets refer to tangible assets that are held for production of goods, provision of labor services, leasing or operation management, and whose service life exceeds one fiscal year.Fixed assets shall be recognized if they meet all of the following conditions at the s:

①The economic benefits related to the fixed assets are likely to flow into the enterprise;

② The cost of the fixed assets can be reliably measured.

<2> Classification and measurement of fixed assets

The Company's fixed assets include five types, including houses and buildings, machinery and equipment, transportation tools, electronic equipment and others. Fixed assets are usually initially measured at actual cost. For the value of fixed assets acquired by finance lease, the lower of the original book value of the leased asset and the present value of the minimum lease payment is taken as the entry value. The cost of abandonment of fixed assets shall be calculated according to the present value to recognize the entry amount. Subsequent expenditures related to fixed assets are included in the book value of fixed assets when the economic benefits of the fixed assets that may flow into the enterprise exceed the original estimate, and the increased amount shall not exceed the recoverable amount of the fixed assets.

<3> Depreciation for different fixed assets:

The Company uses the life average method to classify and withdraw depreciation for fixed assets. Accrual of depreciation for fixed assets will start from the next month after reaching the expected usable state. Without considering the provision for impairment, the Company recognizes the annual depreciation rates of various types of fixed assets according to the types, estimated useful lives and estimated residual values of fixed assets as follows:

| Asset type | Depreciation year(year) | Estimated residual value rate (%) | Yearly depreciation (%) |
|---|---|---|---|
| Buildings and constructions | 8-40 | 5 | 11.87-2.38 |
| Machinery equipment | 10-20 | 5 | 9.50-4.75 |
| Equipment for transportation | 4-6 | 5 | 11.83-15.83 |
| Office equipment and others | 3-5 | 5 | 19.00-31.66 |

Fixed assets acquired by finance lease use the same depreciation policy as self-owned depreciable assets. If it can be reasonably recognized that the ownership of the leased asset will be obtained at the end of the lease term, depreciation shall be accrued within the useful life of the leased asset; if it cannot be reasonably recognized that the ownership of the leased asset will be obtained at the end of the lease term, accrual of depreciation shall be made within the shorter of the lease term and the remaining useful life of the leased asset.

When accrual of depreciation is made for fixed asset Including an impairment provision has been withdrawn, the depreciation rate and depreciation amount shall be recalculated according to the book value of the fixed asset and the remaining useful life.

<4> Impairment of fixed assets: The impairment test is performed on fixed assets with signs of impairment on the balance sheet date. If the result of the impairment test shows that the recoverable amount is less than its book value, the impairment provision shall be made based on the difference and included in the impairment loss. The recoverable amount is the higher of the net value of the asset's fair value minus the disposal expenses and the present value of the asset's

expected future cash flow. The asset impairment provision is calculated and recognized on the basis of the single asset. If it is difficult to estimate the recoverable amount of the single asset, the asset group to which the asset belongs is used to recognize the recoverable amount of the asset group.

If it can be reasonably recognized that the ownership of the leased asset will be obtained at the end of the lease term, accrual of depreciation shall be made within the remaining useful life of the leased asset; if it cannot be reasonably recognized that the ownership of the leased asset will be obtained at the end of the lease term, accrual of depreciation shall be made within the shorter of the lease term and the remaining useful life of the leased asset.

<5> Idle fixed assets: When fixed assets cannot serve goods production, labor provision, leasing or business management for the Company, the Company will include them in the management of idle fixed assets, and idle fixed assets will be depreciated based on the fixed assets in use.

**(15) Construction in progress**

<1> Category of construction in progress

Construction in progress is classified and calculated in details in the name of project in progress.

<2> The carry-over time point of the construction in progress to fixed assets

For construction in progress projects, all the expenditures incurred before the construction of the asset reaches the expected usable state is regarded as the entry value of the fixed asset. If the construction of fixed assets under construction has reached the expected usable status, but the final accounts for completion have not yet been processed, from the date of reaching the expected usable status, recognize the cost based on the estimated value, according to the project budget, cost, or actual project cost, and to make the accrual of depreciation. After the completion of the final accounts, adjust the original temporary assessment value according to the actual cost, instead of adjusting the original accrued depreciation amount.

<3> Provision for impairment of construction in progress

The Company shall conduct an impairment test on the construction in progress on the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is lower than its book value, the impairment provision shall be made based on the difference and included it in the impairment loss. The recoverable amount is the higher of the net value of the asset's fair value minus the disposal expenses and the present value of the asset's expected future cash flow. The asset impairment provision is calculated and recognized on the basis of the single asset. If it is difficult to estimate the recoverable amount of the single asset, the asset group to which the asset belongs is used to recognize the recoverable amount of the asset group. An asset group is the smallest portfolio of assets that can independently generate cash inflows.

Once the provision for impairment of construction in progress has been accrued, it shall not be transferred back.

**(16) Intangible assets**

<1> Recognition conditions of intangible assets

Intangible assets refer to identifiable non-monetary assets without physical form that are owned or controlled by an enterprise. Intangible assets can only be recognized if they meet the following conditions at the same time:

① The economic benefits related to the intangible asset are likely to flow into the enterprise;

② The cost of the intangible asset can be reliably measured.

<2>Valuation methods of intangible assets

Intangible assets shallbe made a initial measurement on cost

<3> Service life and amortization of intangible assets

The Company analyzes and judges the useful life of the intangible assets when obtaining it. If the useful life of an intangible asset is limited, estimate the similar measurement units, such as the number of years of the useful life or the output that constitutes the useful life; if it is impossible to predict the period of intangible assets that will bring economic benefits to the enterprise, it shall be regarded as an intangible asset with an uncertain useful life.

For intangible assets with limited service life, the amortized amount shall be amortized systematically and reasonably within the useful life. Intangible assets with uncertain service life are not amortized.

<4> On the balance sheet date, review the useful life and amortization method of intangible assets with limited useful life. When the useful life and amortization method are different from the previous estimates, change the amortization period and amortization method. For review of the useful life of intangible assets with unlimited useful life, if there is evidence showing that the useful life of intangible assets is limited, it shall be amortized according to the intangible assets with limited service life.

<5> Research and development expenditure

Expenditures on internal research and development of projects of an enterprise are divided into expenditures in the research stage and expenditures in the development stage.

Expenditures in the research stage refers to the expenditure incurred in the original and exploratory planned survey conducted by the company to acquire and understand new scientific or technical knowledge. It is used to prepare data and related aspects for further development activities. Whether research activities in progress will be transferred to development in the future and whether intangible assets will be formed after development are all uncertain.

Expenditure in the development stage refers to the expenditure arising from application of research results or other knowledge to a certain plan or design to produce new or substantially improved materials, devices, products, etc. before commercial production or use. Compared with the research stage, the development stage is the work of the completed research phase, which to a large extent has the basic conditions for forming a new product or new technology.

Expenditures in the research stage of an enterprise's internal research and development projects shall be included in the current profits and losses when incurred; expenditures in the development phase shall be recognized as intangible assets only if the following conditions are met at the same time:

① It is technically feasible to complete the intangible asset so that it can be used or sold.

②It is Intent to use or sell.

③The way in which intangible assets generate economic benefits.

④There are sufficient technical, financial and other resources to support the development of the intangible asset and the ability to use or sell the intangible asset.

⑤The expenditure attributable to the development stage of the intangible asset can be reliably measured.

<6> For intangible assets that show signs of impairment on the balance sheet date, the impairment test shall be conducted. If the result of the impairment test indicates that the recoverable amount of the asset is lower than its book value, the impairment provision shall be made based on the difference and included in the impairment loss. The recoverable amount is the higher of the net value of the asset's fair value minus the disposal expenses and the present value of the asset's expected future cash flow. The asset impairment provision is calculated and recognized on the basis of the single asset. If it is difficult to estimate the recoverable amount of the single asset, the asset group to which the asset belongs is used to recognize the recoverable amount of the asset group. An asset group is the smallest portfolio of assets that can independently generate cash inflows.

**(17) Long-term deferred expenses**

The Company's long-term deferred expenses refer to various expenses that have occurred but should be borne in the current period and subsequent periods with amortization period of more than one year. Long-term deferred expenses are recorded according to actual expenditures and amortized evenly during the project benefit period.

**(18)Employee compensation**

Employee remuneration refers to various forms of remuneration or compensation provided b y an enterprise for obtaining services provided by employees or terminating labor relations.Emplo yee compensation mainly includes short-term compensation, welfare after resignation, welfare after dismissal, and other long-term employee compensations, as well as related expenditures on employee's services.

<1>Short-term compensation

During the accounting period when employees provide services to the Company, the actual short-term compensation is recognized as a liability and included in the current profit and loss, except for those required by other accounting standards or permitted to be included in the cost of assets. The employee welfare expenses incurred in the Company are included in the current profit and loss or the cost of related assets based on the actual amount when they actually occur. If employee welfare expenses are non-monetary, they shall be measured at fair value. The employee compensation shall be calculated and recognized based on the prescribed basis and proportion of accrual of the corresponding medical insurance premiums, industrial injury insurance premiums, maternity insurance premiums and other social insurance premiums and housing provident funds paid by the enterprise for employees, as well as the labor union funds and employee education funds drawn in accordance with regulations during the accounting period when the employees provide services, and the corresponding liabilities shall be recognized too to be included in the current profit and loss or the cost of related assets.

<2> Post-employment benefits and dismissal benefits

During the accounting period in which the Company provides services to employees, the amount payable and deposited based on the defined contribution plan is recognized as a liability and included in the current profit and loss or the cost of related assets. According to the formula recognized by the expected cumulative welfare unit method, the welfare obligations arising from the defined benefit plan are attributed to the period during which the employees provide services, and are included in the current profit and loss or the cost of related assets.

When an enterprise provides dismissal benefits to employees, the employee compensation liabilities arising from dismissal benefits shall be recognized, and included in the current profit and loss, based on the earlier date of the following: when the enterprise cannot unilaterally withdraw the dismissal benefits provided by the termination of labor relations plan or reduction proposal; when recognizing the costs or expenses related to the reorganization involving the payment of dismissal 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 dealt with according to the provisions of the defined contribution plan; in addition, liabilities or net assets of other long-term employee benefits shall be recognized and measured in accordance with the relevant provisions of the defined benefit plan.

**(19)Bonds payable**

Bonds payable are booked on the basis of the amount actually received, and the bond interest expense is calculated and recognized based on the amortized cost and the actual interest rate on the balance sheet date, when the difference between actual interest rate and the coupon rate is small, the coupon rate is used to recognize the interest expense.

**(20) Borrowing cost**

<1> Principles of handling borrowing costs

If the borrowing costs incurred by the Company can be directly recognized as the acquisition, construction or production of assets that meet the capitalization conditions, they shall be capitalized and included in the cost of the relevant assets; other borrowing costs shall be recognized as expenses based on the amount incurred when incurred. And included in the current profit and loss.

Assets that meet the conditions for capitalization refer to fixed assets, investment real estate, inventory, and other assets that require a long period of acquisition, construction or production activities to reach the expected usable or saleable state.

<2> Conditions for capitalization of borrowing costs

①Asset expenditures have already occurred. Asset expenditures include expenditures in the form of paying cash, transferring non-monetary assets, or assuming interest-bearing liabilities for the purchase, construction or production of assets that meet the conditions for capitalization;

② Borrowing costs have incurred;

③ The purchase, construction or production activities necessary for the asset to reach the expected usable or saleable state have begun.

If an asset that meets the capitalization conditions is abnormally interrupted during the acquisition, construction or production process, and the interruption lasts for more than 3 months, the capitalization of borrowing costs shall be suspended.

When the assets Including the acquisition, construction or production that meet the capitalization conditions reaches the expected usable or saleable state, the capitalization of borrowing costs shall terminate.

<3> Period of capitalization of borrowing costs

If borrowing costs incurred for the purchase, construction or production of assets that meet the capitalization conditions meet the above-mentioned capitalization conditions, those incurred before the asset reaches the expected usable or saleable state shall be included in the cost of the asset; those incurred after the asset reaches the expected usable or saleable state shall be directly included in the financial expenses in the current period when occurred.

<4> Calculation method of capitalization of borrowing costs

The interest expenses of special borrowings (deducting the interest income obtained by depositing unused borrowing funds in the bank or the investment income obtained by making temporary investments) and auxiliary expenses shall be capitalized before the assets that meet the capitalization conditions for purchase, construction or production reaches the expected usable or saleable state.

Calculate and recognize the amount of interest that should be capitalized on general borrowings based on the weighted average of the cumulative asset expenditures exceeding the portion of the special borrowings multiplied by the capitalization rate of the general borrowings used. The capitalization rate is calculated and recognized based on the weighted average interest rate of general borrowings.

Where there are discounts or premiums on borrowings, recognize the amount of discounts or premiums to be amortized in each accounting period, and adjust the amount of interest in each period, in accordance with the effective interest method.

**(21) Estimated liabilities**

<1> Recognition principle of estimated liabilities

If the obligations related to the contingencies meet the following conditions at the same time, they are recognized as liabilities:

[1] The obligation is the current obligation undertaken by the Company;

[2] The performance of this obligation is likely to cause the flow-out of economic benefits from the Company;

[3] The amount of the obligation can be measured reliably.

If the Company's loss-making contract and its restructuring obligations meet the above conditions, it shall be recognized as an estimated liability.

<2> Method for recognizing the best estimate of estimated liabilities

If the there's a range for the required expenditure, the best estimate is recognized by the average of the upper and lower limits of the range; if the there's no range for the required expenditure, it is recognized as follows:

[1] When contingencies involve a single project, the best estimate is recognized by the most likely amount;

[2] When a contingent event involves multiple projects, the best estimate is calculated and recognized according to various possible amounts incurred and their probability of occurrence. If all or part of the expenses required to settle the recognized liabilities are expected to be compensated by a third party or other parties, the compensation amount shall be separately recognized as an asset when it is basically certain that it can be received. The recognized compensation shall not exceed the book value of the recognized liability.

**(22) Government subsidy**

Government subsidy is divided into asset-related government subsidy and income-related government subsidy. Asset-related government subsidy refers to government subsidy obtained by enterprises for purchase and construction or to form long-term assets in other ways. Income-related government subsidy refers to government subsidy other than asset-related government subsidy.

The revenue is recognized when both of the following conditions are satisfied:

① Enterprises can satisfy all terms specified by the government for the subsidy;

② Enterprises can receive the government subsidy.

If a government subsidy is a monetary asset, it shall be measured according to the amount received or receivable. If a government subsidy is a non-monetary asset, it shall be measured at its fair value; if its fair value cannot be obtained reliably, it shall be measured at its nominal amount.

Asset-related government subsidy should offset the book value of related assets or be recognized as deferred income. If asset-related government subsidy is recognized as deferred income, they shall be included in profit and loss in installments within the useful life of the relevant assets in a reasonable and systematic way. Government subsidy measured at their nominal amounts are directly included in the current profits and losses. If the relevant asset is sold, transferred, scrapped or damaged before the end of its useful life, the undistributed balance of relevant deferred income shall be transferred to the current profit and loss of asset disposal.

For income-related government subsidy, accounting treatment shall be conducted in accordance with the following regulations according to the circumstances: [1] If it is used to compensate the relevant costs or losses of the enterprise in the future period, it shall be recognized as deferred income, and included in the current profit and loss or offset related costs during the period when the relevant costs or losses are recognized; [2] If it is used to compensate the related costs or losses incurred by the enterprise, it is directly included in the current profit and loss or offset related costs.

For government subsidy that include both asset-related parts and income-related parts, accounting treatment shall be conducted on different parts separately; if it is difficult to distinguish, they should be classified as income-related government subsidy as a whole.

Government subsidy related to the daily activities of enterprises should be included in other income or offset related costs and expenses in accordance with the nature of economic business. Government subsidy related to no daily activities of the enterprise shall be included in the non-operating income and expenditure.

**(23) Revenue recognition principles**

<1> Selling goods

[1] General sales: The Company has transferred the main risks and rewards of the ownership of the goods to the purchaser; it has neither retained the continued management rights usually associated with ownership, nor has it implemented effective control over the sold goods; the amount of income can be reliable measured; related economic benefits are likely to flow into the enterprise; when the related costs incurred or to be incurred can be reliably measured, the realization of operating income is recognized.

[2] Real estate sales: Revenue is recognized when the control of the product is transferred to the customer. Whether the control of the goods is transferred within a certain period of time or at a certain point-in-time depends on the terms of the contract and the legal provisions applicable to the contract. If the Company meets the following conditions, the control of the goods will be transferred within a certain period of time:

•The customer obtains and consumes the economic benefits brought by the Company's performance at the same time as the Company's performance; or

•Customers can control the products under construction during the performance of the Company; or

• The products produced by the Company during the performance of the contract have irreplaceable uses, and the Company has the right to collect payment for the cumulative performance part that has been completed so far during the entire contract period. If the control of the goods is transferred within a certain period of time, the Company will perform revenue recognition based on the progress of the completion of the performance obligations during the entire contract period. Otherwise, revenue is recognized at a certain point-in-time when the customer obtains control of the product.

On the reporting date, the Company recognizes revenue from sales contracts that have recognized revenue types within a certain period of time based on the progress of completed performance obligations. The progress of the completed performance obligations is measured by the Company's expenditures or inputs to complete the performance obligations, and the progress is calculated based on the proportion of the cost incurred by each contract as of the end of the reporting period in the budgeted cost.

<2> Provision of labor services

If the result of the labor service transaction provided on the balance sheet date can be reliably estimated, the percentage of completion method shall be adopted to recognize the labor service income.

<3> Transfer of asset use right

When the economic benefits related to the transaction are likely to flow into the company and the amount of income can be reliably measured, the company shall determine the amount of income from the transfer of asset use rights under the following conditions:

① The amount of interest income is calculated and recognized in accordance with the time and actual interest rate of the Company's monetary funds used by others.

② The amount of royalty income is calculated and recognized in accordance with the charging time and method agreed in the relevant contract or agreement.

### （24）The accounting treatment method of income tax

The Company uses the balance sheet debt method for income tax accounting.

<1> Recognition of deferred income tax assets

① The Company is likely to obtain the taxable income that can be used to offset the deductible temporary differences as the limit, and recognize the deferred income tax assets arising from the deductible temporary differences. However, deferred income tax assets arising from the initial recognition of assets or liabilities in transactions that also have the following characteristics are not recognized:

[1] The transaction is not a business combination;

[2] When the transaction occurs, neither accounting profits nor taxable income (or deductible losses) will be affected.

② The Company recognizes the corresponding deferred income tax assets for deductible temporary differences related to investments in subsidiaries, associates and joint ventures, and meets the following conditions at the same time:

[1] Temporary differences are likely to transfer back in the foreseeable future;

[2] It is likely to obtain taxable income used to offset temporary differences in the future.

③ For the deductible losses and tax deductions that can be carried forward in future years, the Company will recognize the corresponding deferred income tax asset to the extent that it is likely to obtain the future taxable income that can be used to deduct deductible losses and tax deductions.

<2> Recognition of deferred income tax liabilities

Except for the deferred income tax liabilities arising from the following circumstances, the Company recognizes all deferred income tax liabilities arising from taxable temporary differences:

① Initial recognition of goodwill;

② The initial recognition of assets or liabilities arising from transactions with the following characteristics is satisfied at the same time:

[1] The transaction is not a business combination;

[2] When the transaction occurs, neither accounting profits nor taxable income (or deductible losses) will be affected.

③ The Company has temporary taxable differences related to investments in subsidiaries, associates and joint ventures, and meets the following conditions at the same time:

[1] The investor enterprise is able to control the time for the reversal of temporary differences;

[2] The temporary difference will probably not be transferred back in the foreseeable future.

<3> Measurement of income tax expense

The Company counts current income tax and deferred income tax as income tax expense or income into current profit and loss, but exclude income tax arising from the following circumstances:

① Business combination;

② Transactions or events directly recognized in the owner's equity.

**(25) Lease**

The Company's asset leasing is divided into financial leases and operating leases. Leases other than financial leases are operating leases.

<1> Those that meet one of the following criteria are recognized as financial leases:

① At the expiration of the lease term, the ownership of the asset will be transferred to the lessee;

② The lessee has the option to purchase the leased asset, and the agreed purchase price is expected to be much lower than the fair value of the leased asset when the option is exercised. It can be reasonably determined that the lessee will exercise this option at the beginning of the lease;

③ The lease term accounts for most of the useful life of the leased asset;

④ As far as the lessee is concerned, the present value of the minimum lease payment on the lease start date is almost equivalent to the fair value of the leased asset on the lease start date;

⑤ The leased assets are of special nature. If they are not refurbished, only the lessee can use them.

<2> Accounting treatment

① Finance lease (lessor):

On the start date of the lease term, the difference between the sum of the financial lease receivable and the unguaranteed residual value and the sum of its present value shall be recognized as unrealized financing income, and shall be calculated and recognized as the rental income by effective interest method during each period when the rent is received in the future. The initial direct expenses incurred are included in the initial measurement of the financial lease receivables, and is used to amortize and offset the lease income recognized during the lease term when the rental income of each period is recognized during the lease term.

In the event that the unguaranteed residual value decreases and the unguaranteed residual value with recognized loss can be recovered, the lease implicit rate of return should be recalculated and the net lease investment should be revised. The rental income shall be calculated and recognized based on the revised net lease investment and the recalculated lease implicit rate of return.

The effective interest method is used to calculate the financing income that should be recognized in the current period. Contingent rent is recognized as current income when it is actually received.

② Operating lease (lessor):

The rent is recognized as income by the straight-line method during each period of the lease term.

The initial direct expenses incurred shall be recognized as current expenses;

For fixed assets in operating lease assets, the depreciation policy is adopted for this type of fixed assets to accrue depreciation; for other operating lease assets, they are amortized in accordance with the corresponding amortization system for such assets.

Contingent rent is recognized as current income when it is actually received.

**(26) Held for sale**

The Company classifies the non-current assets or disposal groups that meet the following conditions into held-for-sale category: first, according to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions; second, sale is very likely to occur, that is the company has made a resolution on a sale plan and obtained a confirmed purchase commitment, and the sale is expected to be completed within one year. If the relevant regulations require the relevant authority or regulatory authority of the enterprise to approve the sale, the approval should have already been obtained.

In the initial measurement or remeasurement of the non-current assets or disposal groups held for sale on the balance sheet date, if the book value is higher than the net value of the fair value minus the selling expenses, the book value shall be written down to the net value of fair value minus the selling expenses, the written-down amount is recognized as asset impairment loss and included in the current profit and loss, and at the same time, provision for impairment of assets held for sale is made.

In the balance sheet, non-current assets held for sale or assets in the disposal group held for sale are listed as assets held for sale, and liabilities in the disposal group held for sale are listed as liabilities held for sale.

**(27) Discontinued operation**

Discontinued operation is a separately distinguishable component that meets one of the following conditions, and the component has been disposed by the Company or classified as held for sale by the Company:

<1> This component represents an independent main business or a separate main business area;

<2> This component is part of a related plan intended to dispose of an independent main business or a separate main business area;

<3> This component is a subsidiary acquired exclusively for resale.

## V. Explanation of changes and changes in major accounting policies, in accounting estimates, and corrections of errors

**(1) Explanation of major accounting policy changes**

<1> The nature, content and reasons of changes in accounting policies

① In September 2019, the Ministry of Finance issued the *Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019 Edition)* (Cai Kuai [2019] No. 16) (hereinafter referred to as the "Consolidated Financial Statement Format"). Enterprises that implement the ASBE shall prepare consolidated financial statements in accordance with the ASBE and the requirements of this notice.

② The Ministry of Finance issued the following revisions and interpretations of the ASBE in 2017 and 2018: *Accounting Standards for Business Enterprises No. 14 —Revenue (Revision)* (hereinafter referred to as the "New Revenue Standards"), and the Company's real estate business implements the new revenue standards.

<2> The impact of changes in accounting policies

① According to the requirements of the format of the consolidated financial statements, the Company splits the "bill receivable and receivables" into two items of "bill receivable" and "receivables" to be list, and splits the "bill payable and accounts payable" into two items of "bill payable" and "accounts payable" to be list. The Company retrospectively adjusted the statements in the comparative period, and this accounting policy change has no impact on the combination and the Company's net profit and shareholders' equity.

② The impact of the Company's implementation of the "new revenue standards" on the sale business of real estate: The new revenue standards replaced the *Accounting Standards for Business Enterprises No. 14 — Revenue* promulgated by the Ministry of Finance in 2006 to affect the presentation of contract assets and contract liabilities formed by the Company's real estate business, and the accounting treatment of real estate development activities.

Under the original revenue standard, the Company used the transfer of risk rewards as the judgment standard for the timing of revenue recognition. The Company's revenue from sales of goods is recognized when the following conditions are met at the same time, that is: the main risks and rewards of the ownership of the goods have been transferred to the purchaser, the amount of income and related costs can be reliably measured, and the related economic benefits are likely to flow into the Company, and the Company has neither retained the continued management that is usually associated with the ownership rights, nor implement effective control over the sold goods.

Under the new revenue standard: The Company recognizes the revenue when it fulfills its performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services. If the Company meets the following conditions, the control of the goods will be transferred within a certain period of time: the customer obtains and consumes the economic benefits brought by the Company's performance at the same time as the company performs the contract, or the customer can control the Company's products under construction during the performance, or the products produced by the during the performance of the contract have irreplaceable uses, and the Company has the right to collect payment for the accumulated performance part of the contract during the entire contract period. If the control of the goods is transferred within a certain period of time, the Company will perform revenue recognition based on the progress of the completion of the performance obligations during the entire contract period. Otherwise, revenue is recognized at a certain point-in-time when the customer obtains control of the product. Henan Tongsheng Real Estate Co., Ltd., a subsidiary of the Company, meets the revenue recognition conditions of the new revenue standard, and shall implement the new revenue standard in this period.

The measurement of the progress of completed performance obligations is based on one of the following methods that can reflect the completion of the Company's performance obligations: directly measuring the value that the Company has transferred to customers, or measuring the Company's expenditure or investment incurred for completing the performance obligations.

If the contract contains two or more performance obligations, the Company will allocate the transaction price to each individual performance obligation according to the relative proportion of the stand-alone selling price of the goods or services promised by each individual performance obligation on the starting date of the contract. The revenue is measured based on the transaction price allocated to each individual performance obligation. The transaction price is the amount of consideration that the Company expects to be entitled to receive due to the transfer of goods or services to customers, excluding payments collected on behalf of third parties. The transaction price recognized by the Company does not exceed the accumulated recognized revenue which will not have significant reversal in case of elimination of the relevant uncertainty. If there is a significant financing component in the contract, the Company shall determine the transaction price based on the amount payable in cash assumed once the customer obtained the control of the goods or services. The difference between the transaction price and the contract consideration shall be amortized by the effective interest method during the contract period.

The presentation of contract assets and contract liabilities: the project progress payments received related to real estate development activities are listed as contract liabilities; the customer payments that should be collected according to the contract are listed as contract assets.

According to the cumulative impact of the first implementation of the new income standard, the Company has not adjusted the comparative consolidated financial statement data for the real estate business. Compared the items in the consolidated income statement of the Company for 2019 prepared on the revised accounting policy with the items in the assumed statements prepared on the original accounting policy, the changes in the affected items are as follows:

| Item | Current increase/(decrease) amount of the consolidated statement items after adoption of the revised accounting policy |
|---|---|
| Operating revenue | 706,246,998.49 |
| Operating cost | 611,196,774.96 |
| Taxes and surcharge | 28,623,299.33 |
| Total profit | 66,426,924.20 |
| Minus: Income tax expense | 17,877,905.13 |
| Net profit | 48,549,019.07 |

**(2) Significant judgments and estimates**

Judgment and estimation of revenue recognition from real estate development activities: If the goods produced during the performance of the contract have irreplaceable uses, and the

Company has the right to collect payment for the cumulative performance part that has been completed so far during the entire contract period, the Company recognizes revenue based on a period of time. The Company recognizes revenue for real estate development within a period of time based on the progress of the completed performance obligations on the reporting date, and the measurement of the performance progress is based on the actual expenditures or estimated inputs incurred by the Company to meet the performance obligations. The management needs to make significant accounting judgment-level estimates on the completeness and accuracy of the overall budget, the range of costs incurred, and the apportion of unit cost of goods. Changes in cost estimates in future periods may have an impact on the Company's recognized revenue. In making the above estimates, the Company relied on the work of the builders and supervisors.

### (3) Correction of previous accounting error

The Company has no corrections of previous accounting errors.

## VI. Taxes

**(1) Main taxes and tax rates**

| Tax category | Taxation basis | Tax rate |
|---|---|---|
| Value-added tax | Value added amount payable | 6%、10%、9%、16%、13% |
| Urban construction tax | Turnover tax payable | 7% |
| Education surcharge | Turnover tax payable | 3% |
| Local Educational | Turnover tax payable | 2% |
| Urban construction tax | Taxable income | 25% |

**(2) Tax relief**

According to the *Notice of the Henan Provincial Local Taxation Bureau on the Property Tax and Urban Land Use Tax for Local Railway System Enterprises* (Yu Di Shui Han (2006) No. 366), the Company meets the exemption conditions, and the real estate for self-use and land use right are exempt from the property tax and land use tax. Except for the above tax reduction and exemption, there are no other preferential tax policies enjoyed by the Company during the current period.

(3) Other matters to be explained

The Company has no other matters to explain in this period.

**VII. Business combination and consolidated financial statements**

(1) Basic information of subsidiaries

| No. | Name of the Companies | Level | Type of enterprises | Register place | Main operation place | Nature of business | Registered capital (ten thousand yuan) | Ratio of share (%) | Ratio of voting power(%) | Investment amount(ten thousand yuan) | Method of acquiring |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Henan Tongsheng Real Estate Co., Ltd. | Level 2 | 1 | Zhengzhou City | Zhengzhou City | Real estate development and management | 100,000.00 | 100 | 100 | 100,000.00 | 1 |
| 2 | Henan Zhengzhou Airport Intercity Railway Co., Ltd. | Level 2 | 1 | Zhengzhou City | Zhengzhou City | Railway construction & management | 260,887.00 | 32.03 | 51 | 83,572.00 | 1 |
| 3 | Henan Dengfeng Railway Co., Ltd. | Level 2 | 1 | Dengfeng City | Dengfeng City | Railway transportation | 42,977.00 | 73.13 | 73.13 | 31,045.00 | 1 |
| 4 | Henan Kaifeng Intercity Railway Investment Co., Ltd. | Level 2 | 1 | Kaifeng City | Kaifeng City | Railway construction & management | 68,475.00 | 5.46 | 51 | 16,500.00 | 1 |
| 5 | Henan Shengan Investment Development Co., Ltd. | Level 2 | 1 | Anyang City | Anyang City | Real estate development and management | 15,000.00 | 67 | 67 | 10,050.00 | 1 |
| 6 | Zhumadian Tongsheng Construction Development Co., Ltd. | Level 3 | 1 | Zhumadian City | Zhumadian City | Real estate development and management | 3,000.00 | 100 | 100 | 3,000.00 | 1 |
| 7 | Zhumadian Tongsheng New City Construction Co., Ltd. | Level 3 | 1 | Zhumadian City | Zhumadian City | Real estate development and management | 10,000.00 | 70 | 70 | 7,000.00 | 1 |

| No. | Name of the Companies | Level | Type of enterprises | Register place | Main operation place | Nature of business | Registered capital (ten thousand yuan) | Ratio of share (%) | Ratio of voting power(%) | Investment amount(ten thousand yuan) | Method of acquiring |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 8 | Zhumadian Tongsheng New City Construction Co., Ltd. | Level 3 | 1 | Zhengzhou City | Zhengzhou City | Warehousing | 1,008.00 | 100 | 100 | 1,008.00 | 1 |
| 9 | Henan Tiandi Dongyuan Real Estate Co., Ltd. | Level 3 | 1 | Zhengzhou City | Zhengzhou City | Real estate development and management | 5,000.00 | 100 | 100 | 5,000.00 | 1 |
| 10 | Henan Tongsheng Dayu Real Estate Co., Ltd. | Level 3 | 1 | Zhongmou County | Zhongmou County | Real estate development and management | 10,000.00 | 70 | 70 | 7,000.00 | 1 |
| 11 | Kaifeng Tongsheng Real Estate Co., Ltd. | Level 3 | 1 | Kaifeng City | Kaifeng City | Real estate development and management | 10,000.00 | 70 | 70 | 7,000.00 | 1 |
| 12 | Henan Tongsheng Property Service Co., Ltd. | Level 3 | 1 | Zhengzhou City | Zhengzhou City | Property service | 500.00 | 100 | 100 | 500.00 | 1 |

Note: Type of enterprise: 1. Domestic non-financial subsidiary, 2. Domestic financial subsidiary, 3. Overseas subsidiary, 4. Public institution, 5. Infrastructure organization. Obtaining methods: 1. Investment establishment, 2. Business combination under the same control, 3. Business combination under the different control, 4. Others.

### (2) Important non-wholly-owned subsidiaries

<1> Minority shareholders

| No. | Name of the Companies | Shareholding ratio of minority shareholders(%) | Current profit and loss attributable to minority shareholders | Current dividends paid to minority shareholders | Rights and interests of minority shareholders at the end of the period |
|---|---|---|---|---|---|
| 1 | Henan Zhengzhou Airport Intercity Railway Co., Ltd. | 66.70 | | | 1,773,150,000.00 |

| | | | | | |
|---|---|---|---|---|---|
| 2 | Henan Dengfeng Railway Co., Ltd. | 28.67 | -9,950,550.28 | | 13,510,861.74 |
| 3 | Henan Kaifeng Intercity Railway Investment Co., Ltd. | 94.54 | | | 519,750,000.00 |
| 4 | Henan Shengan Investment Development Co., Ltd. | 33.00 | 2,593,998.66 | | 62,880,161.77 |
| 5 | Zhumadian Tongsheng New City Construction Co., Ltd. | 30.00 | 14,282,838.85 | | 51,740,572.47 |
| 6 | Henan Tongsheng Dayu Real Estate Co., Ltd. | 30.00 | -20,117,983.63 | | 5,781,254.64 |
| 7 | Kaifeng Tongsheng Real Estate Co., Ltd. | 30.00 | -2,682,445.84 | | 25,397,837.55 |

<2> Main financial information

| Item | Current amount | | | | | | |
|---|---|---|---|---|---|---|---|
| | Henan Zhengzhou Airport Intercity Railway Co., Ltd. | Henan Dengfeng Railway Co., Ltd. | Henan Kaifeng Intercity Railway Investment Co., Ltd. | Henan Shengan Investment Development Co., Ltd. | Zhumadian Tongsheng New City Construction Co., Ltd. | Henan Tongsheng Dayu Real Estate Co., Ltd. | Kaifeng Tongsheng Real Estate Co., Ltd. |
| Current assets | 1,261,409,995.32 | 255,637,837.37 | 45,909,545.92 | 428,257,824.76 | 675,558,599.19 | 758,575,537.19 | 148,116,499.38 |
| Non-current assets | 2,251,321,622.00 | 442,800,860.73 | 564,559,696.52 | 49,842.18 | 141,392.48 | 235,891.53 | 753,850.80 |
| Total assets | 3,512,731,617.32 | 698,438,698.10 | 610,469,242.44 | 428,307,666.94 | 675,699,991.67 | 758,811,428.72 | 148,870,350.18 |
| Current liabilities | 603,766,657.31 | 13,688,698.10 | 56,345,168.82 | 127,761,722.16 | 503,231,416.76 | 2,275,836.69 | 64,210,891.68 |
| Non-current liabilities | 300,000,000.00 | | 503,839,690.41 | 110,000,000.00 | | 735,000,000.00 | |
| Total Liabilities | 903,766,657.31 | 13,688,698.10 | 560,184,859.23 | 237,761,722.16 | 503,231,416.76 | 737,275,836.69 | 64,210,891.68 |
| Operating revenue | 2,395,458.80 | | 38,981,300.50 | 30,675,741.04 | 11,409,589.04 | | |
| Net profit | 94,960.01 | | -37,033,706.17 | 7,860,602.01 | 4,648,362.80 | -67,059,945.42 | -8,941,486.15 |
| Comprehensive incomes | 94,960.01 | | -37,033,706.17 | 7,860,602.01 | 4,648,362.80 | -67,059,945.42 | -8,941,486.15 |
| Cash flow for operating activities | 5,036,024.54 | | 2,538,611.33 | -9,639,369.18 | -49,561,153.51 | -7,902,770.05 | -4,191,651.72 |

Continued

| Item | Previous amount |
|---|---|

| | Henan Zhengzhou Airport Intercity Railway Co., Ltd. | Henan Dengfeng Railway Co., Ltd. | Henan Kaifeng Intercity Railway Investment Co., Ltd. | Henan Shengan Investment Development Co., Ltd. | Zhumadian Tongsheng New City Construction Co., Ltd. | Henan Tongsheng Dayu Real Estate Co., Ltd. | Kaifeng Tongsheng Real Estate Co., Ltd. |
|---|---|---|---|---|---|---|---|
| Current assets | 1,359,963,825.23 | 45,374,087.02 | 281,567,211.80 | 395,997,555.49 | 554,747,030.17 | 770,566,338.11 | 154,674,168.58 |
| Non-current assets | 1,297,559,694.78 | 589,939,077.19 | 403,479,637.10 | 93,875.03 | 208,728.85 | 381,634.17 | 460,776.29 |
| Total assets | 2,657,523,520.01 | 635,313,164.21 | 685,046,848.90 | 396,091,430.52 | 554,955,759.02 | 770,947,972.28 | 155,134,944.87 |
| Current liabilities | 379,523,520.01 | 48,115,384.42 | 296,848.90 | 213,406,087.75 | 430,096,646.93 | 682,352,434.83 | 61,534,000.22 |
| Non-current liabilities | | 499,879,690.41 | | - | | | |
| Total Liabilities | 379,523,520.01 | 547,995,074.83 | 296,848.90 | 213,406,087.75 | 430,096,646.93 | 682,352,434.83 | 61,534,000.22 |
| Operating revenue | | 39,921,966.55 | | 29,419,661.23 | 9,442,508.49 | | |
| Net profit | | -35,322,967.24 | | 7,762,171.12 | 16,510,633.25 | -6,204,600.35 | -3,688,751.69 |
| Comprehensive incomes | | -35,322,967.24 | | 7,762,171.12 | 16,510,633.25 | -6,204,600.35 | -3,688,751.69 |
| Cash relevant to operating activities | | 3,178,523.47 | | -9,116,121.67 | -95,237,109.44 | -662,881,405.57 | -62,694,374.94 |

## VIII. Notes on important items in the consolidated financial statements

### (1) Monetary capital

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| Cash on hand | 376,389.58 | 441,839.94 |
| Cash in bank | 3,537,016,251.07 | 4,583,542,211.47 |
| Other monetary capita | | |
| Total | 3,537,392,640.65 | 4,583,984,051.41 |

The detail of the restricted monetary capital is as follows:

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| Frozen large deposit certificates | 81,455,698.90 | 300,000,000.00 |
| Total | 81,455,698.90 | 300,000,000.00 |

**(2) Bill receivable.**

| Item | Ending balance | Beginning Balance |
|---|---|---|
| Bank Acceptance | 150,000.00 | 400,000.00 |
| Total | 150,000.00 | 400,000.00 |

**(3) Accounts receivable**

<1> Classification and disclosure

| Types | Ending balance | | | |
|---|---|---|---|---|
| | Book Balance | | Bad Debt Reserves | |
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Accounts receivable with single amount of significance and single counting and drawing bad debts reserve Accounts receivable | | | | |
| Accounts receivable that combined counting and drawing bad debts reserve according to credit risk characteristics | 254,885,618.45 | 99.96 | 58,570.45 | 0.02 |
| Accounts receivable with single amount of insignificance but single counting and drawing bad debts | 95,447.00 | 0.04 | 95,447.00 | 100.00 |
| Total | 254,981,065.45 | 100.00 | 154,017.45 | 0.06 |

Continued

| Types | Ending balance of previous year | | | |
|---|---|---|---|---|
| | Book Balance | | Bad Debt Reserves | |
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Accounts receivable with single amount of significance and single counting and drawing bad debts reserve Accounts receivable | | | | |
| Accounts receivable that combined counting and drawing bad debts reserve according to credit risk characteristics | 211,504,605.66 | 99.95 | 183,170.30 | 0.09 |
| Accounts receivable with single amount of insignificance but single counting and drawing bad debts | 95,447.00 | 0.05 | 95,447.00 | 100.00 |
| Total | 211,600,052.66 | 100 | 278,617.30 | 0.13 |

<2> Accounts receivable that combined counting and drawing bad debts reserve according to credit risk characteristics

| Portfolio name | Ending balance | | | Ending balance of previous year | | |
|---|---|---|---|---|---|---|
| | Book Balance | Percentage (%) | Bad Debt Reserves | Book Balance | Percentage (%) | Bad Debt Reserves |

| Portfolio name | Ending balance | | | Ending balance of previous year | | |
|---|---|---|---|---|---|---|
| | Book Balance | Percentage (%) | Bad Debt Reserves | Book Balance | Percentage (%) | Bad Debt Reserves |
| Balance percentage method portfolio | 1,171,409.09 | 0.46 | 58,570.45 | 3,663,406.09 | 1.73 | 183,170.30 |
| Risk-free portfolio | 253,714,209.36 | 99.54 | | 207,841,199.57 | 98.27 | |
| Total | 254,885,618.45 | 100.00 | 58,570.45 | 211,504,605.66 | 100.00 | 183,170.30 |

<3> Ending accounts receivable with single amount of insignificance but single counting and drawing bad debts reserve

| Large debtor | Book Balance | Bad Debt Reserves | Account ages | Proportion of accrual (%) | Reasons for depreciation |
|---|---|---|---|---|---|
| Nie Yucai | 95,447.00 | 95,447.00 | Over 3 years | 100.00 | Non-recoverable |
| Total | 95,447.00 | 95,447.00 | | 100.00 | |

<4> The top five receivables of ending balances collected by the owing party

| Large debtor | Book Balance | Proportion to the total ending balance of accounts receivable (%) | Bad debt provision balance |
|---|---|---|---|
| Antang New Town Administrative Committee | 146,609,251.07 | 57.50 | |
| People's Government of Zhumadian City | 107,104,958.29 | 42.01 | |
| Zhengzhou Coal & Electric Co., Ltd. | 967,074.52 | 0.38 | 48,353.73 |
| Henan Pingyu Railway Co., Ltd. | 96,622.94 | 0.04 | 4,831.15 |
| Nie Yucai | 95,447.00 | 0.04 | 95,447.00 |
| Total | 254,873,353.82 | 99.97 | 148,631.87 |

**(4) Prepayments**

<1>Analysis of account ages

| Account ages | Ending balance | | | Ending balance of previous year | | |
|---|---|---|---|---|---|---|
| | Book Balance | | | Book Balance | | |
| | Amount | Percentage (%) | Bad Debt Reserves | Amount | Percentage (%) | Bad Debt Reserves |
| Within one year | 582,107,156.13 | 59.01 | 57,971.58 | 432,642,256.92 | 67.63 | 68,545.37 |
| 1-2 years | 198,342,297.20 | 20.10 | 14,726.36 | 131,088,587.57 | 20.49 | 4,085.74 |
| 2-3 years | 130078669.6 | 13.19 | 3,933.48 | | | |
| Over 3 years | 75,978,864.45 | 7.70 | 48,943.22 | 75,978,864.45 | 11.88 | 48,943.21 |

| Account ages | Ending balance | | | Ending balance of previous year | | |
|---|---|---|---|---|---|---|
| | Book Balance | | | Book Balance | | |
| | Amount | Percentage (%) | Bad Debt Reserves | Amount | Percentage (%) | Bad Debt Reserves |
| Total | 986,506,987.37 | 100.00 | 125,574.64 | 639,709,708.94 | 100.00 | 121,574.32 |

<2> Large prepayments with over 1 year aging

| Creditor company | Debtor company | Ending balance | Account ages | Reasons for non-payment |
|---|---|---|---|---|
| Henan Shengan Investment Development Co., Ltd. | Antang New Town Administrative Committee | 75,000,000.00 | Over 3 years | Unsettle |
| Kaifeng Tongsheng Real Estate Co., Ltd. | Administrative Committee of Kaifeng Urban-rural Integration Demonstration Zone | 80,000,000.00 | 2-3 years | Land-transferring fee |
| Kaifeng Tongsheng Real Estate Co., Ltd. | Finance Bureau of Jinming District, Kaifeng City | 60,000,000.00 | 1-2 years | Land-transferring fee |
| Henan Zhengzhou Airport Intercity Railway Co., Ltd. | Zhengzhou Municipal Bureau of Land and Resources | 170,000,000.00 | Within one year,1-2 years, 2-3 years | Land acquisition and demolition funds |
| Henan Zhengzhou Airport Intercity Railway Co., Ltd. | Special account for non-tax income collection of Queshan County Finance Bureau | 53,442,240.00 | 1-2 years | Index Cost for Balance of Occupation and Compensation |
| Henan Zhengzhou Airport Intercity Railway Co., Ltd. | Social Security Fund Account of the Finance Bureau of Zhengzhou Airport Zone Economic Comprehensive Experimental Zone | 5,694,078.00 | Within one year,1-2 years | Social insurance costs for project land |
| Henan Dengfeng Railway Co., Ltd. | Cao Zhongxi | 650,000.00 | Over 3 years | Unsettle |
| Henan Dengfeng Railway Co., Ltd. | Henan Provincial Railway Material Supply and Marketing Company | 799,665.95 | 1-2 years, | Unsettle |
| Henan Dengfeng Railway Co., Ltd. | Henan Zhoukou Railway Engineering Company | 310,726.17 | Over 3 years | Unsettle |
| Total | | 445,896,710.12 | | |

<3>The top five prepayments of the ending balance collected by the arrears

| Large debtor | Book Balance | Percentage of total prepayments (%) | Bad Debt Reserves |
|---|---|---|---|
| Zhengzhou South Railway Station Engineering Construction Headquarters of China Railway Zhengzhou Bureau Group Co., Ltd. | 390,000,000.00 | 39.54 | |
| Zhengzhou Municipal Bureau of Land and Resources | 170,000,000.00 | 17.23 | |
| China Railway 16th Bureau Group Co., Ltd. | 84,956,000.00 | 8.61 | |
| Administrative Committee of Kaifeng Urban-rural Integration Demonstration Zone | 80,000,000.00 | 8.11 | |

| Large debtor | Book Balance | Percentage of total prepayments (%) | Bad Debt Reserves |
|---|---|---|---|
| Antang New Town Administrative Committee | 75,000,000.00 | 7.60 | |
| Total | 799,956,000.00 | 81.10 | |

## （5）Other account receivables

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| Interest receivable | 89,709,338.79 | 100,859,160.37 |
| Dividends receivable | | |
| Other account receivables | 3,500,049,413.66 | 3,223,184,286.36 |
| Total | 3,589,758,752.45 | 3,324,043,446.73 |

<1> Interest receivables

① Classification of interest receivable

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| Interest on loan at call | 89,709,338.79 | 100,859,160.37 |
| Total | 89,709,338.79 | 100,859,160.37 |

<2>Other account receivables

| Types | Ending balance | | | |
|---|---|---|---|---|
| | Book Balance | | Bad Debt Reserves | |
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Other accounts receivables with single amount of significance and single counting and drawing bad debts reserve | 3,479,329,609.68 | 99.36 | | |
| Other accounts receivables that combined counting and drawing bad debts reserve according to credit risk characteristics | 22,487,430.28 | 0.64 | 1,767,626.30 | 7.86 |
| Other accounts receivables with single amount of insignificance but single counting and drawing bad debts reserve | | | | |
| Total | 3,501,817,039.96 | 100.00 | 1,767,626.30 | 0.05 |

Continued

| Types | Ending balance of previous year | |
|---|---|---|
| | Book Balance | Bad Debt Reserves |

| | Amount | Percentage (%) | Amount | Percentage (%) |
|---|---|---|---|---|
| Other accounts receivables with single amount of significance and single counting and drawing bad debts reserve | 3,207,871,080.40 | 99.47 | | |
| Other accounts receivables that combined counting and drawing bad debts reserve according to credit risk characteristics | 17,251,248.14 | 0.53 | 1,938,042.18 | 11.23 |
| Other accounts receivables with single amount of insignificance but single counting and drawing bad debts reserve | | | | |
| Total | 3,225,122,328.54 | 100.00 | 1,938,042.18 | 0.06 |

①Other accounts receivables with single amount of significance and single counting and drawing bad debts reserve.

| Large debtor | Book Balance | Bad Debt Reserves | Account ages | Proportion of accrual (%) | Basis or reason for accrual |
|---|---|---|---|---|---|
| People's Government of Zhumadian City | 478,990,767.13 | | Within one year,1-2 years | | No risk for recovery |
| Zhoukou Municipal People's Government | 448,740,000.00 | | 1-2 years,2-3 years | | No risk for recovery |
| Shangqiu Municipal People's Government | 400,000,000.00 | | 1-2 years,Over 3 years | | No risk for recovery |
| Xuchang Municipal People's Government | 371,410,000.00 | | 1-2 years,2-3 years | | No risk for recovery |
| Nanyang Municipal People's Government | 331,460,000.00 | | Over 3 years | | No risk for recovery |
| Sanmenxia Municipal People's Government | 284,690,000.00 | | 1-2 years,Over 3 years | | No risk for recovery |
| Pingdingshan Municipal People's Government | 250,000,000.00 | | Over 3 years | | No risk for recovery |
| Compensation for construction over the mine | 229,153,900.00 | | Within one year | | No risk for recovery |
| People's Government of Zhengzhou City | 204,060,000.00 | | 1-2 years | | No risk for recovery |
| Dengzhou Municipal People's Government | 194,870,000.00 | | 1-2 years,Over 3 years | | No risk for recovery |
| Jiaozuo City | 100,000,000.00 | | 1-2 years | | No risk for recovery |
| Xinxiang City | 59,540,000.00 | | 1-2 years | | No risk for recovery |
| Henan Railway Group Co., Ltd. | 26,679,519.00 | | Over 3 years | | No risk for recovery |
| Hebi Municipal People's Government | 22,980,000.00 | | 1-2 years | | No risk for recovery |
| Puyang Municipal People's Government | 22,090,000.00 | | 1-2 years | | No risk for recovery |
| Huaxian County | 17,950,000.00 | | 1-2 years | | No risk for recovery |
| New Intercity Preparation Team | 16,912,605.74 | | Over 3 years | | No risk for recovery |
| Trade Union Committee of Henan Dengfeng Railway | 7,574,294.45 | | Within one yea | | No risk for recovery |

| Large debtor | Book Balance | Bad Debt Reserves | Account ages | Proportion of accrual (%) | Basis or reason for accrual |
|---|---|---|---|---|---|
| Co., Ltd. | | | | | |
| Anyang Economic Development Group Corporation | 6,010,000.00 | | 1-2 years | | No risk for recovery |
| M-shaped railway preparation team | 3,220,467.67 | | 2-3 years,Over 3 years | | No risk for recovery |
| Henan First Construction Engineering Group Co., Ltd. | 1,920,819.89 | | Over 3 years | | No risk for recovery |
| Eastern Intercity Command Center | 1,077,235.80 | | Over 3 years | | No risk for recovery |
| Total | 3,479,329,609.68 | | | | |
| | | | | | |

②Other accounts receivables that combined counting and drawing bad debts reserve according to credit risk characteristics

| Portfolio name | Ending balance | | | Ending balance of previous year | | |
|---|---|---|---|---|---|---|
| | Book Balance | Percentage (%) | Bad Debt Reserves | Book Balance | Percentage (%) | Bad Debt Reserves |
| Balance percentage method portfolio | 5,892,087.66 | 26.20 | 1,767,626.30 | 6,460,140.59 | 37.45 | 1,938,042.18 |
| Risk-free portfolio | 16,595,342.62 | 73.80 | | 10,791,107.55 | 62.55 | |
| Total | 22,487,430.28 | 100.00 | 1,767,626.30 | 17,251,248.14 | 100.00 | 1,938,042.18 |

③ There is no provision for bad debts recovered or transferred back in the current period.

④ Other receivables of the top five ending balances collected by the owing party

| Large debtor | Nature of fund | Book Balance | Account ages | Proportion to the total ending balance of other accounts receivable (%) | Proportion to the total ending balance of accounts receivable (%) |
|---|---|---|---|---|---|
| People's Government of Zhumadian City | Advance payment for development | 478,990,767.13 | Within one yea,1-2 years | 13.68 | |
| Zhoukou Municipal People’s Government | Prefectural and municipal loan | 448,740,000.00 | 1-2 years,2-3 years | 12.81 | |
| Shangqiu Municipal People’s Government | Prefectural and municipal loan | 400,000,000.00 | 1-2 years,Over 3 years | 11.42 | |
| Xuchang Municipal People’s Government | Prefectural and municipal loan | 371,410,000.00 | 1-2 years,2-3 years | 10.61 | |
| People's Government of Nanyang City | Prefectural and municipal loan | 331,460,000.00 | Over 3 years | 9.47 | |

| Large debtor | Nature of fund | Book Balance | Account ages | Proportion to the total ending balance of other accounts receivable (%) | Proportion to the total ending balance of accounts receivable (%) |
|---|---|---|---|---|---|
| Total | | 2,030,600,767.13 | | 57.99 | |

## (6)Inventory

| Item | Ending balance | | | Ending balance of previous year | | |
|---|---|---|---|---|---|---|
| | Book Balance | Bad Debt Reserves | Book value | Book Balance | Bad Debt Reserves | Book value |
| Raw material | 2,500,810.20 | | 2,500,810.20 | 2,956,003.48 | | 2,956,003.48 |
| Development cost | 1,461,313,945.70 | | 1,461,313,945.70 | 1,862,542,826.21 | | 1,862,542,826.21 |
| Total | 1,463,814,755.90 | | 1,463,814,755.90 | 1,865,498,829.69 | | 1,865,498,829.69 |

## (7) Other current assets

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| Fund for preparation group of intercity railway allocated | 1,618,000.00 | 1,618,000.00 |
| Prepaid tax | 97,961,459.01 | 5,569,729.73 |
| Pending tax deduction | 233,718,610.40 | 148,005,043.29 |
| Total | 333,298,069.41 | 155,192,773.02 |

## (8) Long-term account receivable

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| Contributions to the Nanjing-Xi'an railway of Zhengzhou Railway Bureau and Wuhan Railway Bureau | 1,914,945,600.00 | 1,723,945,600.00 |
| Total | 1,914,945,600.00 | 1,723,945,600.00 |

Note: According to the "*Minutes of the Coordination Meeting for Land Acquisition and Demolition of the Nanjing-Xi'an Railway Double-track Project and Local Supporting Funds Appropriation*" Yu Tieluban Jiyao [2012] No. 7), the Company allocated funds for land acquisition, demolition and station buildings for the Nanjing-Xi'an Railway Double-track Project.

## (9）Long term equity investment

<1>Classification of long-term equity investments

| Item | Ending balance of previous year | Current increase | Current decrease | Ending balance |
|---|---|---|---|---|
| Investment in joint ventures | | | | |
| Investment in associates | 5,813,375,355.55 | 194,912,692.35 | 5,133,249.00 | 6,003,154,798.90 |
| Subtotal | 5,813,375,355.55 | 194,912,692.35 | 5,133,249.00 | 6,003,154,798.90 |
| Minus: Long term equity investment depreciation provision | | | | |
| Total | 5,813,375,355.55 | 194,912,692.35 | 5,133,249.00 | 6,003,154,798.90 |

<2>Details of long term equity investment

| Name of investee | Capital cost | Ending balance of previous year | Current increase and decrease | | |
|---|---|---|---|---|---|
| | | | Increase | Decrease | Confirmed investment Income By equity method |
| 1. Henan Intercity Railway Co., Ltd. | 5,596,750,360.00 | 5,596,750,360.00 | 180,540,000.00 | | |
| 2. Zhongyuan Futures Co., Ltd. | 156,700,000.00 | 170,293,576.26 | | | 6,310,537.91 |
| 3. Henan Zhengluo Intercity Railway Co., Ltd. | 20,000,000.00 | 20,000,000.00 | | | |
| 4. Zhengzhou Xiliu Lake Holdings Co., Ltd. | 20,000,000.00 | 26,331,419.29 | | | 8,062,154.44 |
| Total | 5,793,450,360.00 | 5,813,375,355.55 | 180,540,000.00 | | 14,372,692.35 |

Continued

| Name of investee | Current increase and decrease | | | | | Ending balance | Impairment reserves Ending balance |
|---|---|---|---|---|---|---|---|
| | Other comprehensive Income | Change of other equity | Cash dividends or profit | Provision for impairment | Others | | |
| 1.Henan Intercity Railway Co., Ltd. | | | | | | 5,777,290,360.00 | |
| 2.Zhongyuan Futures Co., Ltd. | | | -5,133,249.00 | | | 171,470,865.17 | |
| 3.Henan Zhengluo Intercity Railway Co., Ltd. | | | | | | 20,000,000.00 | |
| 4.Zhengzhou Xiliu Lake Holdings Co., Ltd. | | | | | | 34,393,573.73 | |
| Total | | | -5,133,249.00 | | | 6,003,154,798.90 | |

Railway Corporation each hold 50% shares of Henan Intercity Railway Co., Ltd., but the railway construction, operation, chairman and general manager appointments are all controlled by the parent railway company. According to the *Interim Measures for Intercity Railway Operating Loss Subsidies in Henan Province*, “the main body responsible for the subsidies for operating losses of intercity railways is the provincial and Municipal People’s Governments. Operating losses are calculated by lines, and the provinces and cities will be made up for losses at a ratio of 3:7. Each city shall apportion according to the proportion of its domestic investment in the total investment”. “A special account for intercity railway operations to make up for losses shall be set up. The special account is set up in Henan Railway Investment Co., Ltd., and special account storage and special account accounting are implemented”. Therefore, the Company believes that the Company will not bear the operating losses of the intercity company, so the investment in Henan Intercity Railway Co., Ltd. is not calculated according to the equity method.

<3> Main financial information of key associates

| Item | Current amount | | Previous amount | |
|---|---|---|---|---|
| | Zhongyuan Futures Co., Ltd. | Zhengzhou Xiliu Lake Holdings Co., Ltd. | Zhongyuan Futures Co., Ltd. | Zhengzhou Xiliu Lake Holdings Co., Ltd. |
| Current assets | 1,286,408,246.80 | 6,377,294,633.69 | 1,079,230,734.34 | 6,264,430,134.37 |
| Non-current assets | 160,815,266.62 | 21,122,897.45 | 46,242,262.15 | 71,541,209.69 |
| Total assets | 1,447,223,513.42 | 6,398,417,531.14 | 1,125,472,996.49 | 6,335,971,344.06 |
| Current liabilities | 1,021,178,154.30 | 5,726,934,375.22 | 713,530,277.19 | 4,537,319,985.66 |
| Non-current liabilities | 14,765,361.76 | 200,000,000.00 | 3,538,717.80 | 1,363,000,000.00 |
| Total Liabilities | 1,035,943,516.06 | 5,926,934,375.22 | 717,068,994.99 | 5,900,319,985.66 |
| Net asset | 411,279,997.36 | 471,483,155.92 | 408,404,001.50 | 435,651,358.40 |
| Net asset shares calculated according to shareholding ratio | 168,357,466.92 | 106,083,710.08 | 167,180,178.01 | 98,021,555.64 |
| Adjustment matters | 3,113,398.25 | -71,690,136.35 | 3,113,398.25 | -71,690,136.35 |
| Book value of joint ventures equity investment | 171,470,865.17 | 34,393,573.73 | 170,293,576.26 | 26,331,419.29 |
| Fair value of equity investments with publicly quoted prices | | | | |
| Operating revenue | 685,695,320.80 | 706,379,633.03 | 319,908,231.15 | 1,882,261,545.45 |
| Net profit | 15,415,995.86 | 35,678,623.68 | 18,577,297.59 | 39,513,973.46 |
| Other comprehensive incomes | | | | |
| Comprehensive incomes | 15,415,995.86 | 35,678,623.68 | 18,577,297.59 | 39,513,973.46 |
| Current dividends received by the Company from | 5,133,249.00 | | 6,754,275.00 | |

| Item | Current amount | | Previous amount | |
|---|---|---|---|---|
| | Zhongyuan Futures Co., Ltd. | Zhengzhou Xiliu Lake Holdings Co., Ltd. | Zhongyuan Futures Co., Ltd. | Zhengzhou Xiliu Lake Holdings Co., Ltd. |
| associates | | | | |

<4> Summary information of unimportant joint ventures and associates

| Item | Current amount | Previous amount |
|---|---|---|
| Associates | — | — |
| Total book value of investment | 5,797,290,360.00 | 5,587,500,360.00 |
| Total of the following items calculated according to the shareholding ratio | | |
| Net profit | | |
| Other comprehensive incomes | | |
| Comprehensive incomes | | |

**(10) Investment in other equity instruments**

<1> Classification of available-for-sale equity

| Item | Ending balance | | | Ending balance of previous year | | |
|---|---|---|---|---|---|---|
| | Book balance | Impairment reserves | Book value | Book balance | Impairment reserves | Book value |
| Available-for-sale equity instrument | 43,963,111,142.17 | | 43,963,111,142.17 | 36,505,338,052.26 | | 36,505,338,052.26 |
| Including: Measured at fair value | | | | | | |
| Measured as per cost | 43,963,111,142.17 | | 43,963,111,142.17 | 36,505,338,052.26 | | 36,505,338,052.26 |
| Others | | | | | | |
| Total | 43,963,111,142.17 | | 43,963,111,142.17 | 36,505,338,052.26 | | 36,505,338,052.26 |

<2> Details of available-for-sale equity instruments

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| Haoji Railway Co., Ltd. | 2,194,480,000.00 | 2,194,480,000.00 |
| Beijing-Guangzhou Railway Passenger Dedicated Line Henan Co., Ltd. | 4,543,710,000.00 | 4,543,710,000.00 |
| Zhengzhou-Choingqing Railway Passenger Dedicated Line Henan Co., Ltd.-Zhengwan Railway | 6,750,000,000.00 | 5,709,423,000.00 |
| Zhengzhou-Xi'an Railway Passenger Dedicated Line Co., Ltd. - Zhengxi Project | 2,051,390,000.00 | 2,051,390,000.00 |
| Jinyulu Railway Corridor Co., Ltd. | 1,874,459,025.10 | 1,874,459,025.10 |
| China Pingmei Shenma Energy and Chemical Group Co., Ltd. | 387,735,000.00 | 387,735,000.00 |

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| Zhengzhou Coal Industry (Group) Co., Ltd. | 343,481,500.00 | 343,481,500.00 |
| Zhengzhou-Xi'an Railway Passenger Dedicated Line Co., Ltd. - Zhengzhou-Xuzhou Passenger Dedicated Line | 3,780,000,000.00 | 3,780,000,000.00 |
| Luohe-Fuyang Railway Co., Ltd. | 753,570,000.00 | 753,570,000.00 |
| Mengmiao-Pingdingshan Railway | 234,180,000.00 | 234,180,000.00 |
| Yima Coal Industry Group Co., Ltd. | 223,565,959.00 | 223,565,959.00 |
| Zhengzhou-Choingqing Railway Passenger Dedicated Line Henan Co., Ltd - Zhengzhou-Hefei Railway | 6,500,000,000.00 | 5,714,120,000.00 |
| Zhengzhou-Xi'an Railway Passenger Dedicated Line Co., Ltd. - Shangqiu-Hefei-Hangzhou Railway | 2,152,000,000.00 | 2,078,000,000.00 |
| Zhengzhou-Jinan Railway | 9,950,702,500.00 | 4,979,845,000.00 |
| Henan Railway Group Co., Ltd. | 677,378,568.16 | 677,378,568.16 |
| Zhengzhou-Taiyuan Railway | 1,546,458,589.91 | 960,000,000.00 |
| Total | 43,963,111,142.17 | 36,505,338,052.26 |

## (11)Fixed assets

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| Fixed asset | 521,123,552.98 | 547,448,959.32 |
| Liquidation of fixed assets | | |
| Total | 521,123,552.98 | 547,448,959.32 |

<1>Fixed assets

① Situation of fixed assets

| Item | Ending balance of previous year | Current increase | Current decrease | Ending balance |
|---|---|---|---|---|
| 1. Total original price of fixed assets | 950,886,640.01 | 405,275.38 | 95,448.00 | 951,196,467.39 |
| Including: land assets | | | | |
| Buildings and constructions | 877,017,765.97 | | | 877,017,765.97 |
| Machinery equipment | 58,586,214.91 | 126,218.92 | 84,698.00 | 58,627,735.83 |
| Means of transport | 7,910,936.00 | | | 7,910,936.00 |
| Office electronic equipment | 7,071,563.13 | 279,056.46 | 8,450.00 | 7,291,751.59 |
| Furniture | 300,160.00 | | 2,300.00 | 348,278.00 |
| 2.Total accumulated depreciation | 403,437,680.69 | 26,725,909.32 | 90,675.60 | 430,072,914.41 |
| Including: land assets | | | | |
| Buildings and constructions | 344,028,492.79 | 23,563,784.01 | | 367,592,276.80 |
| Machinery equipment | 47,986,789.88 | 2,010,373.01 | 80,463.10 | 49,916,699.79 |
| Means of transport | 5,652,051.31 | 572,600.09 | | 6,224,651.40 |
| Office electronic equipment | 5,525,574.95 | 522,777.60 | 8,027.50 | 6,013,934.22 |

| Item | Ending balance of previous year | Current increase | Current decrease | Ending balance |
|---|---|---|---|---|
| Furniture | 244,771.76 | 56,374.61 | 2,185.00 | 325,352.20 |
| 3.Total net book value of fixed assets | 547,448,959.32 | | | 521,123,552.98 |
| Including: land assets | | | | |
| Buildings and constructions | 532,989,273.18 | | | 509,425,489.17 |
| Machinery equipment | 10,599,425.03 | | | 8,711,036.04 |
| Means of transport | 2,258,884.69 | | | 1,686,284.60 |
| Office electronic equipment | 1,545,988.18 | | | 1,277,817.37 |
| Furniture | 55,388.24 | | | 22,925.80 |
| 4. Total accumulated amount of impairment provision | | | | |
| Including: land assets | | | | |
| Buildings and constructions | | | | |
| Machinery equipment | | | | |
| Means of transport | | | | |
| Office electronic equipment | | | | |
| Furniture | | | | |
| 5.Total book value of fixed assets | 547,448,959.32 | | | 521,123,552.98 |
| Including: land assets | | | | |
| Buildings and constructions | 532,989,273.18 | | | 509,425,489.17 |
| Machinery equipment | 10,599,425.03 | | | 8,711,036.04 |
| Means of transport | 2,258,884.69 | | | 1,686,284.60 |
| Office electronic equipment | 1,545,988.18 | | | 1,277,817.37 |
| Furniture | 55,388.24 | | | 22,925.80 |

### (12) Construction in progress

<1>Situation of project under construction

| Item | Ending balance | | | Ending balance of previous year | | |
|---|---|---|---|---|---|---|
| | Book balance | Impairment reserves | Book value | Book balance | Impairment reserves | Book value |
| 1. Henan Intercity Railway Comprehensive Command Center Project | 806,400,990.47 | | 806,400,990.47 | 581,155,971.75 | | 581,155,971.75 |
| 2. Xinzheng Airport to Zhengzhou South | 1,976,898,589.46 | | 1,976,898,589.46 | 1,271,872,579.56 | | 1,271,872,579.56 |

| Item | Ending balance | | | Ending balance of previous year | | |
|---|---|---|---|---|---|---|
| | Book balance | Impairment reserves | Book value | Book balance | Impairment reserves | Book value |
| Railway Station | | | | | | |
| 3. Extension of Zhengzhou-Kaifeng Railway | 442,470,461.76 | | 442,470,461.76 | 402,961,421.10 | | 402,961,421.10 |
| 4. Intercity EMU Base of Zhengzhou South Railway Station | 141,509.43 | | 141,509.43 | | | |
| 5. Emergency Project of Zhengzhou South Railway Station | 239,561,919.83 | | 239,561,919.83 | | | |
| Total | 3,465,473,470.95 | | 3,465,473,470.95 | 2,255,989,972.41 | | 2,255,989,972.41 |

<2> Current changes in key constructions in progress

| Name | Budget (ten thousand yuan) | Ending balance of previous year | Current increase | Amount of fixed assets transferred in current period | Other current decrease | Ending balance |
|---|---|---|---|---|---|---|
| 1. Henan Intercity Railway Comprehensive Command Center Project | 117,147.26 | 581,155,971.75 | 225,245,018.72 | | | 806,400,990.47 |
| 2. Xinzheng Airport to Zhengzhou South Railway Station | 462,000.00 | 1,271,872,579.56 | 705,026,009.90 | | | 1,976,898,589.46 |
| 3. Extension of Zhengzhou-Kaifeng Railway | 148,500.00 | 402,961,421.10 | 39,509,040.66 | | | 442,470,461.76 |
| Total | 727,647.26 | 2,255,989,972.41 | 969,780,069.28 | | | 3,225,770,041.69 |

Continued

| Name | Cumulative of interest capitalization | Including: current interest capitalization | Capital source |
|---|---|---|---|
| 1. Henan Intercity Railway Comprehensive Command Center Project | 323,057,625.56 | 62,445,200.00 | Loan, self-raised |
| 2. Xinzheng Airport to Zhengzhou South Railway Station | 18,578,036.67 | 52,466,620.00 | Loan, self-raised |
| 3. Extension of Zhengzhou-Kaifeng Railway | | | Equity fund |

| Name | Cumulative of interest capitalization | Including: current interest capitalization | Capital source |
|---|---|---|---|
| Total | 341,635,662.23 | 114,911,820.00 | |

### (13) Intangible assets

<1> Classification of intangible assets

| Item | Ending balance of previous year | Current increase | Current decrease | Ending balance |
|---|---|---|---|---|
| 1. Total original price | 126,167,347.87 | | | 126,167,347.87 |
| Including: Computer software | 439,474.77 | | | 439,474.77 |
| Land use right | 124,968,366.91 | | | 124,968,366.91 |
| Others | 759,506.19 | | | 759,506.19 |
| 2. Total accumulated amortization | 13,300,293.27 | 2,353,550.22 | | 15,653,843.49 |
| Including: Computer software | 328,000.41 | 28,461.54 | | 356,461.95 |
| Land use right | 12,358,394.55 | 2,249,138.04 | | 14,607,532.59 |
| Others | 613,898.31 | 75,950.64 | | 689,848.95 |
| 3. Total net book value of intangible assets | 112,867,054.60 | | | 110,513,504.38 |
| Including: Computer software | 111,474.36 | | | 83,012.82 |
| Land use right | 112,609,972.36 | | | 110,360,834.32 |
| Others | 145,607.88 | | | 69,657.24 |
| 4. Total impairment provision of intangible assets | | | | |
| Including: Computer software | | | | |
| Land use right | | | | |
| Others | | | | |
| 5. Total book value of intangible assets | 112,867,054.60 | | | 110,513,504.38 |
| Including: Computer software | 111,474.36 | | | 83,012.82 |
| Land use right | 112,609,972.36 | | | 110,360,834.32 |
| Others | 145,607.88 | | | 69,657.24 |

### (14) Long-term deferred expenses

| Item | Ending balance of previous year | Current increase | Amortized amount of the current period | Other reduced amount | Ending balance | Other reasons for decrease |
|---|---|---|---|---|---|---|
| Decoration fee of the office | 15,829.12 | | 15,829.12 | | | |
| Property insurance premiums | 581,181.37 | 2,317,266.35 | 1,057,908.39 | | 1,840,539.33 | |
| Total | 597,010.49 | 2,317,266.35 | 1,073,737.51 | | 1,840,539.33 | |

### （15）Other non-current assets

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| National Debt Fund of local railway | 512,994,952.83 | 510,477,257.97 |
| VAT to be deducted | 196,237.52 | 163,766.74 |
| Others | 11,580,000.00 | |
| Total | 524,771,190.35 | 510,641,024.71 |

Note: The local railway national debt fund of Henan Province, based on the *Approval on the Transfer of Local Railway National Debt On-lending Funds to the Capital Fund of Henan Railway Investment Co., Ltd.* (Yu Cai Jin [2010] No. 80), is the capital injected into the company by the provincial finance transferred from the original national debt fund loaned from the provincial finance to Henan Provincial Railway Bureau.

### (16) Short-term borrowings

| Condition of borrowing | Ending balance | Ending balance of previous year |
|---|---|---|
| Pledge borrowing | | |
| Mortgage borrowing | | |
| Guaranteed borrowing | | |
| Fiduciary borrowing | 400,000,000.00 | |
| Total | 400,000,000.00 | |

### (18)Accounts payable

<1>Accounts payable statement

| Account ages | Ending balance | Ending balance of previous year |
|---|---|---|
| Within one yea | 24,321,090.02 | 8,658,025.95 |
| 1-2 years | 384,500.00 | 2,565,257.39 |
| 2-3 years | 1,608,120.39 | 2,756,180.56 |
| Over 3 years | 9,434,278.56 | 8,979,534.64 |
| Total | 35,747,988.97 | 22,958,998.54 |

<2>Important accounts payable aged over 1 year:

| Creditor company | Ending balance | Reasons for non-payment |
|---|---|---|
| Henan Railway Construction Co., Ltd. | 5,558,070.17 | Uncleared |
| Shenyang Railway Engineering Corporation | 418,110.45 | Uncleared |
| China Railway 7th Bureau Group Zhengzhou Engineering Co., Ltd. | 800,000.00 | Uncleared |
| The Twelfth Branch of The Third Construction Co., Ltd of China CREC Railway Electrification Engineering Group | 1,190,000.00 | Uncleared |
| Henan Luofu Railway Transportation Agency Co., Ltd. | 503,030.86 | Uncleared |
| Total | 8,469,211.48 | |

**(18)Advance from customers**

<1>Analysis on age of advances from customers

| Account ages | Ending balance | Ending balance of previous year |
|---|---|---|
| Within one year（Including one year） | 5,809,942.58 | 5,336,862.74 |
| Over 1 years | 1,541,050.02 | 1,535,058.13 |
| Total | 7,350,992.60 | 6,871,920.87 |

<2>Important advance receipts aged over 1 year:

| Creditor company | Ending balance | Reasons for non-payment |
|---|---|---|
| Liuzhuang Coal Mine of Dengfeng City | 130,000.00 | Failure to meet the settlement conditions |
| Henan Tianhui Mining Resources Co., Ltd. | 74,762.79 | Failure to meet the settlement conditions |
| Zhejiang Yuneng Power Fuel Co., Ltd. | 283,771.35 | Failure to meet the settlement conditions |
| Zhengzhou Huifeng Coal Co., Ltd. | 72,114.98 | |
| Niu Shixuan | 240,000.00 | |
| Total | 800,649.12 | |

**(19) Contract liabilities**

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| Advances on sales | 717,035,245.15 | |
| Others | | |
| Total | 717,035,245.15 | |

**(20)Remuneration payable to employees**

<1>Payment to the employees

| Item | Ending balance of previous year | Current increase | Current decrease | Ending balance |
|---|---|---|---|---|
| 1.Short-term salary | 15,523,095.79 | 67,599,762.08 | 63,133,996.69 | 19,988,861.18 |

| Item | Ending balance of previous year | Current increase | Current decrease | Ending balance |
|---|---|---|---|---|
| 2. Post-employment benefits - setting up a deposit plan | 1,549.45 | 6,287,262.46 | 6,287,262.46 | 1,549.45 |
| 3. Dismissal benefits | | | | |
| 4.Other benefits due within one year | | | | |
| 5.Others | | | | |
| Total | 15,524,645.24 | 73,887,024.54 | 69,421,259.15 | 19,990,410.63 |

<2> Short-term employee remuneration

| Item | Ending balance of previous year | Current increase | Current decrease | Ending balance |
|---|---|---|---|---|
| 1. Wages, bonuses, allowances and subsidies | 11,721,215.41 | 52,771,423.30 | 49,440,995.01 | 15,051,243.70 |
| 2. Employee welfare benefits | | 2,809,541.81 | 2,677,196.81 | 132,345.00 |
| 3. Social insurance | 4,827.91 | 4,779,805.77 | 4,779,219.85 | 5,513.83 |
| Including:Medical insurance | 4,827.91 | 3,897,754.39 | 3,897,754.38 | 4,927.92 |
| Work-related injury insurance premium | | 130,306.53 | 129,720.62 | 585.91 |
| Maternity insurance | | 303,672.10 | 303,672.10 | |
| Others | | 448,072.75 | 448,072.75 | |
| 4. Housing accumulation fund | 7,390.00 | 4,725,420.50 | 4,725,420.50 | 7,390.00 |
| 5. Expenditures of labor union and Employee education funds | 3,789,662.47 | 2,513,570.70 | 1,511,164.52 | 4,792,368.65 |
| 6. Short-term paid absence | | | | |
| 7.Short-term profit sharing plan | | | | |
| 8.Other short-term payment | | | | |
| Total | 15,523,095.79 | 67,599,762.08 | 63,133,996.69 | 19,988,861.18 |

<3> Setting of deposit plan

| Item | Ending balance of previous year | Current increase | Current decrease | Ending balance |
|---|---|---|---|---|
| 1. Basic pension insurance | 1,232.00 | 5,998,357.81 | 5,998,357.81 | 1,232.00 |
| 2. Unemployment insurance premiums | 317.45 | 288,904.65 | 288,904.65 | 317.45 |
| 3. Corporate annuity payment | | | | |
| Total | 1,549.45 | 6,287,262.46 | 6,287,262.46 | 1,549.45 |

**(21)Tax payable**

| Item | Ending balance of previous year | Due this year | Paid this year | Ending balance |
|---|---|---|---|---|
| Value-added tax | 3,964,259.74 | 27,383,269.40 | 28,444,110.18 | 2,903,418.96 |
| Urban maintenance and construction tax | 280,237.63 | 1,920,693.41 | 1,997,691.72 | 203,239.32 |
| Additional Local educational fee | 120,101.84 | 823,154.33 | 856,153.58 | 87,102.58 |

| Item | Ending balance of previous year | Due this year | Paid this year | Ending balance |
|---|---|---|---|---|
| Local education surcharge | 80,067.88 | 548,769.55 | 570,769.06 | 58,068.38 |
| Stamp duty | 709,538.31 | 2,771,116.56 | 3,265,739.70 | 214,915.17 |
| Individual Income Tax | 2,102,699.82 | 1,890,704.54 | 2,978,588.13 | 1,014,816.23 |
| Corporate income tax | 3,620,338.96 | 20,758,153.67 | 21,497,290.87 | 2,881,201.76 |
| Land use tax | 527,050.84 | 2,450,198.68 | 2,450,198.68 | 527,050.84 |
| Vehicle and vessel tax | | 9,739.32 | 9,739.32 | |
| VAT of land | | 24,890,298.94 | 24,890,298.94 | |
| Others | | 78,572.24 | 73,824.74 | 4,747.50 |
| Total | 11,404,295.02 | 83,524,670.64 | 87,034,404.92 | 7,894,560.74 |

**(22)Other account payable**

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| Interest payable | 71,806,292.20 | 119,966,666.67 |
| Dividend payable | | |
| Other payables | 464,734,777.27 | 1,318,812,001.15 |
| Total | 536,541,069.47 | 1,438,778,667.82 |

<1>Interest payable

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| Interest on long-term borrowings with installment interest and repayment at maturity | 47,270,833.35 | 92,820,000.00 |
| Enterprise bond interest | 22,260,875.52 | 25,246,666.67 |
| Interest on short-term loan | 374,583.33 | |
| Other interests | 1,900,000.00 | 1,900,000.00 |
| Total | 71,806,292.20 | 119,966,666.67 |

<2>Other payables

① List of other payables according to the nature of the payment

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| Intercourse fund | 165,245,070.13 | 86,795,440.09 |
| Earnest money | 283,357,423.00 | 1,231,296,070.00 |
| Deduction of co-ordination funds | 267,702.00 | 16,464.17 |
| Deposit margin | 1,908,682.53 | 578,435.30 |
| Others | 13,955,899.61 | 125,591.59 |

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| Total | 464,734,777.27 | 1,318,812,001.15 |

②Other important payables aged over 1 year

| Creditor company | Debt due | Account ages | Reason for outstanding |
|---|---|---|---|
| Preparation group | 11,000,000.00 | Over 3 years | Failure to meet the settlement conditions |
| Total | 11,000,000.00 | | |

**(23)Non-current liabilities due within one year**

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| Long-term loans due within 1 year | | |
| Bonds payable due within one year | | |
| Long-term payables due within 1 year | 88,745,543.84 | |
| Other long-term liabilities due within one year | | |
| Total | 88,745,543.84 | |

**(24)Long-term borrowing**

| Condition of loan | Ending balance | Ending balance of previous year |
|---|---|---|
| Pledge borrowing | | - |
| Mortgage borrowing | | - |
| Guaranteed borrowing | | |
| Fiduciary borrowing | 10,847,699,690.41 | 10,569,699,690.41 |
| Total | 10,847,699,690.41 | 10,569,699,690.41 |

**(25) Bonds payable**

<1> Situation of bonds payable

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| 12 Yutietou Bond | 2,795,149,000.00 | 2,800,000,000.00 |
| 14 Yutietou MTN001 | 1,473,750,000.00 | 1,473,750,000.00 |
| 19 Yutietou Bond I | 1,500,000,000.00 | |
| Total | 5,768,899,000.00 | 4,273,750,000.00 |

<2>Increase and decrease of bonds payable

| Bond name | Issuance amount | Issue date | Bond maturity | Ending balance of previous year | Current issuance |
|---|---|---|---|---|---|

| Bond name | Issuance amount | Issue date | Bond maturity | Ending balance of previous year | Current issuance |
|---|---|---|---|---|---|
| 12 Yutietou Bond | 2,800,000,000.00 | 2012-11-19 | 10 years | 2,800,000,000.00 | |
| 14 Yutietou MTN001 | 1,500,000,000.00 | 2014-11-18 | 15 years | 1,473,750,000.00 | |
| 19 Yutietou Bond I | 1,500,000,000.00 | 2019-11-12 | 7 years | | 1,500,000,000.00 |
| Total | 5,800,000,000.00 | | | 4,273,750,000.00 | 1,500,000,000.00 |

Continued

| Bond name | Amortization of premium and discount | Current repayment | Ending balance |
|---|---|---|---|
| 12 Yutietou Bond | | 4,851,000.00 | 2,795,149,000.00 |
| 14 Yutietou MTN001 | | | 1,473,750,000.00 |
| 19 Yutietou Bond I | | | 1,500,000,000.00 |
| Total | | 4,851,000.00 | 5,768,899,000.00 |

Note 1: The Company was approved to issue corporate bonds (referred to as "12 Yutietou Bond") in November 2012, with the face value of RMB 2.8 billion Yuan, the maturity of 10-year term, and the coupon rate of 6.38%.

Note 2: The Company was approved to issue the first tranche of 2014 interim notes (referred to as "14 Yutietou MTN001") in November 2014, with the face value of RMB 1.5 billion, bond maturity of15 years, and coupon rate of 5.92%.

Note 3: The Company was approved to issue the corporate bonds (referred to as "14 Yutietou") in November 2019, with the face value of RMB 1.5 billion, the maturity of 7 years, and the coupon rate of 4.50% for the first issue.

### (26) Long-term payables

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| Henan Investment Group Co., Ltd. | 2,890,000,000.00 | 4,000,000,000.00 |
| Finance lease payable | 191,254,456.16 | |
| Total | 3,081,254,456.16 | 4,000,000,000.00 |

Note 1: According to Yu Fagai Touzi [2011] No. 2319 Document, Henan Investment Group Co., Ltd. no longer performs the Company's responsibilities as an entrusted investor, and its RMB4.66 billion Yuan of investment has been converted into a creditor's right to the Company. As of December 31, 2019, the balance of the creditor's rights is RMB2.89 billion Yuan.

Note 2: The Company signed the financial lease contract of 2019PAZL(TJ)0102335-ZL-01 and 2019PAZL(TJ)0102336-ZL-01 with Ping An International Financial Leasing (Tianjin) Co., Ltd. in December 2019, with the principal of RMB 280,000,000.00 Yuan. As of December 31, 2019, the principal to be due within one year is RMB 88,772,762.44 Yuan.

### (27) Paid-in capital

| Name of investor | Ending balance of previous year | | Current increase | Current decrease | Ending balance | |
|---|---|---|---|---|---|---|
| | Investment amount | Ratio% | | | Investment amount | Ratio% |
| Henan Provincial Department of Finance | 12,011,251,241.00 | 80.08 | | | 12,011,251,241.00 | 80.08 |
| State-owned Assets Supervision Commission of Henan Provincial People's Government | 1,988,748,759.00 | 13.25 | | | 1,988,748,759.00 | 13.25 |
| Henan Provincial Land and Resources Development Center | 1,000,000,000.00 | 6.67 | | | 1,000,000,000.00 | 6.67 |
| Total | 15,000,000,000.00 | 100.00 | | | 15,000,000,000.00 | 100.00 |

### (28) Capital reserve

| Item | Ending balance of previous year | Current increase | Current decrease | Ending balance |
|---|---|---|---|---|
| 1.Capital (equity) premium | | | | |
| 2.Other capital reserves | 21,541,822,596.10 | 7,857,540,139.91 | 13,150,000.00 | 29,386,212,736.01 |
| Total | 21,541,822,596.10 | 7,857,540,139.91 | 13,150,000.00 | 29,386,212,736.01 |

Note 1: The increase in capital reserve in the current period: Received a construction fund of RMB 2.89472 billion Yuan for M-shaped railway and RMB 4.9628201 billion Yuan for prefectural and municipal railway projects from the financial sector, including [1] a capital fund of RMB 191.00 million Yuan for Nanjing-Xi’an railway projects from the prefectural and municipal sectors; [2] a capital fund of RMB 583.4386 million Yuan for the Taiyuan-Jiaozuo railway construction project from the prefectural and municipal sectors; [3] a capital fund of RMB 232.4696 million Yuan for the Zhengzhou-Hefei railway construction project from the prefectural and municipal sectors; [4] a construction fund of RMB 2.45002 billion Yuan for the Zhengzhou-Jinan railway construction project from the prefectural and municipal sectors; [5] a capital fund of RMB 923.0972 million Yuan for the Zhengzhou-Chongqing railway construction project from the prefectural and municipal sectors; [6] a construction fund of RMB 338.1475million Yuan for the Zhengzhou-Choingqing railway construction project from the prefectural and municipal sectors; [7] a construction fund of RMB 338.1475 million Yuan for the Zhengzhou-Fuyang railway construction project from the prefectural and municipal sectors; ⑧ a construction fund of RMB 37 million Yuan for the Shangqiu-Hefei-Hangzhou railway from the prefectural and municipal sectors; [9] a construction fund of RMB 62.41 million Yuan for the Zhengzhou-Jiaozuo intercity railway construction project from the prefectural and municipal sectors; [10] a capital fund of RMB 17.81 million Yuan for the Zhengzhou-Kaifeng intercity railway of Original Three Lines construction project from the municipal sector of Kaifeng City;

Note 2: Decrease of capital reserve in the current period: According to the plan of the Development and Reform Commission, the original investor of Zhengzhou City will be converted to Zhengzhou Metro Group Co., Ltd.'s, investing to the intercity railway project of airport to Zhengzhou South Railway Station with an amount of RMB 13.15 million Yuan.

The capital contribution of each city is based on the requirements of *Opinions on Accelerating Railway Construction* (Yu Zheng [2012] No. 42) and the *Approval on the Establishment Plan of Henan Railway Investment Co., Ltd.* (Yu Zheng Wen [2009] No.113) by the People's Government of Henan Province. In the Ministry-Province cooperative railway project, the Company will perform the responsibilities of the funder for the Henan Province's investment according to the principle of "unified investment, centralized management, clear responsibilities and powers, separate calculations, and full participation", representing the People's Government of Henan Province to hold and manage the equity and related state-owned assets formed by the government's investment in railways, and act as the representative of the investor in Henan Province to form a joint venture company with the representative of the investor designated by the Ministry of Railways to perform the responsibility of the owner. With the construction of the project, the investment and other expenses of the municipality under the province along the railway line will be concentrated into the Company as the capital stock of them.

### (29) Surplus reserves

| Item | Ending balance of previous year | Current increase | Current decrease | Ending balance |
|---|---|---|---|---|
| Statutory surplus reserve | 172,443,103.83 | | | 172,443,103.83 |
| Total | 172,443,103.83 | | | 172,443,103.83 |

### (30) Undistributed profits

| Item | Current amount | Previous amount |
|---|---|---|
| Beginning Balance | -1,257,957,048.07 | -652,341,534.21 |
| Accrual of current period | -593,511,959.71 | -605,615,513.86 |
| Including:Net profit transferred into this period | -593,511,959.71 | -605,615,513.86 |
| Other adjustment factors | | |
| Current decrease | | |
| Including: amount of surplus reserves withdrawn in the current period | | |
| General risk reserves withdrawn in the current period | | |
| Cash dividends distributed in the current period | | |
| Transfer to paid-in capital | | |
| Other decrease | | |
| Ending balance | -1,851,469,007.78 | -1,257,957,048.07 |

### (31) Operating income and operating costs

| Item | Current amount | | Previous amount | |
|---|---|---|---|---|
| | Operating Revenue | Operating Cost | Operating Revenue | Operating Cost |
| 1.Subtotal of main business | 780,562,541.56 | 658,849,758.97 | 75,035,845.84 | 46,959,027.60 |
| 2.Other business subtotals | 9,486,168.94 | 4,154,186.34 | 23,492,787.29 | 2,060,494.08 |
| Total | 790,048,710.50 | 663,003,945.31 | 98,528,633.13 | 49,019,521.68 |

<1> List by category

| Item | Current amount | | Previous amount | |
|---|---|---|---|---|
| | Operating Revenue | Operating Cost | Operating Revenue | Operating Cost |
| Main business | 773,004,758.56 | 658,849,758.97 | 75,035,845.84 | 46,959,027.60 |
| Including: real estate sales | 706,246,998.49 | 611,196,774.96 | | |
| Opportunity cost of first-class land development in Antang New City | 30,675,741.04 | | 29,419,661.23 | |
| Property fee income | | 575,725.58 | | 152,216.29 |
| Interest income | | | 8,029,219.98 | |
| Transportation revenue | 34,114,429.37 | 46,398,191.62 | 36,480,488.96 | 46,296,940.44 |
| Loading and unloading income | 1,967,589.66 | 679,066.81 | 1,106,475.67 | 509,870.87 |
| Other business | 17,043,951.94 | 4,154,186.34 | 23,492,787.29 | 2,060,494.08 |
| Including: : entrusted management fee | | 1,441,709.32 | 94,339.62 | 1,802,610.19 |
| Accrued development profit | 11,409,589.04 | | 9,442,508.49 | |
| Interest income | 339,622.63 | | 11,620,937.26 | |
| Real estate lease | 102,543.78 | | 8,619.98 | |
| Maintenance service fee | 461,929.33 | | 112,135.11 | |
| Movable property lease | 2,229,299.18 | 437,900.54 | 1,148,600.63 | 257883.89 |
| Agent construction income | 2,395,458.80 | 2,257,524.30 | | |
| Others | 105,509.18 | 17,052.18 | 1,065,646.20 | |
| Total | 790,048,710.50 | 663,003,945.31 | 98,528,633.13 | 49,019,521.68 |

**(32) Taxes and surcharges**

| Item | Current amount | Previous amount |
|---|---|---|
| Business tax | | 400,808.74 |
| Urban maintenance and construction tax | 1,920,693.41 | 1,135,569.00 |

| Item | Current amount | Previous amount |
|---|---|---|
| Additional education fee | 845,014.46 | 474,648.19 |
| Local Additional education fee | 526,909.42 | 316,432.12 |
| Stamp duty | 2,733,165.55 | 2,913,510.31 |
| Vehicle and vessel use tax | 10,459.32 | 10,396.18 |
| Urban land use tax | 2,108,203.36 | 1,690,625.01 |
| Land appreciation tax | 24,890,298.94 | |
| Others | 81,572.24 | 124,812.95 |
| Total | 33,116,316.70 | 7,066,802.50 |

**(33) Sellings expense**

| Item | Current amount | Previous amount |
|---|---|---|
| Employee's salary | 799,898.07 | 143,681.01 |
| Lease and property fees | 2,619,549.52 | 319,233.81 |
| Water, electricity and gas costs | 68,742.75 | - |
| Accessories fee on sales site | 597,792.57 | - |
| Production cost | 77,669.90 | 27,547.17 |
| Office expense | 51,992.08 | 19,087.32 |
| Promotion fee | 124,790.35 | 116,800.00 |
| Advertising fee | 189,320.37 | 66,019.42 |
| Planning & consultation Fee | 385,606.20 | 768,256.30 |
| Material cost | 87,227.57 | 7,821.35 |
| Transportation expenses | 1,615.00 | 7,003.00 |
| Travel expenses | 16,498.48 | 19,427.72 |
| Operating expense | 36,998.06 | 81,561.95 |
| Online filing fee | 48,138.00 | 29,337.13 |
| Labor protection premium | 46,887.94 | 14,543.10 |
| Conference fee | 24,528.30 | 284,056.60 |
| Surveying and mapping fee | 75,320.75 | - |
| Others | 16,234.97 | - |
| Total | 5,268,810.88 | 1,904,375.88 |

**(34) Management cost**

| Item | Current amount | Previous amount |
|---|---|---|
| Employee's salary | 48,776,014.17 | 50,200,250.16 |
| Office expenses | 861,902.68 | 1,477,577.63 |
| Depreciation expense | 1,454,232.12 | 1,502,993.95 |
| Amortization of intangible assets | 870,173.52 | 874,222.56 |

| Item | Current amount | Previous amount |
|---|---|---|
| Travel expenses | 714,907.03 | 896,145.32 |
| Business hospitality fee | 496,476.13 | 1,599,297.62 |
| Intermediary fees | 1,097,650.26 | 1,164,000.49 |
| Litigation costs | 260,422.47 | 275,644.24 |
| Car usage fee | 427,105.26 | 396,000.19 |
| Transportation expenses | 256,963.45 | 309,683.09 |
| Conference fee | 146,656.56 | 185,732.44 |
| Low-value consumables | 74,976.36 | 44,849.76 |
| Lease and property fees | 6,175,233.72 | 9,976,044.62 |
| Water, electricity and gas costs | 424,370.02 | 900,597.91 |
| Party building fee | 208,370.79 | 139,533.20 |
| Others | 1,090,769.56 | 103,266.99 |
| Total | 63,336,224.10 | 70,045,840.17 |

### (35) Financial expenses

| Item | Current amount | Previous amount |
|---|---|---|
| Interest expense | 671,659,561.59 | 719,651,499.26 |
| Less: interest income | 70,563,789.31 | 110,825,972.40 |
| Exchange losses | | |
| Less: foreign exchange gains | | |
| Guarantee fee | 27,313,207.60 | 25,207,547.32 |
| Other expenses | 301,912.14 | 162,824.98 |
| Total | 628,710,892.02 | 634,195,899.16 |

### (36) Other income

| Item | Current amount | Previous amount | Related to assets/related to profit |
|---|---|---|---|
| Government subsidies -post stabilization subsidies | 45,800.00 | | Related to profit |
| Government subsidies - weighted deduction for input tax | 2,773.44 | | Related to profit |
| Total | 48,573.44 | | |

### (37) Investment income

| Source of Investment income | Current amount | Previous amount |
|---|---|---|
| Long-term equity investment according to Profits accounted by equity method | 14,372,692.35 | 14,181,888.19 |
| Share from land development | | 41,962,300.00 |

| Source of Investment income | Current amount | Previous amount |
|---|---|---|
| Total | 14,372,692.35 | 56,144,188.19 |

### (38) Loss of asset impairment

| Item | Current amount | Previous amount |
|---|---|---|
| Bad debt loss | 291,015.42 | 358,300.12 |
| Total | 291,015.42 | 358,300.12 |

### (39) Non-operating income

| Item | Current Period | Previous period | Amount included in the current non-recurring profit and loss |
|---|---|---|---|
| Unpayable amount | | 41,735.48 | |
| Confiscated income | 14,664.00 | 206,339.92 | 14,664.00 |
| Others | 105,235.03 | 207,011.42 | 105,235.03 |
| Total | 119,899.03 | 455,086.82 | 119,899.03 |

### (40) Non-business expenditure

| Item | Current Period | Previous period | Amount included in the current non-recurring profit and loss |
|---|---|---|---|
| Donation expenditure | 2,400.00 | | 2,400.00 |
| Non-current assets damage | 4,507.40 | 2,492.25 | 4,507.40 |
| Expenditure for fine | 15,453.31 | 1.42 | 15,453.31 |
| Others | 49,336.08 | 52,256.50 | 49,336.08 |
| Total | 71,696.79 | 54,750.17 | 71,696.79 |

### (41) Income tax expense

| Item | Current Period | Previous period |
|---|---|---|
| Current taxable income | 20,759,106.89 | 2,825,490.03 |
| Deferred income tax expense | | 672,850.31 |
| Total | 20,759,106.89 | 3,498,340.34 |

### (42) Other comprehensive incomes

<1> Other comprehensive income items and their income tax impact and transfer-in gains and losses

| Item | Current Period | | | Previous period | | |
|---|---|---|---|---|---|---|
| | Pre-tax amount | Income tax | AT Net amount | Pre-tax amount | Income tax | AT Net amount |
| I. Other comprehensive income that cannot be reclassified into profit and loss in the future | | | | | | |
| 1. Remeasure the changes in net liabilities or net assets of defined benefit plans | | | | | | |
| 2.Shares enjoyed in other comprehensive income that cannot be reclassified into profit and loss in the investee company under the equity method | | | | | | |
| II. Other comprehensive income that will be reclassified into profit and loss in the future | | | | | | |
| 1. Shares enjoyed in other comprehensive income that will be reclassified into profit and loss in the investee company under the equity method | | | | 25,635.55 | | 25,635.55 |
| Less: included in other comprehensive income in the previous period and transferred to profit and loss in the current period | | | | | | |
| Subtotal | | | | 25,635.55 | | 25,635.55 |
| 2. Gains and losses from changes in the fair value of available-for-sale financial assets | | | | | | |
| Less: included in other comprehensive income in the previous period and transferred to profit and loss in the current period | | | | | | |
| Subtotal | | | | | | |
| 3. The held-to-maturity investment is reclassified as available-for-sale financial asset gains and losses | | | | | | |
| Less: included in other comprehensive income in the previous period and transferred to profit and loss in the current period | | | | | | |
| Subtotal | | | | | | |
| 4. The effective part of cash flow hedge gains and losses | | | | | | |
| Adjustment amount of the initial recognition amount of the hedged item converted | | | | | | |
| Less: included in other comprehensive income in the previous period and transferred to profit and loss in the current period | | | | | | |
| Subtotal | | | | | | |
| 5.Translation differences of foreign currency financial statements | | | | | | |
| Less: included in other comprehensive income in the previous period and | | | | | | |

| Item | Current Period | | | Previous period | | |
|---|---|---|---|---|---|---|
| | Pre-tax amount | Income tax | AT Net amount | Pre-tax amount | Income tax | AT Net amount |
| transferred to profit and loss in the current | | | | | | |
| Subtotal | | | | | | |
| III. Total other comprehensive income | | | | 25,635.55 | | 25,635.55 |

**(43) Consolidated cash flow statement**

<1> Other cash received or paid in connection with operation activities

| Item | Current amount |
|---|---|
| Other cash related to operating activities received | 999,726,869.59 |
| Including: deposit reserve | 1,288,136.34 |
| Earnest money | 608,787,693.50 |
| Interest income | 155,052,291.60 |
| Agency fund | 233,434,936.17 |
| Others | 1,163,811.98 |
| Other cash related to operating activities paid | 532,636,486.75 |
| Including: payment of security deposit | 5,945,560.18 |
| Payment on behalf of others | 469,202,063.53 |
| Operating expenses | 28,595,211.38 |
| Bank charge | 81,637.09 |
| Borrowing paid | 2,370,000.00 |
| Intercourse fund paid | 24,695,681.52 |
| Others | 1,746,333.05 |

<2> Other cash received or paid in connection with investment activities

| Item | Current amount |
|---|---|
| Other cash received relating to investment activities | 4,186,888.52 |
| Including: interest income from loan | 4,186,888.52 |

<3> Other cash received or paid in connection with financing activities

| Item | Current amount |
|---|---|
| Other cash related to operating activities received | 3,650,390,967.38 |
| Including: regional and municipal contributions | 3,650,378,739.91 |
| Others | 12,227.47 |
| Other cash related to operating activities paid | 38,960,000.00 |

| Item | Current amount |
|---|---|
| Including: service charge of guarantee fee | 38,960,000.00 |

<4> Supplementary information on cash flow statement

| Item | Current amount | Previous amount |
|---|---|---|
| 1. Adjustment of net profit to cash flow from operating activities: | | |
| Net profit | -609,386,101.95 | -610,299,321.64 |
| Add: Provision for asset impairment | -291,015.41 | -358,300.12 |
| Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets | 26,286,438.94 | 26,226,026.70 |
| Amortization of intangible assets | 898,635.06 | 918,632.38 |
| Amortization of long-term deferred expenses | 1,073,737.51 | 425,323.37 |
| Losses on disposal of fixed assets, intangible assets and other long-term assets (Receipts fill with "—") | -715.58 | |
| Loss from scrapping of fixed assets (Receipts fill with "—") | 4,507.40 | 2,492.25 |
| Loss from changes in fair value (Receipts fill with "—") | | |
| Financial expenses (Receipts fill with "—") | 747,507,857.18 | 656,381,646.74 |
| Investment loss (return is listed with "-") | -14,372,692.35 | -56,144,188.19 |
| Decrease in deferred income tax assets (increase and fill with "-") | | 672,850.31 |
| Increase in deferred income tax liabilities (decrease is listed with "-") | | |
| Decrease in inventory (Increase fill with "—") | 448,522,454.48 | -522,466,020.02 |
| Decrease in operating receivables (increase is filled with "-") | -652,043,126.01 | -397,537,930.08 |
| Increase in business payable items (decrease fill with "—") | 54,120,911.09 | 619,784,847.03 |
| Others | | |
| Net cash flow from operating activities | 2,320,890.36 | -282,393,941.27 |
| 2. Major investment and financing activities that do not involve cash receipts and expenditures: | | |
| Conversion of debt into capital | | |
| Convertible corporate bonds due within one year | | |
| Financing lease of fixed assets | | |
| 3. Net changes in cash and cash equivalents: | | |
| Ending balance of cash | 3,455,936,941.75 | 4,502,528,352.51 |
| Less: the beginning balance of cash | 4,502,528,352.51 | 6,935,171,081.99 |
| Add: ending balance of cash equivalents | | |
| Less: opening balance of cash equivalents | | |
| Net increase in cash and cash equivalents | -1,046,591,410.76 | -2,432,642,729.48 |

<5> Composition of cash and cash equivalents

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| I. Cash | 3,455,936,941.75 | 4,502,528,352.51 |
| Including: cash on hand | 376,389.58 | 441,839.94 |
| Bank deposit that can be used for payment at any time | 3,455,560,552.17 | 4,502,086,512.57 |
| Other currency funds that can be used for payment at any time | | |
| II. Cash equivalents | | |
| Including: bond investments due within three months | | |
| III. Balance of cash and cash equivalents at the end of the period | 4,502,528,352.51 | 4,502,528,352.51 |

**(44) Assets with restricted ownership and use rights**

| Item | Ending book value | Restriction reason |
|---|---|---|
| Monetary capital | 81,455,698.90 | Involves in litigation, and court froze large deposit certificates |
| Total | 81,455,698.90 | |

## IX. Description of contingent matters

**(1) Commitment matters**

The Company has no commitments in the current period.

**(2) Contingent liabilities**

<1> External guarantee

As of December 31, 2019, the Company's guarantee balance to Henan Intercity Railway Co., Ltd. was RMB 3.588355 billion Yuan.

<2> Other contingencies

① According to the agreement for the treatment of the Dengfeng Railway Phase II Project (Lvzhuang-Yuzhou Section) covering part of the resources of the Xinyu Coalfield, the Dengfeng Railway agreed that the Xinyu Coal Industry in Dengfeng City to have equity participate in Dengfeng Railway Company with the estimated value of RMB 42.5047 million Yuan for the coal mine covering issue, accounting for 9% of the registered capital of RMB 472.2747 million Yuan after the capital increase and share expansion of the Dengfeng Railway Company. After compensation with the shareholding method, part disposal rights of the covering resource will be frozen and returned to the new railway company. According to Yu Guo Qi Gai [2008] No. 12 document approved by the State-owned Assets Supervision and Administration Commission, Dengfeng Xinyu Coal Industry Co., Ltd. was approved to become a shareholder of Dengfeng Railway Company for covering frozen coal resource reserves. As of December 31, 2019, the above-mentioned shareholding procedures have not been completed. Since the shareholding procedures have not been completed, Xinyu Coal Industry filed a lawsuit against the Zhengzhou Intermediate People's Court with Dengfeng Railway Company and the Company as defendants for breach of contract, and demanded compensation of approximately RMB 81.45 million Yuan. The case is currently being filed by the Zhengzhou Intermediate People's Court. During the court hearing, the court has frozen the Company's deposit certificate of RMB 81.45 million Yuan in Hongzhuan Road Sub-branch of Shanghai Pudong Development Bank.

② The Company pledged the equity of RMB 1.26393 billion Yuan of Jinyulu Railway Corridor Co., Ltd. and equity of RMB 100 million Yuan of Henan Intercity Railway Co., Ltd. to the Zhengzhou Branch of Industrial Bank Co., Ltd. respectively on August 1, 2014 and January 28, 2014; pledged the equity of RMB 387.735 million Yuan of China Pingmei Shenma Energy and Chemical Group Co., Ltd., equity of RMB 223.565959 million Yuan of Yima Coal Industry Group Co., Ltd. and equity of RMB 342.4815 million Yuan of Zhengzhou Coal Industry (Group) Co., Ltd. to the Zhengzhou Branch of Industrial Bank Co., Ltd. on August 28, 2014; pledged the equity of RMB 1 billion Yuan of Henan Tongsheng Real Estate Co., Ltd. and equity of RMB 308.2946 million Yuan of Luofu Railway Co., Ltd. to the Zhengzhou Branch of Industrial Bank Co., Ltd. respectively on September 27 and 29, 2017.

## X. Non-adjustment matters after the balance sheet date

As of April 24, 2019, the Company has no significant non-adjustment matters to be disclosed on balance sheet date.

## XI. Relations and transactions with related party

**(1) The Company's controlling shareholder**

The controlling shareholder of the Company is the Henan Provincial Department of Finance.

**(2) Subsidiaries of the Company**

For details of the Company's subsidiaries, please refer to (1) Basic information of subsidiaries,VII Business combinations and consolidated financial statements of this Notes.

**(3) The Company's joint ventures and associates**

| Investee name | Principal business place | Registered address | Business nature | Registered capital/ ten thousand yuan | Shareholding ratio/ % |
|---|---|---|---|---|---|
| Henan Intercity Railway Co., Ltd. | Zhengzhou | Room 0103, F 1, No. 1 Business Outer Ring Road, Zhengdong New District, Zhengzhou City | Investment and management of railway construction | 20,000.00 | 50.00 |
| Henan Zhengluo Intercity Railway Co., | Zhengzhou | Room 1301-1310, 13F, Block B, Henan Information Plaza, No. 229 Jinshui Road, Jinshui District, Zhengzhou City, | Railway construction management and passenger and freight transportation | 50,000.00 | 30.00 |

| Investee name | Principal business place | Registered address | Business nature | Registered capital/ ten thousand yuan | Shareholding ratio/ % |
|---|---|---|---|---|---|
| Ltd. | | Henan Province | | | |
| Zhongyuan Futures Co., Ltd. | Zhengzhou | 4F, Zhongyuan Guangfa Financial Building, No. 10 Business Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province | Commodity futures brokerage; financial futures brokerage; futures investment consulting | 33,000.00 | 40.935 |
| Zhengzhou Xiliu Lake Holdings Co., Ltd. | Zhengzhou | 3F, Xushui Street Office, Zhongyuan West Road, Zhongyuan District, Zhengzhou City | Investment in real estate; land leveling; real estate development and management | 50,000.00 | 22.50 |

**(4) Transactions of related party**

<1> Related-party guarantee

See details in IX. (2) <1> External guarantees

## XII. Other important events

<1> During the construction of the Phase II of the Dengfeng Railway, it covered the Tianjiagou Coal Mine of Songji Group. In order to ensure the smooth progress of the railway construction, the two parties signed an agreement under unequal conditions. The mine party requested the construction of a freight yard in the Tianjiagou section, and Dengfeng Railway party is required to be responsible for the design, planning, environmental assessment, land acquisition (the higher part of the land acquisition price by the railway party), application for approval and acceptance work. Up to now, the freight yard has not been constructed. Since the freight yard has not been built in place, Songji Group has been mining the Tianjiagou Coal Mine, which may affect the safety of the railway lines in the later stage.

<2> According to *Proposal on Transferring the Equity of Zhengzhou Construction Investment Company in Dengfeng Railway to Zhengzhou Construction Investment Group Co., Ltd.* in Dengfeng Railway's Annual Shareholders' Meeting in 2010, approved by the Zhengzhou State-owned Assets Supervision and Administration Commission, Zhengzhou Construction Investment Group Company transferred 0.22% equity of the Dengfeng Railway to Zhengzhou Construction Investment Group Co., Ltd. As of December 31, 2019, the above-mentioned equity change procedures have not been completed.

<3> According to Yu Cai Ren [2020] No. 2 document, the Company has registered the industrial and commercial change on March 25, 2020, and the legal representative after the change is Yue Guoyong.

## XIII. Notes to relevant items in the financial statements of the parent company

### (1) Other receivables

| Item | Ending balance | Ending balance of previous year |
|---|---|---|
| Interest receivable | 234,546,566.67 | 196,835,188.31 |
| Dividend receivable | | |
| Other receivables | 4,258,634,266.00 | 3,653,436,496.78 |
| Total | 4,493,180,832.67 | 3,850,271,685.09 |

<1> Interest receivable

① Classification of interest receivable

| Item | Ending balance | Beginning Balance |
|---|---|---|
| Interest on loan at call | 234,546,566.67 | 196,835,188.31 |
| Total | 234,546,566.67 | 196,835,188.31 |

<2> Other receivables

| Types | Ending balance | | | |
|---|---|---|---|---|
| | Book Balance | | Bad Debt Reserves | |
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Other accounts receivables with single amount of significance and single counting and drawing bad debts reserve | 4,255,109,025.32 | 99.92 | | |
| Other accounts receivables that combined counting and drawing bad debts reserve according to credit risk characteristics | 3,525,240.68 | 0.08 | | |
| Other accounts receivables with single amount of insignificance but single counting and drawing bad debts reserve | | | | |
| Total | 4,258,634,266.00 | 100.00 | | |

Continued

| Types | Ending balance of previous year | | | |
|---|---|---|---|---|
| | Book Balance | | Bad Debt Reserves | |
| | Amount | Percentage (%) | Amount | Percentage (%) |

| Types | Ending balance of previous year | | | |
|---|---|---|---|---|
| | Book Balance | | Bad Debt Reserves | |
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Other accounts receivables with single amount of significance and single counting and drawing bad debts reserve | 3,649,908,780.10 | 99.90 | | |
| Other accounts receivables that combined counting and drawing bad debts reserve according to credit risk characteristics | 3,527,716.68 | 0.10 | | |
| Other accounts receivables with single amount of insignificance but single counting and drawing bad debts reserve | | | | |
| Total | 3,653,436,496.78 | 100.00 | | |

①Other receivables with significant single amount at the end of the period and single provision for bad debt provision

| Large debtor | Book Balance | Bad Debt Reserves | Account ages | Proportion of accrual (%) | Basis or reason for accrual |
|---|---|---|---|---|---|
| Henan Zhengzhou Airport Intercity Railway | 513,000,000.00 | | Within one yea | | No risk for recovery |
| Zhoukou Municipal People's Government | 448,740,000.00 | | 1-2 years,2-3 years | | No risk for recovery |
| Shangqiu Municipal People's Government | 400,000,000.00 | | 1-2 years,Over 3 years | | No risk for recovery |
| Henan Tongsheng Real Estate Co., Ltd. | 399,763,394.78 | | 1-2 years,Over 3 years | | No risk for recovery |
| Xuchang Municipal People's Government | 371,410,000.00 | | 1-2 years,2-3 years | | No risk for recovery |
| Nanyang Municipal People's Government | 331,460,000.00 | | Over 3 years | | No risk for recovery |
| Sanmenxia Municipal People's Government | 284,690,000.00 | | 1-2 years,2-3 years | | No risk for recovery |
| Pingdingshan Municipal People's Government | 250,000,000.00 | | Over 3 years | | No risk for recovery |
| Compensation for construction over the mine | 229,153,900.00 | | Within one yea | | No risk for recovery |
| Dengfeng Raiway Co., Ltd. | 220,160,601.44 | | 1-2 years | | No risk for recovery |
| Zhengzhou Municipal People's Government | 204,060,000.00 | | 1-2 years | | No risk for recovery |
| Dengzhou Municipal People's Government | 194,870,000.00 | | 1-2 years,Over 3 years | | No risk for recovery |
| Zhumadian Tongsheng New City Construction Co., Ltd. | 156,100,000.00 | | Within one yea,1-2 years | | No risk for recovery |
| Jiaozuo City | 100,000,000.00 | | 1-2 years | | No risk for recovery |
| Xinxiang City | 59,540,000.00 | | 1-2 years | | No risk for recovery |
| Hebi Municipal People's Government | 22,980,000.00 | | 1-2 years | | No risk for recovery |
| Puyang Municipal People's Government | 22,090,000.00 | | 1-2 years | | No risk for recovery |

| Large debtor | Book Balance | Bad Debt Reserves | Account ages | Proportion of accrual (%) | Basis or reason for accrual |
|---|---|---|---|---|---|
| Huaxian County | 17,950,000.00 | | 1-2 years | | No risk for recovery |
| New Intercity Railway Preparation Team | 16,912,605.74 | | Over 3 years | | No risk for recovery |
| Anyang Economic Development Group Corporation | 6,010,000.00 | | 1-2 years | | No risk for recovery |
| M-shaped railway preparation team | 3,220,467.67 | | 2-3 years,Over 3 years | | No risk for recovery |
| Henan First Construction Engineering Group Co., Ltd. | 1,920,819.89 | | Over 3 years | | No risk for recovery |
| Eastern Intercity Railway Command Center | 1,077,235.80 | | Over 3 years | | No risk for recovery |
| Total | 4,255,109,025.32 | | | | |

②Other accounts receivables that combined counting and drawing bad debts reserve according to credit risk characteristics

| Portfolio name | Ending balance | | | Beginning Balance | | |
|---|---|---|---|---|---|---|
| | Book Balance | Percentage (%) | Bad Debt Reserves | Book Balance | Percentage (%) | Bad Debt Reserves |
| Risk-free portfolio | 3,525,240.68 | 100.00 | | 3,527,716.68 | 100.00 | |
| Total | 3,525,240.68 | 100.00 | | 3,527,716.68 | 100.00 | |

③Other receivables of the top five ending balances collected by the owing party

| Large debtor | Nature of fund | Book Balance | Account ages | Proportion to the other total accounts receivable (%) | Bad Debt Reserves |
|---|---|---|---|---|---|
| Henan Zhengzhou Airport Intercity Railway | Loan | 513,000,000.00 | Within one yea | 12.05 | |
| Zhoukou Municipal People's Government | Loan | 448,740,000.00 | 1-2 years,2-3 years | 10.54 | |
| Shangqiu Municipal People's Government | Loan | 400,000,000.00 | 1-2 years, over 3 years | 9.39 | |
| Henan Tongsheng Real Estate Co., Ltd. | Loan | 399,763,394.78 | 1-2 years, over 3 years | 9.39 | |
| Xuchang Municipal People's Government | Loan | 371,410,000.00 | 1-2 years,2-3 years | 8.72 | |
| Total | | 2,132,913,394.78 | | 50.08 | |

**(2) Long term equity investment**

<1>Classification of long term equity investment

| Item | Beginning Balance | Current increase | Current decrease | Ending balance |
|---|---|---|---|---|
| Investment for subsidiary | 1,993,450,000.00 | 317,720,000.00 | | 2,311,170,000.00 |

| Item | Beginning Balance | Current increase | Current decrease | Ending balance |
|---|---|---|---|---|
| company | | | | |
| Investment for cooperative enterprise | | | | |
| Investment for joint venture | 5,813,375,355.55 | 194,912,692.35 | 5,133,249.00 | 6,003,154,798.90 |
| Subtotal | 7,806,825,355.55 | 512,632,692.35 | 5,133,249.00 | 8,314,324,798.90 |
| Minus: Long term equity investment depreciation provision | | | | |
| Total | 7,806,825,355.55 | 512,632,692.35 | 5,133,249.00 | 8,314,324,798.90 |

<2>Details of long term equity investment

| Name of investee | Capital cost | Beginning Balance | Current increase and decrease | | |
|---|---|---|---|---|---|
| | | | Increase | Decrease | Confirmed investment Income By equity method |
| I.Subsidiary | | | | | |
| 1. Henan Tongsheng Real Estate Co., Ltd. | 1,000,000,000.00 | 1,000,000,000.00 | | | |
| 2. Henan Zhengzhou Airport Intercity Railway Co., Ltd. | 518,000,000.00 | 518,000,000.00 | 317,720,000.00 | | |
| 3. Henan Dengfeng Railway Co., Ltd. | 310,450,000.00 | 310,450,000.00 | | | |
| 4. Henan Kaifeng Intercity Railway Investment Co., Ltd. | 165,000,000.00 | 165,000,000.00 | | | |
| II.Associates | | | | | |
| 1. Henan Intercity Railway Co., Ltd. | 5,596,750,360.00 | 5,596,750,360.00 | 180,540,000.00 | | |
| 2. Zhongyuan Futures Co., Ltd. | 156,700,000.00 | 170,293,576.26 | | | 6,310,537.91 |
| 3. Henan Zhengluo Intercity Railway Co., Ltd. | 20,000,000.00 | 20,000,000.00 | | | |
| 4. Zhengzhou Xiliu Lake Holdings Co., Ltd. | 20,000,000.00 | 26,331,419.29 | | | 8,062,154.44 |
| Total | 7,786,900,360.00 | 7,806,825,355.55 | 498,260,000.00 | | 14,372,692.35 |

Continued

| Name of investee | Current increase and decrease | | | | | Ending balance | Impairment reserves Ending balance |
|---|---|---|---|---|---|---|---|
| | Other comprehensive Income | Change of other equity | Cash dividends or profit | Provision for impairment | Others | | |
| I.Subsidiary | | | | | | | |

| Name of investee | Current increase and decrease | | | | | Ending balance | Impairment reserves Ending balance |
|---|---|---|---|---|---|---|---|
| | Other comprehensive Income | Change of other equity | Cash dividends or profit | Provision for impairment | Others | | |
| 1. Henan Tongsheng Real Estate Co., Ltd. | | | | | | 1,000,000,000.00 | |
| 2. Henan Zhengzhou Airport Intercity Railway Co., Ltd. | | | | | | 835,720,000.00 | |
| 3. Henan Dengfeng Railway Co., Ltd. | | | | | | 310,450,000.00 | |
| 4. Henan Kaifeng Intercity Railway Investment Co., Ltd. | | | | | | 165,000,000.00 | |
| II.Associates | | | | | | - | |
| 1. Henan Intercity Railway Co., Ltd. | | | | | | 5,777,290,360.00 | |
| 2. Zhongyuan Futures Co., Ltd. | | | -5,133,249.00 | | | 171,470,865.17 | |
| 3. Henan Zhengluo Intercity Railway Co., Ltd. | | | | | | 20,000,000.00 | |
| 4. Zhengzhou Xiliu Lake Holdings Co., Ltd. | | | | | | 34,393,573.73 | |
| Total | | | -5,133,249.00 | | | 8,314,324,798.90 | |

**(3) Operating revenue and operating cost**

| Item | Current Period | | Previous period | |
|---|---|---|---|---|
| | Operating Revenue | Operating Cost | Operating Revenue | Operating Cost |
| 1. Subtotal of main business | 29,716,087.02 | | 57,098,805.81 | |
| 2.Other business subtotals | 59,028,222.91 | | 57,826,770.85 | |
| Total | 88,744,309.93 | | 114,925,576.66 | |

**(4) Investment income**

| Source of Investment income | Current Period | Previous period |
|---|---|---|
| Long-term equity investment income | 14,372,692.35 | 14,181,888.19 |
| Total | 14,372,692.35 | 14,181,888.19 |

**(5) Supplementary information on cash flow statement**

<1>Adjust the net profit to the cash flow in business activities:

| Item | Current Period | Previous period |
|---|---|---|
| 1. Adjust net profit to cash flow from operating activities: | | |
| Net profit | -540,576,678.36 | -531,753,881.85 |
| Plus: Provision for asset impairment | | |
| Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets | 142,348.26 | 127,357.39 |
| Amortization of intangible assets | | |
| Amortization of long-term deferred expenses | | |
| Losses on disposal of fixed assets, intangible assets and other long-term assets (Receipts fill with “—”) | | |
| Loss on scrapping of fixed assets (Receipts fill with “—”) | | |
| Loss from changes in fair value (Receipts fill with “—”) | | |
| Financial expenses (Receipts fill with “—”) | 702,645,617.59 | 714,132,139.38 |
| (return is listed with "-") | -14,372,692.35 | -14,181,888.19 |
| Decrease in deferred income tax assets (Increase fill with “—”) | | |
| Increase in deferred income tax liabilities (decrease is listed with "-") | | |
| Decrease of inventory (Increase fill with “—”) | | |
| Decrease in operating receivables (additions are listed with "-") | -602,471,495.36 | -901,317,388.89 |
| Increase in operating payable items (decrease is listed with -") | 1,747,558.97 | 4,298,861.28 |
| Others | | |
| Net cash flow from operating activities | -452,885,341.25 | -728,694,800.88 |
| 2. Major investment and financing activities that do not involve cash receipts and expenditures: | | |
| Conversion of debt into capital | | |
| Convertible corporate bonds due within one year | | |
| Financing lease of fixed assets | | |
| 3. Net changes in cash and cash equivalents: | | |
| Ending balance of cash | 2,525,762,251.30 | 2,846,393,223.75 |
| Minus: the beginning balance of cash | 2,846,393,223.75 | 6,113,895,989.78 |
| Plus: ending balance of cash equivalents | | |
| Minus: beginning balance of cash equivalents | | |
| Net increase in cash and cash equivalents | -320,630,972.45 | -3,267,502,766.03 |

<2>Cash and cash equivalents

| Item | Current amount | Previous amount |
|---|---|---|
| (1)Cash | 2,525,762,251.30 | 2,846,393,223.75 |
| Including：Cash on hand | 29,657.98 | 38,585.19 |
| Fund deposited in central bank for payment at any time | 2,525,732,593.32 | 2,846,354,638.56 |
| Other Monetary fund for payment at any time | | |
| (2) Cash equivalents | | |
| Including: Bond investment due within three months | | |
| (3)Balance of cash and cash equivalents at end of period | 2,525,762,251.30 | 2,846,393,223.75 |
| Including:Use of restricted cash and cash equivalents by parent company or subsidiaries within the group | 81,455,698.90 | 81,455,698.90 |

Henan Railway Investment Co. Ltd.

April 24, 2020

全程电子化

统一社会信用代码
91410100MA40D51G65

# 营业执照

（副 本）(1-1)

扫描二维码登录'国家企业信用信息公示系统'了解更多登记、备案、许可、监管信息。

| | | | |
|---|---|---|---|
| 名　　称 | 希格玛会计师事务所（特殊普通合伙）河南分所 | 成立日期 | 2014年01月07日 |
| 类　　型 | 特殊普通合伙企业分支机构 | 营业期限 | 长期 |
| 负 责 人 | 杨培华 | 营业场所 | 河南自贸试验区郑州片区（郑东）商务外环路25号17层1706室 |
| 经营范围 | 许可项目：从事会计师事务所业务；代理记账（依法须经批准的项目，经相关部门批准后方可开展经营活动，具体经营项目以相关部门批准文件或许可证件为准）<br>一般项目：税务服务（除依法须经批准的项目外，凭营业执照依法自主开展经营活动） | | |

希格玛会计师事务所（特殊普通合伙）河南分所

希豫分审字［2021］第284号
附件专用·盖章有效

登记机关

郑州市市场监督管理局

2020 年 12 月 29 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

## 会计师事务所分所
# 执业证书

名　　　称：希格玛会计师事务所（特殊普通合伙）河南分所

负　责　人：杨培华

经 营 场 所：河南自贸实验区郑州片区（郑东）商务外环路25号17层1706室

分所执业证书编号：610100474101

批准执业文号：豫财会[2013]59号

批准执业日期：2013年12月06日

证书序号：5003346

## 说　明

1、《会计师事务所分所执业证书》是证明会计师事务所分所经财政部门依法审批，准予持证分所执行业务的凭证。

2、《会计师事务所分所执业证书》记载事项发生变动的，应当向财政部门申请换发。

3、《会计师事务所分所执业证书》不得伪造、涂改、出租、出借、转让。

4、会计师事务所分所终止或执业许可注销的，应当向财政部门交回《会计师事务所分所执业证书》。

发证机关：河南省财政厅

二〇二年　二月　五日

中华人民共和国财政部制

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

中国注册会计师协会

希豫分审字[2020]第0884号

附件专用

姓名 Full name 杨培华

性别 Sex 男

出生日期 Date of birth 1972-11-11

工作单位 Working unit 希格玛会计师事务所（特殊普通合伙）河南分所

身份证号码 Identity card No. 410105197211111030

证书编号：410000540002
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：2003 年/y 04 月/m 17 日/d
Date of Issuance

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河南省注册会计师协会 CPA 年检专用章 4101055431070

2020年3月30日

希格玛会计师事务所（特殊普通合伙）河南分所

年/y 月/m 日/d

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THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

中国注册会计师协会

希豫分审字【2020】第1284号

附件专用·盖章有效

姓名 Full name 于清

性别 Sex 男

出生日期 Date of birth 1969-05-13

工作单位 Working unit 希格玛会计师事务所（特殊普通合伙）

身份证号码 Identity card No. 610115196905130513

证书编号：610100473080
No. of Certificate

批准注册协会：陕西省注册会计师协会
Authorized Institute of CPAs

发证日期：2015 年 11 月 26 日
Date of Issuance /y /m /d

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年度检验登记
Annual Renewal Registration

陕西省注册会计师协会CPA任职资格检查 2020年 合格专用章

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希格玛会计师事务所（特殊普通合伙）河南分所

年 /y 月 /m 日 /d

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## ISSUER

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**(河南省鐵路建設投資集團有限公司)**
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