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

## **PUBLICATION OF OFFERING CIRCULAR**

### **Jinan Shuntong International Co. Limited**

**濟南舜通國際有限公司**

*(Incorporated in Hong Kong with limited liability)*

**U.S.\$200,000,000 6.75 per cent. guaranteed green bonds due 2023 (the “Bonds”)  
(Stock Code: 5639)**

**Unconditionally and irrevocably guaranteed by**

**Jinan Rail Transit Group Co., Ltd.**

**(濟南軌道交通集團有限公司)**

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

***Sole Global Coordinator***

**CCB International**

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

CCB International	Hua Xia Bank Co., Limited Hong Kong Branch	China Everbright Bank	Bank of Communications	CNCB Capital
Luso Bank Ltd.	Huatai International	Guolian Securities International	Shanghai Pudong Development Bank Hong Kong Branch	Shenwan Hongyuan (H.K.)
China Galaxy International	China International Capital Corporation	Guotai Junan International	Zhongtai International	Haitong International

***Sole Green Structuring Advisor***

**CCB International**

This announcement is issued pursuant to Rule 37.39A of the Listing Rules. Reference is made to the notice of the listing of the Bonds on The Stock Exchange of Hong Kong Limited dated 28 November 2022, the Bonds as described in the offering circular dated 21 November 2022 (the “**Offering Circular**”) (appended herewith) are issued to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“**Professional Investors**”) only.

**Notice to Hong Kong Investors:** Jinan Shuntong International Co. Limited 濟南舜通國際有限公司 (the “**Issuer**”) and Jinan Rail Transit Group Co., Ltd. (濟南軌道交通集團有限公司) (the “**Guarantor**”) confirm that the Bonds are intended for purchase by Professional Investors only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

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

Hong Kong, 29 November 2022

*As at the date of this announcement, the directors of Jinan Shuntong International Co. Limited 濟南舜通國際有限公司 are Mr. Sun Mingjian and Mr. Yu Lei.*

*As at the date of this announcement, the directors of Jinan Rail Transit Group Co., Ltd. (濟南軌道交通集團有限公司) are Mr. Chen Sibin, Mr. Wang Bozhi, Ms. Lv Jianxin, Mr. Yang Chenglin, Mr. Zhou Youzhi, Mr. Wang Xiaojun, Mr. Li Liping, Mr. Hu Anhong and Mr. Yu Lei.*

**IMPORTANT NOTICE**  
**THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES**  
**OUTSIDE THE UNITED STATES.**

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

**Confirmation of Your Representation:** This Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to Jinan Shuntong International Co. Limited (濟南舜通國際有限公司) (the “**Issuer**”), Jinan Rail Transit Group Co., Ltd. (濟南軌道交通集團有限公司) (the “**Guarantor**” or the “**Company**”), CCB International Capital Limited, Hua Xia Bank Co., Limited Hong Kong Branch, China Everbright Bank Co., Ltd., Hong Kong Branch, CEB International Capital Corporation Limited, Bank of Communications Co., Ltd. Hong Kong Branch, CNCB (Hong Kong) Capital Limited, Luso International Banking Limited, Huatai Financial Holdings (Hong Kong) Limited, Guolian Securities International Capital Co., Ltd, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, Shenwan Hongyuan Securities (H.K.) Limited, China Galaxy International Securities (Hong Kong) Co., Limited, China International Capital Corporation Hong Kong Securities Limited, Guotai Junan Securities (Hong Kong) Limited, Zhongtai International Securities Limited and Haitong International Securities Company Limited (together, the “**Managers**”) that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and 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, the Guarantor, the Managers, the Trustee (as defined in the attached Offering Circular) or the Agents (as defined in the Terms and Conditions of the Bonds) or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls the Managers 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. We will provide a hard copy version to you upon request.

**Restrictions:** The attached Offering Circular is being furnished in connection with an offering exempt from registration under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) solely for the purpose of enabling a prospective investor to consider the purchase of securities described in the attached Offering Circular. You are reminded that the information in the attached Offering Circular is not complete and may be changed.

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES REFERRED TO IN THE OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR UNDER ANY SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, RESOLD TRANSFERRED OR DELIVERED DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES.**

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

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

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

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

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

# Jinan Shuntong International Co. Limited

## (濟南舜通國際有限公司)

(incorporated in Hong Kong with limited liability)

**US\$200,000,000 6.75 per cent. Guaranteed Green Bonds due 2023**  
unconditionally and irrevocably guaranteed by



# Jinan Rail Transit Group Co., Ltd.

## (濟南軌道交通集團有限公司)

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

**Issue Price: 100.00 per cent.**

The 6.75 per cent. Guaranteed Green Bonds due 2023 in the aggregate principal amount of US\$200,000,000 (the “**Bonds**”) will be issued by Jinan Shuntong International Co. Limited (濟南舜通國際有限公司) (the “**Issuer**”) and will be unconditionally and irrevocably guaranteed (the “**Guarantee**”) by Jinan Rail Transit Group Co., Ltd. (濟南軌道交通集團有限公司) (the “**Guarantor**” or the “**Company**”). The Issuer is a direct wholly-owned subsidiary of the Guarantor.

The Bonds will bear interest on their outstanding principal amount from and including 28 November 2022 (the “**Issue Date**”) at the rate of 6.75 per cent. per annum, payable in arrear on 28 May 2023 and 27 November 2023. The Bonds will constitute direct, general, unconditional, unsubordinated and, subject to Condition 3(a) of the Terms and Conditions of the Bonds, unsecured obligations of the Issuer and shall at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The Guarantor will enter into a deed of guarantee (the “**Deed of Guarantee**”) with China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the “**Trustee**”) on 28 November 2022. The Guarantor undertakes that it will register or cause to be registered with the State Administration of Foreign Exchange or its local counterparts (“**SAFE**”) the Deed of Guarantee in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration of Cross-border Guarantees (跨境擔保外匯管理規定) (“**Cross-border Security Registration**”), and will use its best endeavours to complete the Cross-border Security Registration and obtain a registration record from SAFE on or before the SAFE Registration Deadline (being 120 PRC Business Days (as defined in the Terms and Conditions of the Bonds) after the Issue Date) and comply with all applicable PRC laws and regulations in relation to the Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application and subject to Condition 3(a) of the Terms and Conditions of the Bonds, at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor.

The Bonds will mature on 27 November 2023 at their principal amount. 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 the Terms and Conditions of the Bonds) and in writing to the Trustee and the Principal Paying Agent at their principal amount (together with any interest accrued to (but excluding) the date fixed for redemption) in the event that immediately before giving such notice, the Issuer satisfies the Trustee that, the Issuer or the Guarantor, as the case may be, has or will become obliged to pay Additional 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 Hong Kong, the PRC, as the case may be, 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 a holding by a court of competent jurisdiction) and such obligation cannot be avoided by the Issuer, or the Guarantor, as the case may be, taking reasonable measures available to it, as further described in Condition 5(b) of the Terms and Conditions of the Bonds. The Bonds may also be redeemed at the option of the Bondholders at 101 per cent. of the principal amount, together with accrued interest, upon the occurrence of a Change of Control (as defined in the Terms and Conditions of the Bonds) or at 100 per cent. of the principal amount, together with accrued interest, upon the occurrence of a No Registration Event (as defined in the Terms and Conditions of the Bonds) as further described under “Terms and Conditions of the Bonds”.

**Investing in the Bonds involves certain risks. See “Risk Factors” beginning on page 12.**

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

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

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

The Bonds are expected to be rated “A-” by Fitch Ratings Inc. (“**Fitch**”). The Guarantor is rated “A-” by Fitch. Such ratings are not a recommendation to buy, sell or hold the Bonds or any other securities of the Issuer and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Guarantor or the Bonds may adversely affect the market price of the Bonds.

The Bonds and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Guarantee are being offered and sold outside of the United States in reliance on Regulation S under the Securities Act. For a description of certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see the section entitled “*Subscription and Sale*” on page 144.

The denomination of the Bonds shall be US\$200,000 each and integral multiples of US\$1,000 in excess thereof.

The Bonds will be represented initially by interests in a global certificate (the “**Global Certificate**”) in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary on behalf of 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, individual certificates for Bonds will not be issued in exchange for interests in the Global Certificate. See “*Summary of Provisions relating to the Bonds in Global Form*”.

**Sole Global Coordinator**

**CCB International**

**Joint Lead Managers and Joint Bookrunners**

CCB International	Hua Xia Bank Co., Limited Hong Kong Branch	China Everbright Bank	Bank of Communications	CNCB Capital
Luso Bank Ltd.	Huatai International	Guolian Securities International	Shanghai Pudong Development Bank Hong Kong Branch	Shenwan Hongyuan (H.K.)
China Galaxy International	China International Capital Corporation	Guotai Junan International	Zhongtai International	Haitong International

**Sole Green Structuring Advisor**

**CCB International**

Offering Circular dated 21 November 2022

## IMPORTANT NOTICE

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

This Offering Circular 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, the Company and the Group. The Issuer and the Company accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their respective knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Each of the Issuer and the Company, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Company, and the Company's subsidiaries (collectively, the "**Group**"), the Bonds and the Guarantee, which is material in the context of the issue and offering of the Bonds; (ii) the statements contained in this Offering Circular relating to the Issuer, the Company and the Group are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Company and the Group are honestly and reasonably held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Company, the Group, the Bonds or the Guarantee, the omission of which would, in the context of the issue and offering of the Bonds, make any statement, opinion or intention expressed in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer and the Company to ascertain such facts and to verify the accuracy of all such information and statements. In addition, each of the Issuer and the Company accepts full responsibility for the accuracy of the information contained in this Offering Circular.

This Offering Circular has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. 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 Company and the Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the People's Republic of China, Hong Kong and Singapore to persons connected therewith. For a description of certain further restrictions on offers, sales and resale of the Bonds and distribution of this Offering Circular, see "Subscription and Sale".

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Company, the Group, the Bonds or the Guarantee 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 Company, the Managers, the Trustee or the Agents (as defined in the Terms and Conditions of the Bonds). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Company, the Group or any of them since the date hereof or create any implication that the information contained herein is correct at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Company, the Managers, the Trustee or the Agents 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 Issuer has submitted this Offering Circular confidentially to a limited number of institutional investors so that they can consider a purchase of the Bonds. Neither the Issuer nor the Company has authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular, each investor agrees to these restrictions.

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

**IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY MANAGER (OR PERSONS ACTING ON ITS BEHALF) APPOINTED AS THE STABILISATION MANAGER (THE “STABILISATION MANAGERS”) MAY OVER-ALLOT 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 RELEVANT TRANCHE OF NOTES 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 AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

In connection with the offering of the Bonds, the Managers and/or their respective affiliates, or affiliates of the Issuer and/or the Company may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. These entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer and/or the Company, 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 and/or the Company 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.

None of the Issuer, the Company and the Managers is making an offer to sell the Bonds in any jurisdiction except where an offer or sale is permitted. The distribution of this Offering Circular and the offering of the Bonds may in certain jurisdictions be restricted by law. None of the Issuer, the Company and the Managers 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 assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Company or the Managers which is intended to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular comes are required by the Issuer, the Company and the Managers to inform themselves about and to observe any such restrictions. Each prospective purchaser of the Bonds must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Bonds or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Issuer, the Company and the Managers shall have any responsibility therefor.

None of the Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisors undertakes to review the financial condition or affairs of the Issuer or the Company during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Managers, the Trustee or the Agents.

You are responsible for making your own examination of the Issuer and the Group and your own assessment of the merits and risks of investing in the Bonds. The Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Circular. Any representation to the contrary is a criminal offence. These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws or exemption therefrom.

You should be aware that you may be required to bear financial risks of this investment for an indefinite period of time.

No representation or warranty, express or implied, is made or given by the Managers, the Trustee or the Agents 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. None of the Managers, the Trustee and the Agents has independently verified any of the information contained in this Offering Circular and can give any assurance that this information is accurate, truthful or complete. Each person receiving this Offering Circular acknowledges that such person has not relied on any of the Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, none of the Managers, the Trustee and the Agents or any of their respective affiliates, directors, officers, employees, representatives or any person who controls any of them accept any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by the Managers, the Trustee or the Agents or on its or their behalf in connection with the Issuer, the Company, the Group, the issue and offering of the Bonds or the Guarantee. Each of the Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement.

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 Company, the Managers, the Trustee or the Agents 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.

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

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

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

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

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Lead Manager or its group company has more than 50% interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to the offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a “proprietary order”. If a prospective investor is otherwise affiliated with any Joint Lead Manager, such that its order may be considered to be a “proprietary order” (pursuant to the Code), such prospective investor should indicate to the relevant Joint Lead Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to the offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to the offering.

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

## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

Unless otherwise indicated, all references in this Offering Circular to “**China**” or the “**PRC**” are to the People’s Republic of China and, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, and all references to “**Hong Kong**” and “**Macau**” are to, respectively the Hong Kong Special Administrative Region and the Macao Special Administrative Region of China.

Unless otherwise specified or the context requires, all references in this Offering Circular to “**Renminbi**” or “**RMB**” or “**CNY**” are to the lawful currency of the PRC and all references to “**US dollars**” or “**US\$**” or “**USD**” are to the lawful currency of the United States of America.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and the 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.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Company, the Managers, the Trustee, the Agents or their respective directors and advisers, and none of the Issuer, the Company, the Managers, the Trustee, the Agents nor their respective directors and advisors make any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

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

The Group records and publishes financial statements in Renminbi. Unless otherwise stated in this Offering Circular, all translations from Renminbi amounts to US dollars were made at the rate of RMB6.3726 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 30 December 2021. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into US dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see the section entitled “*Exchange Rate Information*”.

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

- “**COVID-19**” refers to the novel coronavirus disease;
- “**GDP**” refers to gross domestic product;
- “**GFA**” refers to gross floor area;
- “**IFRS**” refers to the International Financial Reporting Standards;
- “**Jinan City**” or “**Jinan**” refers to Jinan, the capital city of Shandong Province in China;
- “**Jinan SASAC**” refers to State-owned Assets Supervision and Administration Commission of Jinan People’s Government (濟南市人民政府國有資產監督管理委員會);
- “**Jinan Metro**” refers to the rail transit system in Jinan City;
- “**Jinan Municipal Government**” refers to Jinan Municipal People’s Government (濟南市人民政府);
- “**k.m.**” refers to kilometres;
- “**MLR**” refers to the Ministry of Land and Resources of the People’s Republic of China;
- “**MOF**” refers to Ministry of Finance of the People’s Republic of China;
- “**MOFCOM**” refers to the Ministry of Commerce of the People’s Republic of China;
- “**NDRC**” are to the National Development and Reform Commission of the People’s Republic of China or its local counterparts;
- “**PBOC**” refers to the People’s Bank of China, the central bank of the People’s Republic of China;
- “**PRC Government**” refers to the central government of the People’s Republic of China 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;
- “**Qingdao Metro**” refers to the rail transit system in Qingdao, a prefecture level city in Shandong Province;
- “**SAFE**” are to the State Administration of Foreign Exchange of the People’s Republic of China or its competent local counterparts;

- “**SAT**” refers to the State Administration of Taxation of the People’s Republic of China;
- “**sq.m.**” refers to square metres;
- “**sq.km.**” refers to square kilometres;
- “**State Council**” refers to the State Council of the People’s Republic of China;
- “**VAT**” refers to value-added tax; and
- “**Xuzhou Metro**” refers to the rail transit system in Xuzhou, a prefecture level city in Jiangsu Province.

The Group’s financial statements are prepared in accordance with PRC GAAP which differ in certain respects from generally accepted accounting principles in certain other countries.

Unless the context otherwise requires, references to “2019”, “2020” and “2021” in this Offering Circular are to the Group’s financial years ended 31 December 2019, 2020 and 2021, respectively.

## PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains consolidated financial information of the Company as at and for the years ended 31 December 2019, 2020 and 2021, which has been extracted from the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 (“**2020 Consolidated Financial Statements**”) and 2021 (“**2021 Consolidated Financial Statements**”), together with the 2020 Consolidated Financial Statements, “**Audited Financial Statements**”). The Audited Financial Statements were prepared and presented in accordance with the Accounting Standards for Business Enterprises in the PRC (“**PRC GAAP**”) as promulgated by MOF from time to time. The Audited Financial Statements have been audited by Pan-China Certified Public Accountants (“**PCCPA**”), the Company’s independent auditors.

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

PRC GAAP differs in certain respects from IFRS. See “Summary of Certain Differences between PRC GAAP and IFRS”.

As the financial statements of the Company are prepared in Chinese in accordance with PRC GAAP, the Company has prepared English translations of such financial statements which are included in this Offering Circular. None of the Managers, the Trustee or the Agents have independently verified or checked the accuracy of the English translations and can give no assurance that the information contained in the English translations of the financial statements of the Company is accurate or complete.

## FORWARD-LOOKING STATEMENTS

The Issuer and the Company have made certain forward-looking statements in this Offering Circular regarding, among other things, the Group's financial condition, future expansion plans and business strategy. These forward-looking statements are based on the Group's current expectations about future events. Although the Issuer and the Company believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the Group's strategies, plans, objectives and goals and its ability to implement such strategies and achieve its plans, objectives and goals;
- future developments, trends and conditions in the industry and markets in which the Group operates;
- the Group's business prospects and capital expenditure plans;
- changes in raw material costs and other construction costs for the Group's property development and urban operations business;
- the actions and developments of the Group's competitors;
- the Group's financial condition and performance;
- the availability and cost of bank loans and other forms of financing;
- various business opportunities that the Group may pursue;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business;
- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- macroeconomic measures taken by the PRC Government to manage economic growth; and
- the Group's ability to identify factors other than those discussed under "Risk Factors" and elsewhere in this Offering Circular.

In some cases, you can identify forward-looking statements by such terminology as "may", "will", "should", "could", "would", "expect", "intend", "plan", "anticipate", "going forward", "ought to", "seek", "project", "forecast", "believe", "estimate", "predict", "potential" or "continue" or the negative of these terms or other comparable terminology. Such statements reflect the current views of the Issuer or the Company with respect to future events, operations, results, liquidity and capital resources and are not a guarantee of future performance, some of

which may not materialise or may change. Although the Issuer and the Company believe that the expectations reflected in these forward-looking statements are reasonable, there is no assurance that those expectations will prove to be correct, and investors are cautioned not to place undue reliance on such statements. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the Issuer's and the Company's actual results could differ materially from those anticipated in these forward-looking statements. All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set forth in this section.

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

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## SUMMARY

### OVERVIEW

The Group is a key state-owned entity for the construction and operation of rail transit system in Jinan City, Shandong Province, the PRC. As at 31 December 2021, the Group had six metro line projects, namely Line 1, Line 2 (Phase I), Line 3 (Phase I), Line 3 (Phase II), Line 4 (Phase I) and Line 6 of the Jinan Metro, and one railway line project, namely the Jinan-Laiwu High-speed Railway, under construction and/or trial operation with an aggregate length of 293.3 k.m. All the metro lines in Jinan City are to be operated by the Group upon completion. The Group is also responsible for the integrated development of the resources along the rail transit lines it operates, the development of resettlement housing and the construction and operation of municipal infrastructures in Jinan City.

The Group conducts its business primarily within Jinan City, the capital city and the political, economic, cultural and financial centre of Shandong Province. Along with the approval of the Recent Plan on the Construction of Jinan's Rail Transit (2015–2019) 《(濟南市軌道交通近期建設規劃(2015–2019))》 by the NDRC in January 2015 endorsing the construction plans with respect to Line 1, Line 2 (Phase I), Line 3 (Phase I) of the Jinan Metro, the approval of the Plan on the Construction of Jinan's Rail Transit (Phase II) (2020–2025) 《(濟南市城市軌道交通第二期建設規劃(2020–2025))》 by the NDRC in October 2020 endorsing the construction plans with respect to Line 3 (Phase II), Line 4 (Phase I), Line 6, Line 7 (Phase I), Line 8 (Phase I) and Line 9 (Phase I) of the Jinan Metro and the announcement of the construction plan with respect to the Xinjian District-Jinan District (Pilot District) Tramline Project (新建至濟陽區(先行區)有軌電車工程) by the Jinan Natural Resources and Planning Bureau, Jinan City has been undergoing rapid development and actively implementing its urban rail transit planning during recent years.

As one of the primary government-designated platforms through which the Jinan Municipal Government implements its blueprint for Jinan City's rail transit development, the Group has benefited from the rapid development of Jinan City's rail transit infrastructure and has maintained a strong growth momentum. For the years ended 31 December 2019, 2020 and 2021, the total operating income from the Group's business operation was RMB532.2 million, RMB1,604.8 million, and RMB2,539.9 million, respectively. As at 31 December 2019, 2020 and 2021, the total asset of the Group was RMB74.9 billion, RMB108.4 billion and RMB152.8 billion, respectively. As at 31 December 2019, 2020 and 2021, the debt to asset ratio of the Group was 74.5 per cent., 74.1 per cent. and 74.1 per cent., respectively. Overall, the Group has maintained healthy leverage ratio in the sense that there has not occurred any material debt default in the course of the Group's operation. As at the date of this Offering Circular, the Company has a registered capital of RMB15.0 billion and is wholly owned by the Jinan SASAC.

The Group's business segments include (i) rail construction and operating business, (ii) resettlement housing development business, (iii) infrastructure construction business, (iv) engineering and consulting business, (v) property management business, (vi) concrete and construction materials business, (vii) electrical and machinery equipment business, (viii) advertising business and (ix) other business. The following sets out an overview of the Group's major business segments:

- *Rail construction and operation:* The Group's rail transit construction and operation business primarily includes rail construction and its operation upon completion as well as the development of resources along the rail transit lines. As at 31 December 2021, the Group had six metro line projects and one railway line project under construction and/or trial operation with an aggregate length of 293.3 k.m. and an estimated total investment of approximately RMB161.9 billion. The Group finances its rail construction business primarily with operating income derived from its resources development business, which involves the integrated development of the resources along the rail transit lines, particularly land development. The Group will also explore new business opportunities, such as advertisements on metros, communication services, commerce and development of property and other resources, once the metro lines are put into operation.
- *Resettlement housing development:* The Group has undertaken a number of resettlement housing development projects in Jinan City. As at 31 December 2021, the Group had nine resettlement housing projects under development with an estimated total investment of approximately RMB22.9 billion and a total planned GFA of approximately 2,962.6 thousand sq.m.
- *Infrastructure construction:* The Group's infrastructure construction business includes the investment, construction and operation of municipal infrastructures, including urban infrastructure, municipal roads and transport facilities, in Jinan City according to the municipal infrastructure construction plans and investment budget promulgated by the Jinan Municipal Government. As at 31 December 2021, the Group had four infrastructure construction projects under construction with an estimated total investment of approximately RMB19.7 billion.
- *Engineering and consulting:* The Group provides technical services related to survey and design, consultation and research, testing and inspection and engineering management to rail transit lines in Jinan City and is primarily involved in the design and planning of the Jinan Metro. The Group, through its subsidiaries, derives operating income primarily from engineering design and engineering survey services, which includes commission fees as a joint designer or joint surveyor. As at 31 December 2021, the Group had served various phases of the three key metro lines of the Jinan Metro, namely Line 1, Line 2 and Line 3, and had also provided site design services for Line 4 of the Xuzhou Metro and Line 15 of the Qingdao Metro.
- *Property management:* The Group began its property management business in 2021. The Group provides property management services, including without limitation, security, cleaning, equipment repair and maintenance and landscaping services, primarily for the rail transit lines in Jinan City that it develops, as well as the Jianandong Railway Station and its subsidiaries, including Shandong Aipel Electrical Equipment Co., Ltd. (山東愛普電氣設備有限公司).
- *Concrete and construction materials:* The Group began its concrete and construction materials business in 2018. The Group's concrete and construction materials business primarily includes the production and sale of concrete and construction materials, such as cables and segments.

- *Electrical and machinery equipment:* The Group's electrical and machinery equipment business consists of two sub-segments, namely electrical equipment business and machinery equipment business. The Group began its electrical equipment business and machinery equipment business in 2020 and 2021, respectively. The Group's electrical equipment business primarily includes the development, design, manufacturing and sales of electrical equipment and relevant components, as well as the installation and leasing of electrical facilities. The Group's machinery equipment business primarily involves sales and leasing of machinery equipment relating to electric power, mining and tunnel excavation.
- *Advertising:* The Group began its advertising business in 2019. The Group's advertising business includes print advertisements and vehicle advertisements in rail transit lines that the Group operates. The Group's advertising business offers a variety of advertising and presentation solutions, including without limitation, in-car light box, creative display, super media, super large screen, vehicle body naming, creative car chartering, brand channel, brand ocean and brand forest, to customers who seek for displaying and building business image and promoting market projects. The Group also undertakes the promotion of government administrative affairs.

### **COMPETITIVE STRENGTHS**

The Group believes that the following strengths are important to its success and future development:

- Strong and continuous governmental support
- Well-positioned in Jinan City with favourable development environment
- Leading position and unparalleled market share in Jinan City in the construction and operation of rail transit
- Diversified business lines with synergy
- Diversified funding channels
- Experienced management team and sound corporate governance

## THE ISSUE

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

<b>Issuer</b> .....	Jinan Shuntong International Co. Limited (濟南舜通國際有限公司).
<b>Guarantor</b> .....	Jinan Rail Transit Group Co., Ltd. (濟南軌道交通集團有限公司).
<b>Issue</b> .....	US\$200,000,000 in aggregate principal amount of 6.75 per cent. Guaranteed Green Bonds due 2023.
<b>The Guarantee</b> .....	<p>The Guarantor has unconditionally and irrevocably guaranteed the due and punctual payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed, as further described in Condition 1(c) of the Terms and Conditions of the Bonds.</p> <p>The Guarantor undertakes that after execution of the Deed of Guarantee, it will register or cause to be registered with SAFE the Deed of Guarantee in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration of Cross-border Guarantees (跨境擔保外匯管理規定) (“Cross-border Security Registration”), use its best endeavours to complete the Cross-border Security Registration and obtain a registration record from SAFE on or before the SAFE Registration Deadline and comply with all applicable PRC laws and regulations in relation to the Guarantee.</p>
<b>Issue Price</b> .....	100.00 per cent.
<b>Form and Denomination</b> .....	The Bonds are issued in registered form in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof.
<b>Interest</b> .....	The Bonds will bear interest from and including 28 November 2022, at the rate of 6.75 per cent. per annum, payable in arrear on 28 May 2023 and 27 November 2023.
<b>Issue Date</b> .....	28 November 2022.
<b>Maturity Date</b> .....	27 November 2023.

<b>Status of the Bonds</b> . . . . .	The Bonds constitute direct, general, unconditional, unsubordinated and (subject to Condition 3(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
<b>Status of the Guarantee</b> . . . . .	The obligations of the Guarantor under the Guarantee shall, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application and subject to Condition 3(a) of the Terms and Conditions of the Bonds, at all times rank at least <i>pari passu</i> with all other present and future unsecured obligations of the Guarantor.
<b>Negative Pledge</b> . . . . .	The Bonds contain a negative pledge as further described in Condition 3(a) of the Terms and Conditions of the Bonds.
<b>Events of Default</b> . . . . .	The Bonds contain certain events of default provisions as further described in Condition 8 of the Terms and Conditions of the Bonds.
<b>Taxation</b> . . . . .	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds shall be made free and clear of, without set-off or counterclaim and without withholding or deduction for, or an account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 7. In such event, the Issuer shall, subject to the limited exceptions specified in the Conditions, pay such additional amounts as will result in receipt by the holders of the Bonds of such amounts as would have been received by them had no such withholding or deduction been required.
<b>Final Redemption</b> . . . . .	Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on 27 November 2023.

**Redemption for Taxation**

**Reasons** . . . . . The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which such 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 excluding) the date fixed for redemption), in the event that immediately before giving such notice, the Issuer satisfies the Trustee that, the Issuer or the Guarantor, as the case may be, has or will become obliged to pay Additional Amounts as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the PRC, as the case may be, 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 a holding by a court of competent jurisdiction) and such obligation cannot be avoided by the Issuer, or the Guarantor, as the case may be, taking reasonable measures available to it, as further described in Condition 5(b) of the Terms and Conditions of the Bonds.

**Redemption for Change of Control of a No Registration**

**Event** . . . . . Following the occurrence of a Change of Control or a No Registration Event, the Holder of any Bond will have the right, at such Holder’s option, to require the Issuer to redeem all, but not some only, of such Holder’s Bonds at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with accrued interest, as further described in Condition 5(c) and Condition 5(d) of the Terms and Conditions of the Bonds.

**Clearing Systems** . . . . . The Bonds will be represented initially by beneficial interests in the Global Certificate in registered form, which will be registered in the name of a nominee of, and deposited on or about the Issue Date with, a common depository 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, individual certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.

<b>Clearance and Settlement</b> . . . . .	The Bonds have been accepted for clearance through Euroclear and Clearstream with a Common Code 252554823 and an ISIN XS2525548231.
<b>Governing Law</b> . . . . .	English law.
<b>Trustee</b> . . . . .	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
<b>Principal Paying Agent, Transfer Agent and Registrar</b> . . . . .	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
<b>Listing</b> . . . . .	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.
<b>Ratings</b> . . . . .	The Bonds are expected to be rated “A-” by Fitch. The Guarantor is rated “A-” by Fitch. Such ratings are not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Guarantor or the Bonds may adversely affect the market price of the Bonds.
<b>Further Issues</b> . . . . .	The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the first payment of interest on them and the timing of the Cross-Border Security Registration) and so that the same shall be consolidated and form a single series with the outstanding Bonds, as further described in Condition 14 of the Terms and Conditions of the Bonds.
<b>Use of Proceeds</b> . . . . .	See section entitled “ <i>Use of Proceeds</i> ”.
<b>Green Finance Framework</b> . . . . .	The Bonds will be issued under the Green Finance Framework (as defined below). See “ <i>Green Finance Framework</i> ”.
<b>LEI</b> . . . . .	836800GQ2H5M1TUH2414.

## SELECTED FINANCIAL INFORMATION OF THE COMPANY

The selected financial information of the Company as at and for the years ended 31 December 2019, 2020 and 2021 set forth below is derived from and should be read in conjunction with the Audited Financial Statements, including the notes thereto and the auditor's reports in respect of the years ended 31 December 2020 and 2021 which are included elsewhere in this Offering Circular.

The Audited Financial Statements were prepared in accordance with PRC GAAP and have been audited by PCCPA. 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 the material differences, see "Risk Factors – Risks Relating to the Group's Business – The Company's consolidated financial statements included in this Offering Circular have been prepared and presented in accordance with the PRC GAAP, which are different from IFRS in certain respects".

### Summary Consolidated Balance Sheet Data

	As at 31 December			
	2019	2020	2021	
	(RMB)	(RMB)	(RMB)	(US\$)
	(in millions)			
<b>Current assets</b>				
Monetary fund . . . . .	8,811.4	7,109.3	9,787.8	1,535.9
Notes receivables . . . . .	9.1	27.5	140.4	22.0
Accounts receivables . . . . .	408.7	1,049.8	1,522.6	238.9
Receivables financing . . . . .	–	–	124.0	19.5
Prepayment . . . . .	2,951.4	2,667.6	1,544.3	242.3
Other receivable . . . . .	3,931.0	5,050.4	6,350.5	996.5
Inventories . . . . .	183.0	1,039.8	4,263.4	669.0
Other current assets . . . . .	2,438.2	1,946.2	3,651.2	572.9
<b>Total current assets . . . . .</b>	<b>18,732.9</b>	<b>18,890.5</b>	<b>27,384.1</b>	<b>4,297.2</b>
<b>Non-current assets</b>				
Held-for-sale financial assets . . . . .	399.9	623.5	–	–
Long-term equity investment . . . . .	256.2	350.0	892.2	140.0
Other equity instrument investment . . . . .	–	–	626.0	98.2
Other non-current financial assets . . . . .	–	–	26.0	4.1
Investment property . . . . .	–	–	102.7	16.1
Fixed assets . . . . .	177.7	242.7	539.8	84.7
Construction in progress . . . . .	41,261.6	62,953.8	90,477.7	14,197.9
Manufactured biological assets . . . . .	–	–	0.3	0.1
Right of use assets . . . . .	–	–	1,118.2	175.5
Intangible assets . . . . .	0.3	131.4	155.1	24.3
Development expense . . . . .	–	–	2.6	0.4
Goodwill . . . . .	–	75.3	77.9	12.2
Long-term deferred expense . . . . .	0.4	3.2	8.5	1.3
Deferred income tax assets . . . . .	1.8	11.0	14.8	2.3
Other non-current assets . . . . .	14,074.4	25,135.8	31,351.4	4,919.7
<b>Total non-current assets . . . . .</b>	<b>56,172.2</b>	<b>89,526.6</b>	<b>125,393.3</b>	<b>19,676.9</b>
<b>Total assets . . . . .</b>	<b>74,905.1</b>	<b>108,417.1</b>	<b>152,777.4</b>	<b>23,974.1</b>

	As at 31 December			
	2019	2020	2021	
	(RMB)	(RMB)	(RMB)	(US\$)
	<i>(in millions)</i>			
<b>Liabilities and owners' equity</b>				
<b>Current liabilities</b>				
Short-term borrowings	3,090.0	747.0	1,088.2	170.8
Notes payable	576.1	378.4	2,670.4	419.0
Account payables	734.2	1,687.1	4,858.4	762.4
Advances from customers	2.1	44.2	21.7	3.4
Contract liabilities	–	–	191.9	30.1
Employee payroll	6.0	109.0	298.0	46.8
Taxes and surcharges payable	11.7	24.1	47.7	7.5
Other payables	1,738.7	1,071.6	502.3	78.8
Non-current liabilities due within				
one year	4,552.8	2,555.1	4,840.9	759.6
Other current liabilities	3,572.8	4,080.5	4,435.0	696.0
<b>Total current liabilities</b>	<b>14,284.4</b>	<b>10,697.0</b>	<b>18,954.6</b>	<b>2,974.4</b>
<b>Non-current liabilities</b>				
Long-term borrowings	25,273.4	37,196.3	54,646.1	8,575.2
Bonds payable	6,768.9	11,754.0	18,665.6	2,929.0
Rental liabilities	–	–	528.8	83.0
Long-term payable	9,484.3	20,727.4	20,390.0	3,199.6
Deferred income	7.5	10.5	27.3	4.3
Deferred income tax liability	3.3	2.9	2.5	0.4
<b>Total non-current liabilities</b>	<b>41,537.3</b>	<b>69,691.1</b>	<b>94,260.2</b>	<b>14,791.5</b>
<b>Total liabilities</b>	<b>55,821.7</b>	<b>80,388.0</b>	<b>113,214.7</b>	<b>17,765.9</b>
<b>Owners' equity</b>				
Paid-in capital	9,500.0	15,000.0	15,000.0	2,353.8
Other equity instrument	1,400.0	6,900.0	13,360.0	2,096.5
Capital reserves	5,047.5	2,708.4	5,648.3	886.3
Special reserves	–	–	4.2	0.7
Surplus reserve	7.0	7.0	7.0	1.1
Undistributed profits	40.4	50.0	87.9	13.8
<b>Total owners' equity belongs to parent company</b>	<b>15,994.9</b>	<b>24,665.4</b>	<b>34,107.4</b>	<b>5,352.2</b>
Minority interest	3,088.5	3,363.6	5,455.3	856.1
<b>Total owners' equity</b>	<b>19,083.4</b>	<b>28,029.0</b>	<b>39,562.7</b>	<b>6,208.3</b>
<b>Total liabilities and owners' equity</b>	<b>74,905.1</b>	<b>108,417.1</b>	<b>152,777.4</b>	<b>23,974.1</b>

## Summary Consolidated Statement of Income Data

	For the year ended 31 December			
	2019	2020	2021	
	(RMB)	(RMB)	(RMB)	(US\$)
	<i>(in millions)</i>			
<b>Total Operating income</b> .....	<b>532.2</b>	<b>1,604.8</b>	<b>2,539.9</b>	<b>398.6</b>
<b>Total operating costs</b> .....	<b>(464.1)</b>	<b>(1,483.2)</b>	<b>(2,477.6)</b>	<b>(388.8)</b>
Operating costs .....	(401.5)	(1,270.0)	(1,952.8)	(306.4)
Taxes and surcharges .....	(3.5)	(15.8)	(23.4)	(3.7)
Sales expense .....	(29.7)	(57.7)	(53.7)	(8.4)
Administrative expenses .....	(25.8)	(112.8)	(203.0)	(31.9)
R&D expenses .....	(3.7)	(24.8)	(139.9)	(22.0)
Financial expenses .....	0.2	(2.2)	(104.8)	(16.5)
Other income .....	0.5	2.8	12.0	1.9
Investment income .....	44.8	3.5	50.1	7.9
Credit impairment loss .....	–	–	(25.5)	(4.0)
Asset impairment loss .....	(1.1)	(13.2)	–	–
Asset disposal income .....	–	0.1	32.8	5.1
<b>Profit from operations</b> .....	<b>112.1</b>	<b>114.6</b>	<b>131.6</b>	<b>20.6</b>
Non-operating profit .....	0	6.7	1.1	0.2
Non-operating expenses .....	(0.6)	(0.4)	(2.0)	(0.3)
<b>Profit before tax</b> .....	<b>111.6</b>	<b>120.9</b>	<b>130.7</b>	<b>20.5</b>
Income tax expenses .....	(16.8)	(34.9)	(19.6)	(3.1)
<b>Net profit</b> .....	<b>94.8</b>	<b>86.0</b>	<b>111.1</b>	<b>17.4</b>
Net profit belonging to parent company .....	70.8	51.5	78.1	12.2
Minority interest .....	23.9	34.5	33.0	5.2
<b>Total comprehensive income</b> .....	<b>94.8</b>	<b>86.0</b>	<b>111.1</b>	<b>17.4</b>
Total comprehensive income attributable to owners of the parent .....	70.8	51.5	78.1	12.2
Total comprehensive income attributable to minority shareholders .....	23.9	34.5	33.0	5.2

## Summary Consolidated Cash Flow Statement Data

	For the year ended 31 December			
	2019	2020	2021	
	(RMB)	(RMB)	(RMB)	(US\$)
	<i>(in millions)</i>			
Net cash flows from operating activities .....	(3,672.8)	1280.5	(3,325.9)	(521.9)
Net cash flows from investing activities .....	(21,661.0)	(34,862.1)	(26,617.2)	(4,176.8)
Net cash flows from financing activities .....	21,201.3	31,879.4	31,619.1	4,961.7
Effect of exchange rate changes on cash and cash equivalents .....	–	–	1.6	0.2

	For the year ended 31 December			
	2019	2020	2021	
	(RMB)	(RMB)	(RMB)	(US\$)
	<i>(in millions)</i>			
<b>Net increase in cash and cash equivalents</b> .....	<b>(4,132.4)</b>	<b>(1,832.1)</b>	<b>1,677.6</b>	<b>263.2</b>
Opening balance of cash and cash equivalents .....	12,933.8	8,741.6	6,909.5	1,084.2
<b>Closing balance of cash and cash equivalents</b> .....	<b>8,801.4</b>	<b>6,909.5</b>	<b>8,587.0</b>	<b>1,347.5</b>

### Other Financial Data

The following table sets forth certain other financial data of the Group as at the dates and for the periods indicated.

	As at and for the year ended 31 December		
	2019	2020	2021
EBITDA <sup>(1)</sup> (RMB in millions) .....	126.8	228.3	550.9
Asset-liability Ratio (per cent.) .....	74.5	74.1	74.1
Current Ratio .....	1.3	1.8	1.4

*Note:*

- (1) EBITDA for any period is calculated as gross profit adjusted for taxes and surcharges, sales expense, administrative expenses, R&D expenses, interest income, other income, depreciation and amortisation expenses, net non-operating revenue and investment income, among which, the depreciation and amortisation expenses includes depreciation of fixed assets, amortisation of intangible assets and amortisation of long-term deferred amortisation expenses. Such depreciation and amortization expenses represents all depreciation and amortization accrued by the Guarantor in the period indicated, which also includes those in relation to construction in progress. EBITDA is not a standard measure under PRC GAAP or IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt, EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, the Group believes that investors should consider, among other things, the components of EBITDA such as sales and operating expenses under the amount by which EBITDA exceeds capital expenditures and other charges. The Group has included EBITDA because it believes that it is a useful supplement to the cash flow data as a measure of the Group's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definitions.

## RISK FACTORS

*Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. The following factors are contingencies which may or may not occur and neither the Issuer nor the Company is in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to the Issuer or the Company or which the Issuer or the Company currently deems to be immaterial, may affect the Group's business, financial condition or results of operations or the Issuer's ability to fulfil its obligations under the Bonds.*

### **RISKS RELATING TO THE GROUP AND ITS BUSINESS**

**The Group's business, financial condition, results of operations and prospects are heavily dependent on the urban rail transit industry and urban development of Jinan City and the PRC, and are subject the level of economic development in Jinan City and the PRC.**

The Group's business operations are primarily focused on the urban rail transit industry in Jinan City, which involves different types of rail transportation, including metro and high-speed railway. Accordingly, the Group's business, financial condition, results of operations and prospects have been and will continue to be heavily dependent on the urban rail transit industry and urban development of Jinan City and the PRC in general. The future growth of the urban rail transit industry in China depends on the continued planning and construction of major urban rail transit projects. As a key infrastructure component in urban development, urban rail transit projects in China receive funding largely from municipal government budgets. Thus, the Group's business relies heavily on policies promulgated by the PRC Government and continuous urban rail transit investment by such local governments, in particular the Jinan Municipal Government. Infrastructure investment by the PRC Government is subject to, among others, periodic variations due to national and regional economic policies and changes in the development of the PRC economy. In addition, governmental policies relating to regional development planning, economic development and social benefits, land resources, industry restructuring and environmental protection may affect investment and development policies in the PRC urban rail transit industry. If there is any adverse change in the government budgets, public expenses and public policies in relation to the PRC urban rail transit industry, the Group's business, financial position, results of operations and prospects may be materially and adversely affected.

The Group is wholly owned and controlled by the Jinan SASAC, a government organ of the Jinan Municipal Government and is one of the government-designated platforms through which the Jinan Municipal Government implements its blueprints for Jinan City's urban development. Urban development projects, such as rail transit projects, land development projects, resettlement housing development projects and infrastructure construction projects, often require large capital investment and implementation of such plans may be limited by the capital available for investment by local governments. Accordingly, the Group's business and prospects are affected by the budget and spending of the Jinan Municipal Government on such development projects. For example, the business conducted by the Group is generally relating to rail construction projects, land development projects, resettlement housing development projects and infrastructure construction projects commissioned by the Jinan Municipal Government and other government agencies in Jinan City, where construction services are provided according to the agreements between the Group and the Jinan Municipal Government or the relevant

government agencies, with the commissions being subject to the approval by the relevant government agency. In addition, most transportation infrastructure projects, including the Group's rail transit projects, are funded by government agencies, these projects are sometimes subject to changes or postponement arising from factors such as changes in government budget or spending plan. There are many factors affecting the amount, timing and priority of the budget and spending of the Jinan Municipal Government on such projects, such as national and regional policies on the development of different industries as well as fiscal and monetary policies. Government budget and spending are also affected by government revenue, which in turn is affected by the general economic conditions. Any slowdown in the economic growth in the PRC or, in particular, Jinan City may adversely affect the fiscal condition and revenue of the Jinan Municipal Government, which may in turn cause the Jinan Municipal Government to reduce its budget and spending on development projects. In such case, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group's business and assets are highly concentrated in Jinan City, Shandong Province, focusing mainly on rail construction and operation, resettlement housing development, infrastructure construction, engineering and consulting, property management, sales of concrete and construction materials, sales and leasing of electrical and machinery equipment and advertising. Therefore, its business, financial condition, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development in and around Jinan City and the PRC in general. The PRC's economy has experienced rapid growth in the past 40 years; however, there has been a slowdown in the growth rate since the second half of 2013 to 2020. According to the National Statistics Bureau of the PRC, the annual growth rate of the PRC's GDP slowed down from 7.8 per cent. in 2013 to 2.3 per cent. in 2020. During the same period, the annual growth rate of GDP in Jinan City slowed down from 9.6 per cent. to 4.9 per cent. In particular, the outbreak of COVID-19 has adversely affected, and may continue to adversely affect, the level of economic development in Jinan City and the PRC. See also "*The Group's business may be affected by natural disasters, epidemics and other acts of God, including the recent COVID-19 pandemic*". The PRC's economy shows a sign of recovery in 2021. According to the National Bureau of Statistics of China, the annual growth rate of the PRC's GDP has increased to 8.1 per cent. During the same period, the annual growth rate of GDP in Jinan City increased to 8.3 per cent. However, considering the relatively low growth rates of the preceding year and the growing uncertainties in global economic due to the ongoing COVID-19 pandemic and international political environment, the growth rates of 2021 can be unrepresentative. There is no assurance that the level of economic development in Jinan City will continue to grow at the rates seen in previous years. Any further slowdown in the economic development in Jinan City may affect their development plans, which may in turn decrease the demand for the Group's business and adversely affect the Group's business, financial condition, results of operations and prospects, given that the Group's business and prospects depend, to a large extent, upon the public spending on urban development and construction in Jinan City.

**The growth of the Group's rail construction and operation business depends, in part, on the government approval of the Group's new rail transit projects, the implementation of those projects and other factors that the Group may not be able to control.**

The growth of the Group's rail construction and operation business depends, in part, on whether the Group is able to obtain approval of its new rail transit projects from various relevant PRC governmental authorities and whether it can implement such new rail transit projects in a timely and cost-effective manner in order to expand capacity and thereby accommodate more passengers and further facilitate the growth of the Group's other businesses,

such as resource development along rail transit lines, resettlement housing development, infrastructure construction, engineering and consulting, property management and advertising. The Group's plans for new rail transit projects are subject to a number of uncertainties, including:

- whether, and on what terms, including the location, length, funding plan and construction time, new rail transit projects of the Group will be approved by the relevant PRC governmental authorities and, in particular, whether such terms will enable the Group to earn a commercial rate of return on its investment in new rail transit projects;
- whether there will be sufficient population in the catchment area for a new rail transit project and whether that catchment area is encouraged to use the mass transit rail system as a result of government planning of highways and bus routes; and
- whether the Group will be able to obtain adequate financing on acceptable terms or governmental funding to fund the required capital expenditure.

Although the Group is currently the key entity for the construction and operation of rail transit system in Jinan City, there can be no assurance that new rail transit projects will be awarded to the Group on commercially viable terms or at all. In addition, although the Group has significant experience in the investment and construction of rail transit projects and a track record in financing and completing projects, there can be no assurance that new rail transit projects undertaken by the Group will be completed on time and/or within budget. Further, the Group's rail transit projects are generally funded by government agencies, these projects are sometimes subject to changes or postponement arising from factors such as changes in government budget or spending plan as well as changes in policy considerations. See also “– *The Group's business, financial condition, results of operations and prospects are heavily dependent on the urban rail transit industry and urban development of Jinan City and the PRC, and are subject the level of economic development in Jinan City and the PRC*”. Increases in the passenger flow will also be affected by macro-economic factors, such as population and employment growth and distribution and changes in demographics and economic conditions. In addition, increases in the passenger flow will be affected by the amount of road congestion and any expansion of the bus network. Furthermore, because of certain inherent capacity limitations and structural inflexibilities of mass transit railways, the Group may not be able to respond quickly to increases in demand. For example, the Group may not be able to change its routes to cater for new passenger demand in areas in which it does not operate. New routes are limited by the planning of relevant PRC governmental authorities and such routes may not be built quickly enough or cater to demand in newly developed areas. All these risks may have a material adverse effect on the Group's results of operations and financial position.

**Jinan SASAC and the Jinan Municipal Government can exert significant influence over the Group, and may not act in the best interests of the Group.**

The Group is wholly owned and controlled by the Jinan SASAC, a government organ of the Jinan Municipal Government. Jinan SASAC participates in and closely monitors the Group's decision-making process for key projects, review the Group's development strategies and investment plans, and appoint, and conduct annual appraisals on, the directors and supervisors of the Guarantor. Because of the involvement of the Jinan SASAC in the affairs of the Group, the

Group may not be able to make decisions, take actions or invest or operate its businesses in manners that are always in its best interests or that aim to maximise its profits.

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

In addition, the ownership or controlling relationship between the Group and Jinan SASAC, which is under the administration of Jinan Municipal Government, does not necessarily correlate to, or provide any assurance as to the financial conditions of the Issuer, the Guarantor or the Group. The repayment obligations under the Bonds remain the sole obligations of the Issuer and the Guarantor.

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

As a state-owned enterprise controlled by the Jinan SASAC, the Group regularly receives financial supports and preferential treatments from the Jinan SASAC and the Jinan Municipal Government. These supports may come in various forms, such as favourable policies, government grants and subsidies, asset transfers and capital injections. For the years ended 31 December 2019, 2020 and 2021, government subsidies received by the Group amounted to approximately RMB156.6 million, RMB464.2 million and RMB92.4 billion, respectively. As at 31 December 2021, the Group had received an aggregate amount of approximately RMB7,460.0 million special funds for the construction of Jinan rail transit system. There is no assurance that the Jinan SASAC and the Jinan Municipal Government will continue to provide such supports and preferential treatments to the Group or that the existing government supports will not be adjusted or terminated, any of which may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The Group relies on bank loans and proceeds from bond issuances to satisfy a portion of its capital requirements and the Group has a significant amount of outstanding indebtedness. As at 31 December 2021, the Group's total indebtedness (comprising short-term borrowings, non-current liabilities due within one year, other current liabilities, long-term borrowings, bonds payable and long-term payable) amounted to RMB104.1 billion, representing 68.1 per cent. of the Group's total assets as at the same date, of which RMB10.4 billion would become due within 12 months. In addition, as at 31 December 2021, the total current liabilities of the Group amounted to RMB19.0 billion, accounting for 16.7 per cent. of the Group's total liabilities, and the Group's liability-to-asset ratio was 74.1 per cent.

Significant indebtedness may pose negative effects on the liquidity and financial condition of the Group in the long run. If the Group cannot obtain sufficient funding in commercially acceptable terms in the future, it may encounter liquidity distress, which may negatively affect the operations of the Group.

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

- requiring the Group to dedicate part of its operating cash flow to the service of its indebtedness;
- increasing the Group's finance costs, thus affecting the overall profits of the Group;
- limiting the Group's flexibility in planning for or responding to changes in the Group's business and the industries in which it operates;
- 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 relies on bank loans and proceeds from bond issuances to satisfy a portion of its capital requirements, it is subject to relatively high financing cost and repayment pressure of principal and interests. Such financing cost and repayment pressure may continue to increase in the future. If the Group cannot make sufficient profits, such high financing costs and repayment pressure may negatively affect the business, financial condition and results of operations of the Group.

The Group's borrowings may be secured. Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operational efficiency. If the Guarantor and its subsidiaries are unable to service their secured debt on a timely basis, the assets provided as security for such debt may be subject to foreclosure, which may adversely affect the Group's business, prospects and financial condition.

**PRC regulations on the administration of local government debt may have a material adverse effect on the Group's financing and business models.**

The PRC Government has in recent years issued multiple regulations intended to restrict the ability of local governments to use state-owned enterprises to incur debt that should be directly incurred by government bodies. These regulations include the Opinion of the State Council on Enhancing the Administration of Fiscal Debts of Local Governments (Guo Fa [2014] No. 43) (國務院關於加強地方政府性債務管理的意見(國發[2014]43號)) (“**Circular 43**”) released on 21 September 2014, the Circular on Further Regulating the Debt Financing Activities of Local Governments (Cai Yu [2017] No. 50) (關於進一步規範地方政府舉債融資行為的通知(財預[2017]50號)) (“**Circular 50**”) jointly issued by the MOF, the NDRC, the Ministry of Justice of the PRC, the PBOC, the China Banking Regulatory Commission (subsequently reorganised into the China Banking and Insurance Regulatory Commission) and the China Securities Regulatory Commission on 26 April 2017, the Circular on Firmly Curbing Local Governments' Illegal Financing Activities in the Name of Government Procurement of Services (Cai Yu [2017] No. 87) (關於堅決制止地方以政府購買服務名義違法違規融資的通知(財預[2017]87號)) (“**Circular 87**”) issued by the MOF on 28 May 2017, the Notice on the Investment

and Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (Cai Jin [2018] No. 23) (關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知(財金[2018]23號)) (“**Circular 23**”) issued by the MOF on 28 March 2018, the Circular of the National Development and Reform Commission and the Ministry of Finance on the Improvement of Market Regulatory Regime and Strict Prevention of Risks Relating to Foreign Debt and Local Government Indebtedness (Fa Gai Wai Zi [2018] No. 706) (國家發展改革委、財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知(發改外資[2018]706號)) (“**Circular 706**”) jointly issued by the NDRC and the MOF on 11 May 2018, the Guiding Opinion on Strengthening the Asset and Liability Constraints of State-Owned Enterprises (中共中央辦公廳、國務院辦公廳《關於加強國有企業資產負債約束的指導意見》) (the “**Joint Opinion**”) jointly issued by the General Office of the Central Committee of the Communist Party of China and the State Council on 13 September 2018, and the Circular on Filing Requirements with respect to Application for Foreign Debt Issuance by Local State-owned Enterprises (Fa Gai Ban Wai Zi [2019] No. 666) (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知(發改辦外資[2019]666號)) (“**Circular 666**”) issued by the General Office of NDRC on 6 June 2019 (together with Circular 43, Circular 50, Circular 87, Circular 23, Circular 706, the Joint Opinion and Circular 666, the “**Debt Control Circulars**”).

Circular 50 reaffirmed the Circular 43 policy that local governments are not permitted to use any means other than local government bonds for debt financing and are prohibited from requesting or ordering enterprises to issue debt on behalf of local governments. Circular 87 required that local governments and their departments shall not take advantage of, or fabricate contracts for, government procurement of services in such a manner that conceals an underlying objective of raising funds for construction projects. Circular 23 and Circular 706 established policies for foreign debt issuance, including the prohibition against public assets being included as enterprise assets and restrictions on making disclosure in offering circulars that imply government endorsement on the relevant debt or any association of the enterprise issuer with the government’s credit. The Joint Opinion, consistent with Circular 43 and Circular 50, bans local governments from engaging in “disguised” borrowing by using state-owned enterprises to issue corporate debt on their behalf.

The Group believes that the PRC Government will continue to implement the Debt Control Circulars to control local government debts. Accordingly, the Group should rely on the cash flow generated from its operations and external borrowings to finance its operations and to satisfy its liquidity needs. Pursuant to the terms of the Bonds and as required by the Debt Control Circulars, neither the Jinan SASAC nor any other PRC governmental entity has any obligation to repay any amount under the Bonds and will not provide a guarantee of any kind for the Bonds. The Bonds are solely to be repaid by the Issuer or the Guarantor, and the obligations of the Issuer or the Guarantor under the Bonds or the Trust Deed shall solely be fulfilled by the Issuer or the Guarantor as an independent legal person. The liability of the Jinan SASAC to the Guarantor’s indebtedness is limited to its equity contribution to the Guarantor. If the Guarantor does not fulfil its obligations under the Bonds or the Trust Deed, the Bondholders will only have recourse against the Guarantor and not the Jinan SASAC or any other PRC governmental entity.

The PRC Government may continue to release new policies or amend existing regulations to control the incurrence of local governmental debt. There is no assurance that the Group’s financing and business model and its indebtedness will not be materially affected by future changes in the regulatory regime concerning the local state-owned enterprises in response to such regulations.

**The Group's business may be affected by natural disasters, epidemics and other acts of God, including the recent COVID-19 pandemic.**

The Group's business is subject to general economic and social conditions in the PRC, which may be adversely affected by natural disasters, epidemics, pandemics and other acts of God which are beyond the Group's control. The occurrences of pandemics and epidemics, such as the recent outbreak of COVID-19 or the past occurrence of Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A or H1N1) or H7N9 avian flu, depending on their scale, have caused and may continue to cause different degrees of damage to the national and local economies in the PRC.

In particular, the outbreak of COVID-19 caused delays in the resumption of local business in the PRC after the 2020 Chinese New Year holiday and, as the outbreak extended, several countries introduced new restrictions on travel to and from China. The COVID-19 has spread all over the world and was declared a pandemic on 11 March 2020 by the World Health Organisation. The global outbreak of COVID-19 may further create negative economic impact and increase volatility in the PRC and global market, which can have a material adverse effect on the Group.

In addition, the administrative actions taken by local governments in the PRC to control the spread of COVID-19 may have caused adverse impacts on the businesses of the Group. For example, the Group's construction and development projects were temporarily suspended during the pandemic. Moreover, supply of raw materials may be adversely affected due to the temporary shut-down of the operations of the Group's suppliers and the disrupted logistics operations. As a result, the completion of the Group's projects or delivery of goods may be delayed, which might in turn result in substantial increases in the Group's costs for constructing or developing its projects and/or otherwise adversely affect profitability and cash flows of the Group. Furthermore, the Group's operations are highly focused in Jinan City, and any labour shortages, or slowdown in the growth of domestic consumption in Jinan City or the PRC in general could materially and adversely affect the business, results of operations, financial condition and prospects of the Group.

As at the date of this Offering Circular, the business operations of the Group has resumed, as the COVID-19 pandemic has been largely contained in China. However, given the high uncertainties associated with the COVID-19 pandemic, regional resurgence of COVID-19 may occur in the future, and it is difficult to predict the extent to which the Group may be affected. For example, the emergence of new variants such as the Delta variant and the impact of renewed lockdowns and other restrictive measures imposed by governments from different countries in light of further waves of infections. Should the Group's operations be disrupted again by any resurgence of COVID-19 and such disruption becomes extended, it may materially and adversely affect the Group's results of operations and financial condition. In addition, any further disruption to the Group's business activities may negatively affect its liquidity and access to capital.

Moreover, the PRC experienced natural disasters such as earthquakes, floods and droughts in the past few years. For example, in May 2008 and April 2010, the PRC experienced earthquakes in Sichuan Province and Qinghai Province, respectively, resulting in the death of tens of thousands of people. In 2010, there were severe droughts in south-western China,

resulting in significant economic losses in these areas. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and in turn the Group's business.

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

The Group's business requires and will continue to require substantial capital expenditure. For the years ended 31 December 2019, 2020 and 2021, the Group made capital expenditures of RMB17.3 billion, RMB33.3 billion and RMB26.3 billion, respectively. The Group has historically satisfied its capital requirements with cash flows generated from its operating activities, bank loans and other borrowings and equity contributions from its shareholder.

The ability of the Group to generate sufficient operating cash flow is affected by a number of factors, such as the Group's ability to manage and implement its business development plans, changes in general market conditions, the regulatory environment, governmental policies and the competition in the industries in which the Group operates. Any material adverse change in these factors may cause the Group to experience a capital shortage. For the years ended 31 December 2019 and 2021, the Group experienced net cash outflow from operating activities, and there is no assurance whether the Group's operations are or will be able to generate sufficient cash flow to satisfy its cash need at all times, if at all. See "*The Group has historically experienced net cash outflow from operating activities*" for further details of the Group's net cash outflow from operating activities.

Insufficient cash flow generated from the Group's operating activities will increase the Group's reliance on external financing. As at 31 December 2021, the Group had credit facilities of approximately RMB176.5 billion in aggregate, of which approximately RMB117.5 billion had yet to be utilised. The Group's ability to access and raise sufficient capital through different sources depends upon a number of factors, such as the PRC's economic condition, relationships with key commercial banks, prevailing conditions in capital markets, regulatory requirements and the Group's financial condition. Some of these factors are beyond the Group's control and there is no assurance that the Group will be able to raise sufficient funds in a timely manner or to obtain external financing on commercially acceptable terms, or at all. The Group may not be able to fund the capital expenditure necessary to implement its business development plans and strategies, which may in turn have a material and adverse effect on its business, financial condition, results of operations and prospects.

**A substantial part of the Group's businesses are operated in a single geographical region.**

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

**The Group faces risks associated with contracting with public bodies.**

As a key state-owned entity for the construction and operation of rail transit system in Jinan City, a substantial part of the Group's business activities are conducted with various governmental authorities and their controlled entities in Jinan City. A large portion of the Group's cash flow is generated from payments by relevant governmental authorities. As such, the Group is exposed to certain inherent risks relating to dealing with public bodies. The local government's ability to meet its payment obligations for the projects that the Group undertakes largely depends on the fiscal revenue of local government, the policies and regulations promulgated by higher level governments or authorities as well as many other factors which are generally beyond the Group's control.

Any failure by relevant governmental authorities to fulfil their contractual obligations or any adverse change to their financial or fiscal conditions or policies may require the Group to change its business plans and could materially affect the Group's business, financial condition and operating results. If there is any material disagreement between the Group and relevant governmental authorities, there is no assurance that the Group will successfully resolve them in a timely manner, or at all. Any dispute or legal proceeding with or against relevant governmental authorities may last for a long period of time and cost considerable financial and managerial resources, which could materially affect the Group's business, financial condition and operating results. Additionally, any of these may severely damage the relationships between the Group and relevant governmental authorities and their controlled entities, which may in turn materially and adversely affect the Group's business and prospects.

**The Group's operating income and results of operations may fluctuate significantly from period to period.**

The Group's operating income and results of operations have fluctuated and may continue to fluctuate from period to period as a result of a number of factors, such as general economic conditions, local market conditions and demand, government policies and incentive measures in business areas where the Group operates, adjustment of the Group's primary business activities, the Group's ability to develop and complete projects on time, as well as its accounting policies for revenue recognition. As a result, the Group's operating income and results of operations may fluctuate significantly from period to period. For example, due to the long-term and capital-intensive nature of the Group's rail construction and operation business, resettlement housing development business and infrastructure construction business and the revenue recognition methods adopted by the Group, no operating income was recognised under these business for the years ended 31 December 2019, 2020 and 2021. There is no assurance that the Group's operating income and results of operations will not fluctuate significantly in the future. The Group's operating income and results of operations for any period may not be directly comparable with other periods and therefore the historical performance of the Group may not be a useful indicator of its future performance.

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

Certain financing contracts entered into by members of the Group may contain operational and financial covenants that prohibit the borrower from incurring additional indebtedness unless

it is able to satisfy certain financial ratios, restrict the borrower from creating security over its assets or granting guarantees, or prohibit the borrower from changing its business and corporate structure, without the lenders' prior consent. The ability of the Issuer, the Guarantor and its subsidiaries (as borrower) to comply with such covenants may be affected by events beyond their control. Such restrictive covenants may also adversely 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 Issuer's ability to satisfy its obligations under the Bonds and other debt.

If the Issuer, the Guarantor or any of its relevant subsidiaries is unable to comply with the restrictive covenants in its current or future debt, a default under such debt may occur. In such event, the creditors may terminate their credit extended to the Issuer, the Guarantor or its subsidiaries, accelerate the outstanding debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Some of the financing contracts entered into by the Issuer, the Guarantor or its subsidiaries may contain cross-acceleration or cross-default provisions. As a result, a default by the Issuer, the Guarantor or any of its subsidiaries under any of other debt may cause the acceleration of not only the defaulted debt but also those debt containing cross-acceleration or cross-default provisions, including the Bonds, or result in a default under these debt. If any of these events occurs, there is no assurance that the Issuer, the Guarantor or its subsidiaries will be able to obtain the lenders' waiver in a timely manner or at all, or that the assets and cash flow of the Issuer, the Guarantor or its subsidiaries would be sufficient to repay all of their respective debts in full as they become due or accelerated, or that the Issuer, the Guarantor or its subsidiaries would be able to secure alternative financing on terms that are acceptable to the Issuer or its subsidiaries, or at all.

Furthermore, the Group's borrowings may be secured. Security rights may limit the Group's use of the underlying collateral assets and adversely affect their operational efficiency. If the Group is unable to service its secured debt on a timely basis, the assets provided as security for such secured debt may be subject to foreclosure, which may adversely affect the Group's business, prospects and financial conditions.

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

The Guarantor has a number of subsidiaries operating in different industries. Through these subsidiaries, the Group engages in rail construction and operation, resettlement housing development, infrastructure construction, engineering and consulting, property management, sales of concrete and construction materials, sales and leasing of electrical and machinery equipment and advertising. As such, the Group is exposed to risks associated with conducting multiple businesses and operating through a large number of subsidiaries.

For example, the Group is exposed to business, market and regulatory risks relating to different industries and markets, and may from time to time expand its businesses to new industries and markets in which it has limited operating experience. It needs to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its businesses. Furthermore, given the Guarantor's reliance on its subsidiaries, it is critical to ensure that the Guarantor's subsidiaries have sufficient working capital for their operations. The capital contributions by the Guarantor or

other members of the Group to some major subsidiaries of the Guarantor may be made in non-cash forms, such as land use rights, intellectual properties and equipment, the fair value of which might not have been accurately assessed or were even overpriced at the time such capital contribution was made. This may result in such subsidiaries receiving assets that worth less than their registered capital, and as a result adversely and materially affect the ability of such subsidiaries to carry out business operations or to meet their obligations under financing agreements.

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

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

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

Certain business activities of the Group, such as rail construction and operation, resettlement housing development, infrastructure construction, engineering and consulting, property management, sales of concrete and construction materials, sales and leasing of electrical and machinery equipment and advertising, are extensively regulated in the PRC. The operation of these business activities requires a number of approvals, licences and permits from different governmental authorities. It may take considerable time and resources to obtain and maintain all of these approvals and certificates. Governmental authorities in the PRC have broad discretion in implementing and enforcing applicable laws and regulations and in granting the approvals, licences, permits and certificates necessary for the Group to conduct its business. Failure to obtain in a timely manner or maintain the necessary approvals, licences or permits could result in delay or suspension of the Group's business operations, and may subject the relevant members of the Group to regulatory or administrative penalties.

In addition, the PRC governmental authorities may amend existing regulations or promulgate new regulations from time to time. The Group may encounter problems in obtaining, maintaining or renewing the permits, licences, certificates and government authorisations necessary to conduct its business and may be unable to comply with new laws, regulations or policies. In addition, to ensure the restrictions and conditions of relevant business permits, licences and certificates are fulfilled, governmental authorities also conduct regular and special inspections, investigations and inquiries. If any significant non-compliance is found by the governmental authorities during such investigations or inquiries, the Group's permits, licences

and certificates may be suspended or revoked, and the Group may become subject to fines or other forms of penalties, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

For the years ended 31 December 2019 and 2021, the Group recorded net cash outflow from operating activities with the amounts of approximately RMB3.7 billion and RMB3.3 billion, respectively. The Group's net cash outflow from operating activities was largely attributable to the increase of investment in construction projects and the mismatch in the construction and development projects between the development timetable, which dictates the Group's expenditures, and the time when it receives funds for the relevant projects from the relevant government agencies. There is no assurance whether the Group will not record net cash outflows from operating activities again in the future, and any such cash outflows may have a material and adverse effect on the Group's liquidity, financial condition, results of operations and prospects. See also "*– Failure to obtain sufficient capital on acceptable terms or in a timely manner may adversely affect the Group's business and growth prospects*".

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

As at 31 December 2019, 2020 and 2021, the Group's inventories amounted to RMB183.0 million, RMB1,039.8 million and RMB4,263.4 million, respectively, representing 0.2 per cent., 1.0 per cent. and 2.8 per cent. of the Group's total assets, respectively. The Group's inventories comprise primarily of developed projects at cost, finished goods, goods in transit, unfinished goods and raw materials. Although the current level of inventories is relatively low, there is no assurance such level will not increase in the future. Any decrease in the market demand and the corresponding drop in the sales of properties and projects that the Group developed or the services that the Group provided could cause the Group's inventories to accumulate and depreciate in value, which may adversely affect the Group's businesses, financial condition, results of operations and prospects. In addition, costs for on-going rail transit projects, infrastructure construction projects and resettlement housing development projects, which are recognised as inventories on the Group's consolidated balance sheet are illiquid assets and might not be sold for cash in an efficient manner. This may limit the Group's ability to respond to changing economic, financial and investment conditions. The Group's ability to sell these inventories to a large extent relies on the market demand for the properties and projects it develops. These factors may in turn be affected by the controlling measures of the PRC Government on urban development investment and the PRC Government's macroeconomic and monetary policies, which are beyond the Group's control. Any failure to effectively manage the Group's inventory level will have a material impact on the Group's cash flow and adversely affect its ability to carry on ordinary business activities and to serve its outstanding debt, such as the Bonds, which in turn could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The Group has substantial indebtedness outstanding. As at 31 December 2021, the Group's total indebtedness (comprising short-term borrowings, non-current liabilities due within one year, other current liabilities, long-term borrowings, bonds payable and long-term payable) amounted to RMB104.1 billion, representing 68.1 per cent. of the Group's total assets as at the

same date, of which RMB10.4 billion would become due within 12 months. The PRC Government has historically adjusted interest rates from time to time as implementation of the PRC Government's economic and monetary policies. Starting August 2019, the National Interbank Funding Centre (全國銀行間同業拆借中心) is authorised by PBOC to publish the LPR on a monthly basis based on the prime rate offered by a panel of commercial banks, and Chinese banks are required to use the LPR as the reference rate for the pricing of its loans extended after 1 January 2020. As at the date of this Offering Circular, most of the Group's bank borrowings bear interest at floating interest rates linked to the LPR. Any material fluctuation in the LPR may have a material impact on the Group's interest expenses under its bank loans and debt securities issued and in turn affect its results of operations. Although the Group's business and financial condition may benefit from the currently low prevailing interest rates in the market, there is no assurance that this low-interest environment will continue.

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

The Group may from time to time expand its businesses to new industries or markets in which it has limited operating experience. Such expansion may require the Group to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it may succeed in such new business. The Group's ability to successfully grow its new business and implement its expansion strategy depends on a variety of factors, including its ability to identify attractive projects, obtain required approvals from relevant regulatory authorities, obtain sufficient capital on acceptable terms in a timely manner and maintain working relationships with various governmental authorities and agencies, some of which may be out of the Group's control. There is no assurance that the Group will be able to successfully grow its businesses, implement its expansion strategies, manage or integrate any newly-acquired operations with the Group's existing operations. Failure by the Group to grow new businesses or implement its expansion strategies could have a material adverse effect on its business, financial condition, results of operations and prospects.

**The Group may be unable to continue to procure an adequate supply of raw materials at acceptable prices and quality in a timely manner for its concrete and construction materials business and electrical and machinery equipment business.**

Successful operations of the Group depend on its ability to obtain from its suppliers sufficient quantities of raw materials and other commodities at acceptable prices and quality in a timely manner. The Group is exposed to the market risk of fluctuations in certain commodity prices for raw materials such as sand, stone, clinker, slag power, fly ash, additive, rebar, copper bar, breaker and other materials utilised in its concrete and construction materials business and electrical and machinery equipment business. The price and availability of such raw materials may vary significantly from year to year due to factors such as China's import restrictions, consumer demand, producer capacity, market conditions and costs of materials. The Group may also be affected by increases in energy prices, including electricity and fuel prices, for the operation of its machinery and equipment.

There is no assurance that the Group will be able to continue to secure sufficient raw materials from its existing suppliers or from alternative sources at prevailing or acceptable prices, in a timely manner, or at all. There is no assurance that the Group will not encounter difficulties in obtaining quality materials or shortages of raw materials, or that the Group will be able to absorb any increase in raw material prices or pass them on to its customers.

**Any failure by the Group to maintain relationships with its major suppliers or customers would have an adverse effect on the Group's business.**

The Group rely on some major suppliers and customers for the concrete and construction materials business and electrical and machinery equipment business. There can be no assurance that the Group will be able to maintain or improve its relationships with its major suppliers or customers, or that it will be able to continue to purchase products from these suppliers for these customers at current pricing and levels or at all. In addition, any decline in its major suppliers' or customer's businesses could lead to a decline in supply from these suppliers or a decline in demand from these customers. If any of the Group's major suppliers or major customers were to substantially reduce the size or value of the supply or the size or value of the demand, as the case may be, it provides or requests with the Group or terminate its business relationship with the Group entirely, the Group may not be able to obtain supply from other suppliers to replace any such lost supply on comparable terms or at all or obtain demand from other customers to replace any such lost demand on comparable terms or at all. If any of these relationships were to be so terminated and the Group were unable to obtain replacement, the business, financial condition, results of operations and prospects of the Group may be materially and adversely affected.

**The Group may be subject to product liability exposure which could harm its reputation and materially adversely affect its business, financial condition and results of operations.**

Potential product liability claims can be filed against the Group if products or materials that the Group procured or manufactured fail to perform as expected, or are proven to be defective, or if their use causes, results in, or is alleged to have caused or resulted in personal injuries, project delays or damages or other adverse effects. Any product liability claim, whether relating to personal injuries or project delays or damages, or related regulatory actions could prove costly and time-consuming to defend and could potentially harm the Group's reputation. If successful, product liability claims may require the Group to pay substantial damages which may not be sufficiently covered by the claims that the Group is entitled to file against the suppliers. As at the date of this Offering Circular, the Group has not experienced any significant product liability claims.

Moreover, a material design, manufacturing or quality related failure or defect in products or materials that the Group procures or supplies, or other safety issues could each warrant a request for repair or replacement which may result in increased product liability claims. As at the date of this Offering Circular, the Group has not experienced any material request for repair or replacement that adversely impacts the Group's business, results of operation and financial condition. In case of defects, the Group may be required to repair or replace the defective products or materials or effect any modification to render them safe before they can be distributed again on the market or employed in a project, which may also lead to significant expenses. Criminal liability can be triggered by violations of the general obligation to offer safe products or can arise from significant damages caused to the users of any defective products.

**The development and utilisation of new technology may not always produce positive results.**

The Group is often engaged to undertake large and complicated projects that require it to design and develop new technologies and construction methods because of its strong research, design and development capabilities. There can be no guarantee that the Group would always successfully develop these new technologies and construction methods after substantial resources

have been invested by the Group. The use of new technologies and construction methods could also result in experimental failures, increased costs or unstable conditions, affecting the profitability of some of the Group's projects, which could materially and adversely affect the business and results of operations of the Group.

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

The cost of construction materials, such as steel and cement, constitutes a significant portion of the Group's costs for its rail construction and operation, resettlement housing development and infrastructure construction business. Construction material costs have fluctuated significantly, and may fluctuate significantly in the future. Any increase in the cost of construction materials may result in an increase in the costs for the Group's rail construction and operation, resettlement housing development and infrastructure construction businesses, which may pose an adverse effect on the financial performance of the Group.

**Delays or defaults in payments to the Group may affect its working capital and cash flow.**

The payments for the Group's resettlement housing development projects are usually made in instalments over a period of time after projects are completed. However, the Group incurs costs, such as labour costs, from the beginning of the project and before achieving any milestones warranting payment from its customers, and thus bears the risk of pre-paying costs and expenditures for each project it constructs. As such, any delay or default in the payments to the Group may increase the Group's liquidity pressure, which will in turn increase its financial vulnerability and adversely affect its financial condition and results of operations. There is no assurance that all payments will continue to be made in a timely manner, or that no events of default will occur in the future.

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

The Group engages third-party contractors in its business operations, such as rail construction and operation, resettlement housing development, infrastructure construction and engineering and consulting businesses. The Group generally selects independent contractors through statutory tendering processes. However, there is no assurance that the services rendered by any of the contractors selected by the Group or subcontractors selected by the Group's contractors will always be satisfactory or meet the Group's quality and safety standards. If the performance of any contractor or subcontractor is not satisfactory or does not meet the Group's quality and safety standards, the Group may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and progress of its projects. In addition, the Group may be requested on short notice to undertake additional construction or development projects, and there may be a shortage of contractors that meet the Group's quality requirements under such short notices. Contractors may also undertake projects for other companies and developers, engage in risky or unsound practises or encounter financial or other difficulties, which may affect their ability to complete their work for the Group on time and budget. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

There are a number of risks associated with the Group's rail construction and operation, resettlement housing development and infrastructure construction projects with respect to their construction, financing and/or operation. The Group's construction projects typically require substantial capital expenditures during the construction or development phase and can take a substantial period of time to complete. The time taken and the costs involved in completing these projects can be adversely affected by many factors, including shortages of materials, equipment and labour costs, adverse weather conditions, natural disasters, terrorism, labour disputes, disputes with sub-contractors, accidents, changes in governmental priorities and other unforeseen circumstances, many of which are out of the Group's control. Any of these could give rise to delays in the completion of the Group's projects. The Group's cost to complete its projects is also be affected by changes in the price of labour and raw materials, which is often beyond the Group's control. In addition, the Group may also be required to take extra precautionary safety and health measures, such as those required by the PRC Government to contain the COVID-19 outbreak, and thus incur additional cost for the construction and development of its projects. Under such circumstances, the Group may be required to make additional investment, incur additional expenditures, or experience liabilities, reduced efficiency and lower financial returns, which may in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The Group relies on its quality control systems to ensure the safety and quality of its projects. Therefore it needs to maintain an effective quality control system. The effectiveness of the Group's quality control system depends significantly on a number of factors, including a timely update of the quality control system to suit the ever-changing business needs, the availability of related training programmes as well as its ability to ensure that the Group's and the contractors' employees adhere to its quality control policies and guidelines. There is no assurance that the quality of the Group's projects will always meet the required standard. Any failure or deterioration of the Group's quality control systems could result in defects in its projects, which in turn may subject the Group to contractual, product liability and other claims. Any such claims, regardless of whether they have any merit, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations. Furthermore, if any of such claims are ultimately successful, the Group could be required to pay substantial monetary damages or penalties. Although the Group believes that its quality control systems have functioned properly, there is no assurance that failures in its quality control systems will not occur in the future, and any such failure could have an adverse effect on the Group's business and operations.

**The PRC Government may impose fines or penalties on the Group or revoke the land use rights with respect to idle land held by the Group.**

Under applicable PRC laws and regulations, if the Group does not commence development for more than one year after the date specified in the relevant land use rights grant contract, or the Group commences development on an area which is less than one-third of the area granted, or the capital invested in the development is less than one-fourth of the total investment approved for the development and the development is suspended for more than one year without

governmental approval, the PRC Government may impose an idle land fee equal to 20 per cent. of the land premium or allocation fees. The PRC Government may revoke the land use rights certificate without compensation if the Group does not commence development for more than two years after the date specified in the relevant land use rights grant contract without compelling causes. The State Council issued the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) which states, among other things, that the MLR and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, MLR issued the Notice on Restricting the Administration of Construction Land and Promoting the Utilisation of Approved Land (國土資源部關於嚴格建設用地管理促進批而未用土地利用的通知) on 11 August 2009 which reiterates its policy on idle land. Idle Land Disposal Measures (閒置土地處置辦法) became effective on 28 April 1999 and was amended on 1 July 2012, providing the procedures for disposal of idle land. Any fines or penalties imposed, or any cancellation of land use rights with respect to idle lands may materially and adversely affect the Group's business, financial condition and results of operations. As at 31 December 2021, the Group did not possess any land for which it had not commenced development within the time stipulated in the relevant land use rights grant contracts. However, the Group may have idle land issue in the future and the imposition of fines and penalties in relation to any idle land could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

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

The Group undertakes the financing, investment and construction of Jian rail transit system in Jinan City and will operate the rail transit lines upon completion of the construction. See also "*Description of the Group – Description of the Group's Business – Rail Construction and Operation*" for more details. The Group is currently at the stage of researching and determining the appropriate range of ticket fares. Due to the public services nature of the Jinan rail transit system, the Jinan Municipal Government strictly controls the ticket fares. Accordingly, the Group relies on the Jinan Municipal Government to determine rail transit fares, by making a proposal to adjust rail transit fares, subject to the Jinan Municipal Government's approval. Therefore, the Group's ability to raise fares is subject to the Jinan Municipal Government's approval, which takes into consideration factors such as changes in market conditions, trends in usage of public transportation and other factors to compensate for increases in operating, financing and other costs which are limited by the Jinan Municipal Government's policies on rail transit fares, competitive dynamics in the mass transit industry and commuter preferences.

**A decline in passenger volume may adversely affect the operating income of the Group's rail construction and operation business.**

The rail construction and operation business is dependent on, among other things, the number of passengers, competition from alternative transportations, natural disasters and the continued fitness of the bus transits for bearing passenger volumes. Passenger volume is, directly and indirectly, affected by a number of factors, including the availability, quality, proximity and ticket rate differentials of alternative means of transportation.

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

To the extent that capacity shortages may reduce the volume of passengers, the Group's business, results of operations and financial condition may be materially and/or adversely affected.

Alternative modes of transportation may also affect the Group's rail construction and operation business. There is no assurance that new competing transportations will not be operational to divert traffic and other existing competing modes of transportation will not significantly improve their services and consequently will not materially adversely affect the revenue, results of operations and financial condition of the Group.

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

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

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

Private vehicles and other forms of public transportation may cover more routes throughout Jinan City and its vicinities and provide commuters with alternative access or more comfortable and convenient transportation services. There is no assurance that the Group will be able to compete with existing and new forms of transportation in respect of each of these factors, or at all. As a result, the Group expects increased competition from such public and private transportation providers, which may adversely affect the Group.

**The Group is exposed to risks in relation to work safety and occurrences of accidents.**

There are inherent risks of work injuries or accidents occurring in the course of the Group's business operations due to the nature of the services being performed, particularly in the provision of rail construction and operation business, resettlement housing development business and infrastructure construction business, as the Group's employees may be required to work in dangerous environments. The Group's employees may be required to undertake certain tasks including, but not limited to the following: (i) working at height or on slippery surfaces or in the dark; (ii) operation of electrical appliances in undertaking minor maintenance works; (iii) lifting heavy objects; (iv) working in new and unfamiliar environments; (v) defending and protecting individuals against aggressors; (vi) handling disputes amongst residents or tenants in the properties and parking lots the Group manages and/or operates; and (vii) maintaining order in crowded events.

The Group's involvement in major accidents or incidents in the course of its operations, particularly if reported by the media, may adversely affect the Group's reputation and its client's perception of the quality of its services. The Group cannot ensure that any incidents or accidents, which could result in property damage, personal injury or even death to the third parties including residents and aggressors, property owners or the Group's employees, will not occur again in the future. Accidents resulting in personal injury or loss or damage to property may also arise if the Group's employees fail to follow its work safety measures and procedures. However, accidents may occur in the ordinary course of the Group's business. The Group cannot ensure that its employees will fully comply with the safety measures and plans it implements during their execution of the above tasks or any other tasks. In such events, the Group may be held liable for the losses or be subject to prosecution. The Group may also be exposed to claims of negligent or reckless behaviour on the part of its employees. The Group may also experience interruptions to its business operations and may be required by government authorities to change the manner in which it operates following any incidents or accidents. Any of the foregoing could materially and adversely affect the Group's reputation, business, financial position and results of operations.

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

The Group has developed and is planning to develop certain projects or business operations jointly with other entities through joint ventures, minority investment, or cooperation in other forms as a result from the deepened reform of state-owned companies and the accompanying restructuring or divestiture strategies and activities. The Group's joint venture partners may:

- have economic or business interests or goals that are inconsistent with the Group's;
- take actions contrary to the Group's instructions or requests or contrary to its policies or objectives;
- be unable or unwilling to fulfil their obligations under the relevant joint venture; or
- have financial difficulties.

Additionally, a disagreement with any of the Group's joint venture partners in connection with the negotiation and finalisation of the joint venture agreement, the scope or performance of its respective obligations under the joint venture arrangement could affect the Group's business and operations. Further, the Group may not be able to control the decision-making process of the joint ventures without reference to the relevant partners where the Group does not have majority control of the joint venture. A serious dispute with the Group's joint venture partners, the early termination of the Group's joint venture arrangements or the failure of planned joint venture agreements to materialise could adversely affect the Group's business, financial condition and results of operations. In the event that the Group encounters any of the foregoing problems with respect to its joint venture partners, the Group's business, financial condition and results of operations may be materially and adversely affected.

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

Many of the Group's businesses are labour intensive. The Group also relies on third-party contractors to carry out rail construction and operation, resettlement housing development, infrastructure construction, engineering and consulting, property management, sales of concrete and construction materials, sales and leasing of electrical and machinery equipment, advertising and other business operations. Increasing awareness of labour protection as well as increasing minimum wages is likely to increase the labour costs of PRC enterprises in general, including the Group or the contractors participating in the Group's projects.

The PRC Labour Contract Law (中華人民共和國勞動合同法) (the "**Labour Contract Law**") 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. Pursuant to the Labour Contract Law, the employer is required to make compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the average monthly wage of the employee 12 months before the termination of the employment contract multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the Labour Contract Law.

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

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

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

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

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

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

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

**The Group is subject to various environmental, safety and health regulations in the PRC and any failure to comply with such regulations may result in penalties, fines, governmental sanctions, proceedings or suspension or revocation of its licences or permits.**

The Group is required to comply with extensive environmental, safety and health regulations in the PRC. Failure to comply with such regulations may result in fines or suspension or revocation of the Group's licences or permits to conduct its business. Given the volume and complexity of these regulations, compliance may be difficult or involve significant

financial and other resources to establish efficient compliance and monitoring systems. There is no assurance that the Group will be able to comply with all applicable requirements or obtain these approvals and permits on a timely basis, if at all. As at the date of this Offering Circular, the Group has not experienced any significant non-compliance with applicable safety regulations or requirements. In addition, PRC laws and regulations are constantly evolving. There is no assurance that the PRC Government will not impose additional or stricter laws or regulations, which may increase compliance costs of the Group. Any failure to comply with the current or future environmental, safety and health regulations may materially and adversely affect the Group's business, financial condition and results of operations.

**The relocation of incumbent residents and local businesses on the sites where the Group's projects are located may result in delays in its development and/or increase its development costs.**

Certain of the Group's businesses, such as rail construction and operation, resettlement housing development and infrastructure construction businesses, may from time to time involve relocation of incumbent residents and local businesses when it develops projects. The Group develops and provides substitute properties in some cases to relocated residents as compensation for their resettlement. If any incumbent resident or business is dissatisfied with the relocation compensation and refuses to be relocated, the relevant entity of the local governments will seek to resolve the dispute by negotiating with the relevant resident or business to reach a mutually acceptable relocation compensation arrangement, or apply to the relevant land authority for its determination on whether the relocation compensation and relocation timetable is compliant with PRC law. The relevant land authority will then make a decision as to the proper relocation compensation and timetable. There can be no assurance that the relocation of incumbent residents or businesses will proceed smoothly or that they will agree to the compensation. In addition, the amount of compensation to be paid is subject to PRC governmental regulation and can be changed at any time. Accordingly, any delays in effecting such relocations of these incumbent residents or businesses may result in delays in the Group's development schedules and/or increase its development costs, any of which could have a material adverse effect on its business, financial condition and results of operations.

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

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

In addition, the Group's success depends on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of the industries in which the Group invests or operates. These key personnel include experienced finance professionals, project development and management personnel, and other operation personnel. Competition for attracting and retaining these individuals is intensive. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's financial condition, results of operations and prospects. As a result, the Group may be unable to attract or retain these personnel to achieve its business objectives and the failure to do so could severely disrupt its business and prospects. For

example, the Group may not be able to hire enough qualified personnel to support its business expansion. Furthermore, as the Group expands its business and hires new employees, such new employees may take time to get accustomed to any new standard procedures and consequently may not comply with the standard procedures of such new business in an accurate and timely manner. The occurrence of any of these events could lead to unexpected losses to the Group and adversely affect its revenue and financial condition.

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

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

**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 governmental authorities, which in turn could affect its reputation. Such misconduct could include:

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

- engaging in unauthorised or excessive transactions to the detriment of the Group's customers;
- making or accepting bribery activities;
- conducting any inside dealing; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

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

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

The Group may from time to time be involved in disputes with various parties involved in its business, including contractors, tenants, suppliers and purchasers. Such disputes may lead to litigation or other proceedings and they may damage the Group's reputation, increase the Group's costs of operations and divert the Group's management's attention from daily business operations. In addition, where regulatory bodies or governmental authorities disagree with the Group's conduct in respect of its operations, the Group may be subject to administrative proceedings and unfavourable decrees that could result in liabilities and delays to its projects. There is no assurance that the Group will not be so involved in any major litigation or other proceedings in the future, which may subject the Group to significant liabilities and materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The historical financial information of the Group included in this Offering Circular is not indicative of its future financial results. This financial information is not intended to represent or predict the results of operations of any future periods. The Group's future results of operations may change materially if its future growth does not follow the historical trends for various reasons, including factors beyond its control, such as changes in economic environment, PRC environmental rules and regulations and the competitive landscape of the industries in which the Group operates its business. Furthermore, the future results of operations of the Group may also fluctuate or change materially due to changes in the Group's business model and/or the accounting treatments applied thereto. In addition, there is no assurance that the Group will not record an operating loss in the future, which may have an adverse effect on the Issuer's ability to pay its debt, including the Bonds.

**Public corporate disclosure about the Guarantor and the Issuer may be limited.**

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

**PCCPA, the Group's independent auditors for the years ended 31 December 2019, 2020 and 2021, has previously been and is now being investigated, censured or penalised by relevant regulatory authorities.**

PCCPA, the Group's independent auditors for the years ended 31 December 2019, 2020 and 2021, is a registered accounting firm in the PRC supervised by relevant PRC regulatory agencies. PCCPA has previously been and is now being investigated, censured or penalised by relevant regulatory authorities in the PRC on various occasions, including multiple investigations undertaken by the CSRC in recent years. In connection with the investigations on PCCPA's certain negligence in performing its audit services for PRC companies, administrative sanctions, including warnings and/or monetary penalties on PCCPA's and/or warnings, monetary penalties or restriction on market access on its specific accounting personnel involved in the relevant audit work, were imposed by the relevant regulatory authorities. PCCPA has confirmed that the auditors who participated in the audit of the Company's historical financial statements were not the subject of, or involved in the abovementioned investigation, censures, suspension or administrative sanctions or any such other investigations, censures, suspension or administrative sanctions and they are not subject to any investigation or penalty by any regulatory body, competent authority or industry association, and the previous censures were in respect of companies that are unrelated to the Group. PCCPA has further confirmed that their audit and review work for the Group, including in respect of the financial statements included elsewhere in this Offering Circular, its registration as an accounting firm, its ability to provide comfort letters and the qualifications participating in this offering, are not affected by such investigations, censures or suspensions. As at the date of this Offering Circular, each of the Issuer, the Company and the Group is not aware of any fact or occurrence of development which causes it to believe that individual auditors who participated in the audit or review of its financial statements are or would become subject to any censure, investigation or other similar proceedings.

However, the process time and the results of the abovementioned investigations and the penalties PCCPA may face remain uncertain. There can be no assurance that such potential penalties will not retrospectively affect the services provided by PCCPA to the Issuer, the Company and the Group in relation to the offering of the Bonds, as well as other fundraising activities in the PRC. Such further sanctions, revocations and suspensions may also restrict it from providing audit services or other services in connection with our future financing transactions. If any of these events were to happen, our reputation and the trading price of the Bonds may be affected. Potential investors should consider these factors prior to making any investment decision.

**The Company's consolidated financial statements included in this Offering Circular have been prepared and presented in accordance with the PRC GAAP, which are different from IFRS in certain respects.**

The Company's consolidated financial statements included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP is substantially in line

with IFRS, except for certain modifications. Please see “*Summary of Certain Differences between PRC GAAP and IFRS*” for details. In addition, the MOF may promulgate new accounting standards or requirements in relation to financial statements which would affect the PRC GAPP and the Company’s accounting policies, or that the Company and/or its subsidiaries may change their accounting estimates in accordance with the applicable PRC GAPP from time to time, each of which may affect the presentation and comparability of the Group’s financial statements. Each investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

In addition, the Group’s current independent auditor, PCCPA, is a registered member of the Chinese Institute of Certified Public Accountants. Although the Group’s auditor has significant audit experience in the PRC, it has limited international capital markets experience. Prospective investors should consider this factor prior to making any investment decision.

**The Company published and may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on any financial information other than that disclosed in this Offering Circular.**

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

## **RISKS RELATING TO THE PRC**

**There exist uncertainties with respect to the interpretation and enforcement of PRC laws and regulations in relation to debt securities, and the PRC legal system could limit the legal protection available to investors.**

The PRC Government has promulgated laws and regulations dealing with economic matters as the issuance and trading of securities, shareholder rights, foreign investment, corporate organisation and governance, commerce, taxation and trade. However, many of these laws and regulations continue to evolve, may be subject to different interpretation and may be inconsistently enforced. These uncertainties relating to the interpretation of PRC laws and regulations can affect the legal remedies and protection that are available to investors and can adversely affect the value of an investment.

**Changes in PRC political and economic policies and conditions could adversely affect the Group's business and prospects.**

The PRC has been, and will continue to be, a significant operating base for the Group's business. The economy of the PRC differs from the economies of most developed countries in many respects, including:

- structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC Government has been pursuing economic reforms to transform its economy from a planned economy to a market economy since 1978 emphasising utilisation of market forces in the development of the PRC economy. However, a substantial part of the PRC economy is still being operated under various controls of the PRC Government and it continues to play a significant role in regulating industries by imposing industrial policies. By imposing industrial policies and other economic measures, such as control of foreign exchange, taxation and foreign investment, the PRC Government exerts considerable direct and indirect influence on the development of the PRC economy. Many of the economic reforms carried out by the PRC Government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on the Group's operations and business development. For example, the PRC Government has in the past implemented a number of measures intended to slow down certain segments of the economy that the government believed to be overheating, such as raising benchmark interest rates of commercial banks, reducing currency supply and placing additional limitations on the ability of commercial banks to make loans by raising bank reserves against deposits. The Group's business, results of operations or financial condition may be adversely affected by changes in the PRC political, economic and social conditions, laws, regulations and policies and by changes in the rates or method of taxation and the imposition of additional restrictions on currency conversion.

These limitations on the cash flow between the Company and its PRC subsidiaries could restrict the Group's ability to act in response to changing market conditions and transfer the proceeds from the issue of the Bonds to its onshore subsidiaries and to make dividend payments from its PRC subsidiaries, thus affecting the Group's ability to pay the interest due and payable under the Bonds on each interest payment date, or to pay the principal of the outstanding Bonds on the maturity date.

Furthermore, the Group's property development business is subject to extensive government regulation and are highly susceptible to changes in the regulatory measures and policy initiatives implemented by the PRC Government. Investments in the PRC property sector have increased

significantly in the past decade. In response to concerns over the rapid increase in property investments and property prices, the PRC Government introduced an array of policies and measures intended to curtail the overheating of property development and discourage speculation in the residential property market. These measures include the credit tightening measures. There is no assurance that the PRC Government will not adopt more stringent industry policies, regulations and measures in the future. Restrictive government policies and measures could materially and adversely affect the prospects, financial condition and results of operations of the Group's property development business segment, such as by limiting the Group's access to capital, reducing consumer demand for its properties and increasing its operating costs. They may also lead to changes in market conditions, including price instability and imbalance of supply and demand in respect of office, residential, retail, entertainment and cultural properties, which may in turn materially and adversely affect the prospects, financial condition and results of operations of the Group's property development business segment.

**The possible slowdown of the PRC economy could have an adverse effect on the Group's business results of operations and financial condition.**

The PRC experienced a slowdown in its economic growth in the second half of 2008, 2009 and in more recent years. A number of factors have contributed to this slowdown, including the appreciation of the Renminbi and the tightening macroeconomic measures and monetary policies adopted by the PRC Government aimed at preventing overheating of the PRC's economy and controlling the PRC's level of inflation, and stabilising the growth of specific sectors, including the property market. Due in large part to such control measures, including home purchase restrictions and credit tightening policies, property markets in certain cities had experienced decreases in both trade volume and sale prices in recent periods. There is no assurance that property sales will return to past levels or that we will be able to benefit from any future growth in the property market in Guangdong Province or elsewhere in the PRC. Any further decline in property sales or decrease in property prices in the PRC generally or in the regions where the Group property developments could have a material adverse effect on financial condition and results of operations of the Group's property development business segment. The slowdown was further exacerbated by the global crisis in the financial services and credit markets. Although the PRC economy has continued to record economic growth, the rate of economic growth in 2021 and beyond is uncertain.

As at the date of this Offering Circular, substantially all of the Group's business operations are conducted in the PRC. Accordingly, the Group's results of operations, financial condition and prospects are subject to a significant degree to economic developments in the PRC. A negative economic climate could impact the ability of the Group's customers to make capital expenditures, thereby affecting their ability to do business with the Group. The recurrence of adverse macroeconomic conditions may have an adverse effect on the Group's business, results of operations and financial condition.

**PRC laws and regulations involve many uncertainties and the current legal system in the PRC could have a negative impact on the Group's business and/or limit the legal protections available to Bondholders.**

Substantially, all of the Company's business is conducted in the PRC and its relevant operating subsidiaries are located in the PRC. As such, these PRC subsidiaries are subject to PRC laws and regulations applicable to foreign investment in the PRC. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior cases have

little precedent value in deciding subsequent cases in the civil law legal system. Additionally, such PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. When the PRC Government started its economic reforms in 1978, it began to build a comprehensive system of laws and regulations to regulate business practises and overall economic orders of the country. The PRC has made significant progress in the promulgation of laws and regulations dealing with business and commercial affairs of various participants of the economy, involving foreign investment, corporate organisation and governance, commercial transactions, taxation and trade. However, the promulgation of new laws, changes in existing laws and abrogation of local regulations by national laws may have an adverse effect on the Group's business, results of operations and financial condition as well as its prospects. Additionally, given the involvement of different enforcement bodies of the relevant rules and regulations and the non-binding nature of prior court decisions and administrative rulings, the interpretation and enforcement of PRC laws and regulations involve significant uncertainties under the current legal environment. In addition, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgement by a court of another jurisdiction. All these uncertainties may limit the legal protections available to Bondholders.

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

Inflation rates within the PRC have been on an uptrend in recent years. The PRC Government has taken numerous monetary tightening measures, including raising interest rates and reserve requirement ratios, and curbing bank lending, to slow down economic growth and control price rises. Increasing inflationary rates are due to many factors beyond the Group's control, such as rising food prices, rising production and labour costs, high lending levels, PRC and foreign governmental policy and regulations, and movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. If inflation rates rise beyond the Group's expectations, the costs of its business operations may become significantly higher than the Group has anticipated for the future, and the Group may be unable to pass on such higher costs to consumers in amounts that are sufficient to cover its increasing operating costs. As a result, further inflationary pressures within the PRC may have an adverse effect on the Group's business, results of operations and financial condition, as well as its liquidity and profitability.

**The implementation of the Labour Contract Law of the PRC may significantly increase the Group's operating expenses and adversely affect its business and results of operations.**

On 29 June 2007, the Standing Committee of the National People's Congress of the PRC promulgated a new labour law, the Labour Contract Law, which was amended on 28 December 2012 and took effect on 1 July 2013. The 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 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 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.

## **Enforcement of judgements obtained from non-PRC courts may be difficult.**

The Issuer is incorporated in Hong Kong. A substantial part of its assets and operations are located however within the PRC and are subject to PRC regulations governing PRC companies. These regulations contain certain provisions that are required to be included in the articles of association and all other major operational agreements of these PRC companies and are intended to regulate the internal affairs of these companies. These regulations in general, and the provisions for protection of shareholders' rights and access to information in particular, are less developed than those applicable to companies incorporated in Hong Kong, the United States, the United Kingdom and other developed countries or regions.

It may be difficult to effect service of process upon, or to enforce against, the Guarantor or its directors or members of the Guarantor's senior management who reside in the PRC in connection with judgements obtained in non PRC courts. Substantially all of the Group's assets and the Group's members are located in the PRC. In addition, substantially all of the assets of the Guarantor's directors and the members of its senior management may be located within the PRC. Therefore, it may be difficult for investors to effect service of process upon the Guarantor or its directors or members of its senior management inside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition of judgement made by courts of most other jurisdictions. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the **"Choice of Court Arrangement"**), pursuant to which a party with an enforceable final court judgement rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a "choice of court" agreement in writing may apply for recognition and enforcement of the judgement in the PRC. Similarly, a party with an enforceable final court judgement rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a "choice of court" agreement in writing may apply for recognition and enforcement of such judgement in Hong Kong. A "choice of court" agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Choice of Court Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgement rendered by a Hong Kong court in the PRC if the parties in dispute do not enter into a "choice of court" agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against the Guarantor or the Guarantor's directors or members of its senior management in the PRC and/or to seek recognition and enforcement for foreign judgements in the PRC. On 18 January 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the **"2019 Arrangement"**), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgements in a wider range of civil and commercial matters between the courts of Hong Kong and the PRC. The 2019 Arrangement will be implemented by local legislation in Hong Kong and will take effect after both Hong Kong and the PRC have completed the necessary procedures to enable implementation and shall apply to judgements made by the courts of Hong Kong and the PRC on or after the date of the commencement of the 2019 Arrangement. Upon commencement of the 2019 Arrangement, the Choice of Court Arrangement shall be terminated, except for "choice of court" agreements in writing made between parties before the commencement of the 2019

Arrangement, in which case the Choice of Court Arrangement shall continue to apply. However, the recognition and enforcement of judgements rendered by a Hong Kong court in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement. There can be no assurance that investors can successfully effect service of process against the Guarantor or the Guarantor's directors or members of its senior management in the PRC and/or to seek recognition and enforcement for judgements rendered by a Hong Kong court in the PRC. Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgements awarded by courts of the United States, United Kingdom, or some other European countries or Japan. Hence, the recognition and enforcement in the PRC of judgement of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

**Facts and statistics in this Offering Circular relating to the PRC economy may be inaccurate.**

Some of the facts and statistics in this Offering Circular relating to the PRC, the PRC economy and related industry sectors are derived from various publications and obtained in communications with various agencies that the Issuer believes to be reliable. However, the Issuer cannot guarantee the quality or reliability of such source materials. Such facts and statistics have not been independently verified by the Issuer or any of its affiliates or advisers and, therefore, no assurance can be given by the Issuer as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC.

Due to potentially flawed or ineffective collection methods or discrepancies between published information and market practise and other problems, the statistics in this Offering Circular relating to the PRC economy and related industry sectors may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case in other countries. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics.

**The PRC Government's control of currency conversion may adversely affect the value of investors' investments.**

Most of the Group's revenue is denominated in Renminbi, which is also the reporting currency of the Group. Renminbi is not a freely convertible 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. The PRC Government may restrict future access to foreign currencies for current account transactions at its discretion. Foreign exchange transactions under capital account in the PRC may continue to be not freely convertible and require the approval of the SAFE. These limitations could affect the Group's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures. In addition, significant future cash flows in Renminbi may limit the Group's ability to purchase goods outside the PRC or fund business activities outside the PRC.

**Future fluctuations in the value of the Renminbi could have a material adverse effect on the Group's financial condition and results of operations.**

A portion of the Group's revenue, expenses and bank borrowings is denominated in Hong Kong dollars, US dollars and other foreign currencies, although the Group's functional currency is the Renminbi. As a result, fluctuations in exchange rates, particularly between the Renminbi, the Hong Kong dollar or the US dollar, could affect the Group's profitability and may result in foreign currency exchange losses of the Group's foreign currency-denominated assets and liabilities.

The exchange rate of the Renminbi against the US dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's and international political and economic conditions and the PRC Government's fiscal and currency policies. Since 1994, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and US dollar, has been based on rates set daily by the PBOC based on the previous business day's inter-bank foreign exchange market rates and exchange rates in global financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of the Renminbi to US dollars was generally stable. On 21 July 2005, the PRC Government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. From 21 July 2005 to 30 September 2011, the value of the Renminbi appreciated by approximately 30.2 per cent. against the US dollar. On 19 June 2010, the PBOC announced that the PRC Government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. The floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the US dollar was widened to 2 per cent. on 17 March 2014. On 21 July 2005, the PRC Government reformed the exchange rate regime by moving to a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. As a result, the Renminbi appreciated against the Hong Kong and US dollars by approximately 2 per cent. on the same date. Changes in currency policies resulted in the Renminbi appreciating against the US dollar by approximately 33.5 per cent. from 21 July 2005 to 30 June 2015. Subsequently, the Renminbi depreciated 4.3 per cent. from 30 June 2015 to 31 December 2015. The exchange rate between the Renminbi and the US dollar experienced further fluctuation between 1 January 2016 and the date of this Offering Circular. There remains significant international pressure on the PRC Government to adopt an even more flexible currency policy, which could result in further and more significant appreciation of the Renminbi against the US dollar. The Group cannot assure investors that the Renminbi will not experience significant appreciation against the US dollar in the future.

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

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

payments from the Issuer's subsidiaries may impact the Guarantor's ability to fund its operations and to service its indebtedness.

**The Issuer may be treated as a PRC enterprise for PRC tax purposes, which may subject the Issuer to the PRC income taxes on its worldwide income and interest payable by the Issuer to foreign investors and gain on the sale of the Bonds may be subject to withholding taxes under the PRC tax law.**

Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the “**EIT Law**”) which took effect on 1 January 2008 and was later amended on 24 February 2017 and 29 December 2018 and its implementation regulations which took effect on 1 January 2008 and was later amended on 23 April 2019, enterprises established outside the PRC whose “de facto management bodies” are located in China are considered as “resident enterprises” for PRC tax purposes. The implementation rules define the term “de facto management body” as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. A circular issued by the SAT on 22 April 2009, Circular of the State Administration of Taxation on Issues Concerning the Identification of Chinese-Controlled Overseas Registered Enterprises as Resident Enterprises, in Accordance with the Actual Standards of Organisation Management (《國家稅務總局關於境外註冊 中資控股企業依據實際管理機構標準認定居民企業有關問題的通知》) (“**Circular 82**”), provides that a foreign enterprise controlled by a PRC enterprise or a PRC enterprise group will be treated as a “resident enterprise” with a “de facto management body” located within China if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within China; and (iv) at least half of the enterprise’s directors with voting rights or senior management frequently reside within China. On 27 July 2011, the SAT issued Administrative Measures for Income Tax on Chinese-controlled Resident Enterprises Incorporated Overseas (Trial Implementation) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》) (“**Circular 45**”), to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise “controlled by a PRC enterprise or PRC enterprise group”. Circular 45 provides two ways for a foreign enterprise “controlled by a PRC enterprise or a PRC enterprise group” to be treated as a resident enterprise. First, the foreign enterprise may decide on its own whether its de facto management body is located in China based on the criteria set forth in Circular 82, and, if it makes such determination, it shall apply to the competent tax bureau to be treated as a resident enterprise. Second, the tax authority may determine that the foreign enterprise is a resident enterprise after its active investigation.

As at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. If the Issuer is deemed to be a PRC resident enterprise for EIT purposes, the Issuer would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its worldwide taxable income. Furthermore, the Issuer may be obligated to withhold the PRC income tax of up to 7 per cent. on payments of interest and certain other amounts on the Bonds to investors that are Hong Kong resident enterprises or 10 per cent. on payments of interest and other amounts on the Bonds to investors that are “non-resident enterprises” as defined under the EIT Law or 20 per cent. for non-resident individuals, who are also not Hong Kong resident enterprises, provided that there are no tax treaties between China and those countries which exempt or

reduce such withholding tax, because the interest and other amounts may be regarded as being derived from sources within the PRC. In addition, if the Issuer fails to do so, it may be subject to fines and other penalties. Similarly, any gain realised by such non-resident enterprise investors from the transfer of the Bonds may be regarded as being derived from sources within the PRC and may accordingly be subject to a 10 per cent. PRC withholding tax provided that there are no tax treaties between China and those countries which exempt or reduce such withholding tax. Moreover, if the Issuer is deemed to be a PRC resident enterprise for EIT purposes, the non-resident individual holders of the Bonds may be subject to the PRC withholding tax applicable to payment of interest and other amounts on the Bonds and any gains realised from transfer of the Bonds at the rate of 20 per cent. for non-resident individuals and 10 per cent. for non-resident enterprises.

If the Issuer is required under the EIT Law to withhold PRC income tax from interest payments made to the Issuer's foreign investors who are "non-resident enterprises", the Issuer will be required to pay such additional amounts as will result in receipt by a holder of the Bonds of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds, and could have a material adverse effect on the ability of the Issuer to pay interest on, and repay the principal amount of, the Bonds, as well as their profitability and cash flow. In addition, if holders of Bonds are required to pay the PRC income tax on the transfer of the Bonds, the value of investments in the Bonds may be materially and adversely affected. It is unclear whether, if the Issuer is considered a PRC "resident enterprise", the holders of the Bonds might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

Under Circular Caishui [2016] 36, Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016] 36號) ) ("Circular 36") which introduced a new VAT from 1 May 2016 to replace business tax, VAT is applicable where the entities or individuals provide services within the PRC. The revenues generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6 per cent. Accordingly, the interest and other interest like earnings received by a non-PRC resident Bondholder from the Guarantor will be subject to PRC VAT at the rate of 6 per cent. in the event that the Guarantor is required to discharge its obligations under the Guarantee of the Bonds. The Guarantor will be obligated to withhold VAT of 6 per cent. and certain surcharges on payments of interest and certain other amounts on the Bonds paid by the Guarantor to Bondholders that are non-resident enterprises or individuals.

Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties, and the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

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

The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of PRC. Substantially all of the Group's revenue is denominated in Renminbi, a portion of which may need to be converted into other currencies in order to meet the Group's foreign currency obligations, such as payments of principal and interests under the Bonds or other foreign currency denominated debt, if any. Under the existing PRC laws and regulations on foreign exchange, payments of current account items, including profit distributions, interest payments and trade and service related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE provided that certain procedural requirements are complied with. Approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may, at its discretion, take measures to restrict access to foreign currencies for current account and capital account transactions under certain circumstances. If the foreign exchange control system prevents the Group from obtaining sufficient foreign currencies to satisfy the Group's foreign currency demands, the Group may not be able to pay interests and/or principal to Bondholders or other foreign currency denominated debt, if any. In addition, there can be no assurance that new laws or regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of the PRC. The proceeds from the offering of the Bonds will be received in US dollars. As a result, any appreciation of Renminbi against the US dollar or any other foreign currencies may result in the decrease in the value of the Group's foreign currency-denominated assets and the Group's proceeds from the offering of the Bonds. Conversely, any depreciation of Renminbi may adversely affect the Group's ability to service the Bonds.

**The Guarantor is subject to audits and inspections by PRC governmental authorities from time to time. The Group cannot predict the effect of the outcome of these audits and inspections on its businesses and financial conditions or its reputation.**

PRC governmental authorities from time to time carry out audits, inspections, inquiries or similar actions on state-owned enterprises such as the Guarantor. The Group cannot predict the outcome of such governmental audits and inspections. If the Guarantor is found to have material misstatements or omissions in its financial reports or material noncompliance with laws or other irregularities in its operations, it may be subject to fines and other disciplinary actions imposed by such governmental authorities, and its reputation, business and financial condition may be materially and adversely affected.

## **RISKS RELATING TO THE BONDS AND THE GUARANTEE**

**The Bonds and the Guarantee are unsecured obligations.**

The Bonds and the Guarantee are unsecured obligations of the Issuer and the Guarantor. The payment obligations under the Bonds and the Guarantee may be adversely affected if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

- there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness;
- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness;
- there is not enough foreign currency from domestic commercial banks for the Guarantor to purchase to fulfil its payment obligations under the Guarantee of the Bonds; or
- foreign exchange authority adopts more stringent controls over cross-border foreign exchange.

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

**Additional procedures may be required to be taken to hear English law governed matters in the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgements of the Hong Kong courts in respect of English law matters.**

The Terms and Conditions and the other transaction documents are, or will be governed by English law, whereas parties to these documents have submitted, or will submit to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters, Hong Kong courts may require certain additional procedures to be taken. As 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 Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Bondholders' ability to initiate a claim outside of Hong Kong will be limited.

In relation to claims made against the Issuer or the Guarantor, under the Choice of Court Arrangement, judgements 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 judgements have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgement could be refused if the PRC courts consider that the enforcement of such judgement is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgement given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgements as there is no established practise in this area.

**The rating assigned to the Bonds and the Guarantor may be downgraded or withdrawn in the future.**

The Bonds are expected to be rated "A-" by Fitch. The Guarantor is rated "A-" by Fitch. The ratings represent only the opinion of the rating agency and its assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Bonds, and credit risks in determining the likelihood that payments will be made when due under the Bonds. Ratings are not recommendations to buy, sell or hold the Bonds and may be subject to revision, qualification, suspension, reduction or withdrawal at any time. There can be no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. Neither the Issuer nor the Guarantor is obliged to inform holders of the Bonds of any such

revision, downgrade or withdrawal. Each rating should be evaluated independently of any other rating of the Bonds or other securities of the Issuer or the Guarantor (if any). A revision, qualification, suspension or withdrawal at any time of any rating assigned to the Bonds may adversely affect the market price of the Bonds.

**The Group may issue additional securities or raise additional capital in the future.**

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

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

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

**If the Guarantor fails to complete the SAFE registration in connection with the Guarantee within the time period prescribed by SAFE, there may be adverse consequences for the Issuer, Guarantor and/or the investors of the Bonds.**

Pursuant to the Deed of Guarantee executed by the Guarantor, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration of Cross-border Guarantees. Although the non-registration does not render the Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame. The Guarantor intends to register the Guarantee as soon as practicable and in any event within 120 PRC Business Days after the Issue Date. In addition, if the Guarantor fails to complete the SAFE registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Deed of Guarantee in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

**Third parties, including holders of the Bonds, may be hindered or prevented from enforcing their rights with respect to the assets of the Company because of the doctrine of sovereign immunity or state secret privilege.**

The Company is controlled by the PRC Government, directly and indirectly, through the Jinan SASAC. All of the assets relating to the operation of the Company's business are either owned or controlled by the Company itself or by companies wholly or majority owned by the Company. Where a third party brings a legal action against the Company, its subsidiaries or their assets based on a contract dispute with them, the legal proceeding, particularly the enforcement of judgements or any arbitral awards with respect to the assets of the Company and its subsidiaries in China, may be subject to the law and legal systems and the jurisdiction of PRC courts or tribunal. While the Company can be sued in its own capacity in a civil proceeding in a court or tribunal, the assets of the Company could be immune from enforcement proceedings on the grounds of sovereign immunity or state secret privilege. If such immunity or privilege is invoked to dismiss judgements from the court or tribunal, it may be difficult for the third party plaintiffs (such as holders of the Bonds) to enforce their contractual rights against the Company, its subsidiaries or their assets in China.

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

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

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

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, including interest rates globally. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. While global economic conditions have improved and certain markets have shown signs of recovery in 2011 due, in large part, to stimulus measures adopted by various governments, there can be no assurance that these credit markets will continue to recover or that the various governments will maintain their stimulus measures. The global economy and financial markets have been affected by the ongoing sovereign debt crises in several member countries of the European Union in late 2011 to the present, and more recently, the tapering of the stimulative quantitative easing policy, and the potential interest rate increase, by the US Federal Reserve, the economic slowdown of the PRC and the enhanced market volatility stemming from the referendum passed on 23 June 2016 for the United Kingdom to leave the European Union. On 29 March 2017, the United Kingdom notified the European Council of its intention to withdraw from the European Union in accordance with Article 50(2) of the Treaty on European Union. There is substantial uncertainty relating to the implementation of the United Kingdom's exit or its impact on the economic conditions of other part of the world, such as the PRC, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving

more countries and areas. China's economic growth may also slow down due to weakened exports as well as the United States starting in April 2018. As of the date of this offering circular, an amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the PRC real estate industry uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of the Group's customers in the PRC would be negatively affected.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, the Group's business operation. In addition, any further tightening of liquidity in the global financial markets may negatively affect the Group's liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets continue, the Group's business, financial condition and results of operations may be adversely affected.

**A trading market for the Bonds may not develop.**

The Bonds are a new issue of securities for which there is currently no trading market. Although application will be made for the listing of the Bonds on the Hong Kong Stock Exchange, no assurance can be given as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds or that a liquid market will develop. The liquidity of the Bonds will be adversely affected if the Bonds are held or allocated to limited investors. None of the Joint Lead Managers is obligated to make a market in the Bonds, and if the Joint Lead Managers do so, they may discontinue such market making activity at any time at their sole discretion. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders 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.

**Certain initial investors or a single initial investor may purchase a significant portion of the Bonds and may potentially be able to exercise certain rights and powers on their own.**

Certain initial investors or a single initial investor may purchase a significant portion of the aggregate principal amount of the Bonds in this offering. Any holder of a majority of the aggregate principal amount of the Bonds will be able to exercise certain rights and powers on its own under the Conditions and Trust Deed, which will be binding on holders of the Bonds. For example, holders of at least 75 per cent. (and at adjourned meetings 25 per cent.) of the aggregate principal amount of the Bonds will be able to vote on reserved matters, including the reduction or cancellation of the Bonds and the reduction or variation of interest rate of the Bonds, which decision will be binding on all holders of the Bonds. In addition, any Event of Default or non-compliance with any provision of the Conditions and the Trust Deed may be waived with the consent of the holders of a majority of the aggregate principal amount of the Bonds, in each case subject to certain exceptions in connection with the reserved matters set forth in the Trust Deed. Accordingly, any holder of a significant portion of or majority of the aggregate principal amount of the Bonds may be able to exercise such rights and powers on its own, which will be binding on all holders of the Bonds and control the outcome of votes on such matters. Any holder of a significant percentage of the Bonds, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by Bondholders. For example, holders of at least 25 per cent. of the aggregate principal amount of the Bonds may, subject to the provisions of the Trust Deed, direct the Trustee to declare all the Bonds to be due and payable immediately if an Event of Default has occurred.

Additionally, the existence of any such significant Bondholder may reduce the liquidity of the Bonds in the secondary trading market.

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

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

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

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

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

The Bonds and the Guarantee of the Bonds will be structurally subordinated to any debt and other liabilities and commitments of the Issuer's and the Guarantor's existing and future subsidiaries (in the case of the Guarantor's subsidiaries, other than the Issuer), whether or not secured. The Bonds will not be guaranteed by any of the Issuer's and the Guarantor's subsidiaries, and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer or the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer and the Guarantor is subject to various restrictions under applicable laws and contracts to which they are a party. Each of the Issuer's and the Guarantor's subsidiaries is a separate legal entities that has no obligation to pay any amounts due under the Bonds or the Guarantee of the

Bonds or make any funds available therefor, whether by dividend, loans or other payments. The Issuer's and the Guarantor's right to receive assets of any of the Issuer's and the Guarantor's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer or the Guarantor are creditors of that subsidiary). Consequently, the Bonds and the Guarantee will be effectively subordinated to all liabilities of any of the Issuer's and the Guarantor's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer or the Guarantor may in the future acquire or establish.

**The Issuer has limited assets, which affects its ability to make payments under the Bonds.**

As at the date of this Offering Circular, the Issuer has no business operations or substantial assets. The Issuer might not be able to meet its payment obligations under the Bonds due to the limited amount of assets that it holds.

The Issuer may not be able to redeem the Bonds upon the due date for redemption thereof. The Issuer, at maturity or at any time following the occurrence of a Change of Control or a Non Registration Event (each defined in the Terms and Conditions of the Bonds), is or may be required to redeem all but not some only of the Bonds. If such an event occurs, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The Issuer's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Group's other indebtedness.

**The Issuer may elect to redeem the Bonds if it is required to pay additional tax amounts in respect of PRC withholding tax, and a Bondholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Bonds.**

As at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, it is unclear whether the Issuer will be treated as a PRC tax resident enterprise for the purposes of the EIT Law. If the Issuer is treated as a PRC tax resident enterprise and is required to withhold tax from interest payments on the Bonds, the Issuer will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding been required. As described under Condition 6(b) of the Terms and Conditions of the Bonds, if the Issuer or the Guarantor is required to pay additional tax amounts as a result of any change in or amendment to, or any change in the application or official interpretation of, the laws or regulations of a relevant jurisdiction (including any change or amendment or change in the interpretation that requires the Issuer to withhold tax as a result of it being treated as a PRC tax resident enterprise), the Issuer may redeem the Bonds in whole, but not in part, at a redemption price equal to 100 per cent. of the principal amount together with interest accrued to the date fixed for redemption.

The date on which the Issuer may elect to redeem the Bonds may not accord with the preference of particular Bondholders. In addition, a Bondholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Bonds.

**If the Guarantor or any of its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in their respective debt agreements (if any), or the Bonds, as applicable, there could be a default under the terms of these agreements, or the Bonds, as applicable, which could cause repayment of the relevant debt to be accelerated.**

If the Guarantor or any of its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in the Bonds or current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Guarantor or any of its subsidiaries, including the Issuer, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements and the Bonds contain or may contain cross-acceleration or cross-default provisions. As a result, the default by the Guarantor or any of its subsidiaries under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows of the Guarantor or any of its subsidiaries to repay in full all of their respective indebtedness, or that they would be able to find alternative financing. Even if the Guarantor 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 Guarantor and its subsidiaries.

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

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. See “– *Risk Factors Relating to the PRC – The Issuer may be treated as a PRC enterprise for PRC tax purposes, which may subject the Issuer to PRC income tax on its worldwide income and interest payable by the Issuer to foreign investors and gain on the sale of the Bonds may be subject to withholding taxes under PRC tax law*”.

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

The Bonds are denominated and payable in US dollars. If a Bondholder measures its investment returns by reference to a currency other than US dollars, an investment in the Bonds entails foreign exchange related risks, including changes in the value of US dollars relative to the currency by reference to which an investor measures its investment returns. Depreciation of the US dollars 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 Bondholders as a result of any foreign currency gains resulting from any investment in the Bonds.

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

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

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

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

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

In certain circumstances, including without limitation giving of notice to the Issuer pursuant to Condition 8 of the Terms and Conditions of the Bonds and taking enforcement steps pursuant to Condition 12 of the Terms and Conditions of the Bonds, the Trustee may, at its sole discretion, request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of holders of the Bonds. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed (as defined in the Terms and Conditions of the Bonds) or the Terms and Conditions of the Bonds and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such actions directly.

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

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

**Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds, the Trust Deed by the Trustee and the Agency Agreement.**

The Terms and Conditions of the Bonds provide that the Trustee may, without the consent of Bondholders, agree to any modification of the Trust Deed, the Deed of Guarantee or the Terms and Conditions of the Bonds which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and to any modification of the Trust Deed, the Deed of Guarantee or the Terms and Conditions of the Bonds which in the opinion of the Trustee 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.

In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any proposed breach or breach of the provisions of the Bonds, the Deed of Guarantee or the Trust Deed (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

**The Group will follow the applicable corporate disclosure standards for debt securities listed on the Hong Kong Stock Exchange, which standards may be different from those applicable to companies in certain other countries.**

The Group will be subject to reporting obligations in respect of the Bonds to be listed on the Hong Kong Stock Exchange. The disclosure standards imposed by the Hong Kong Stock Exchange may be different than those imposed by securities exchanges in other countries or regions such as the United States. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

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

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

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

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

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

**Bondholders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.**

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive certificate in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive Bonds are issued, holders should be aware that a definitive certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

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

In connection with the issue of the Bonds, the Issuer has requested S&P Global Ratings to deliver the second party opinion (the “**Second Party Opinion**”) confirming that the green finance framework of the Group (the “**Green Finance Framework**” or the “**Framework**”) is aligned with the Group’s green and sustainability strategy and performance, and aligned with the four core components of the Green Bonds Principles 2021, and the Green Loan Principles 2021.

The Second Party Opinion is not incorporated into, nor does it form part of, the Offering Circular. The Second Party Opinion (including the section headed the “*Green Finance Framework*” in this Offering Circular) is not a recommendation to buy, sell or hold securities and is only current as of the date of issue and are subject to certain disclaimers set out therein. Furthermore, the Second Party Opinion is for information purposes only and none the Issuer or S&P Global Ratings 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 in it.

Whilst the Issuer has agreed to certain obligations relating to reporting and use of proceeds as described under the sections headed “*Green Finance Framework*” and “*Use of Proceeds*”, it would not be an Event of Default under the Terms and Conditions if (i) the Issuer was 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 was to be withdrawn. Any failure to use the net proceeds of the issue of the Bonds in connection with green projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with environmental concerns with respect to such Bonds, may affect the value and/or trading price of the 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” 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 Joint Lead 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 makes any representation as to the suitability for any purpose of the Second Party Opinion or whether the Bonds will fulfil the relevant environmental criteria. Each potential purchaser of the Bonds should have regard to the relevant projects and eligibility criteria described under the section headed “*Green Finance Framework*” and 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. The Second Party Opinion was published on 7 September 2022.

## **USE OF PROCEEDS**

The gross proceeds from the offering of the Bonds, before deducting commissions to be charged by the Managers and other estimated expenses payable in connection with the offering of the Bonds, will be US\$200 million. The Group intends to use such proceeds from this offering for general corporate purposes in accordance with the Green Finance Framework.

## GREEN FINANCE FRAMEWORK

The Group has developed this Green Finance Framework (the “**Green Finance Framework**” or the “**Framework**”) to demonstrate how it intends to issue green financing instruments (“**GFI**s”), including green bonds and loans, from time to time. The Framework has received a “second party opinion” by an independent consultant.

The Framework has been developed to demonstrate how the Group could, with GFIs, finance projects that have a positive environmental impact and synergize the Group’s business strategy and mission, thereby contributing to positive environmental impacts.

The proceeds from GFIs will be applied exclusively to Eligible Green Projects (as defined in the Framework) that will deliver environmental benefits to support the Group’s business strategy and green mission.

Bonds issued under the Framework will be aligned with voluntary guidelines in Green Bond Principles (“**GBP**”) (2021) (with June 2022 Appendix 1) by the International Capital Markets Association’s (“**ICMA**”). Loans issued under the Framework will be aligned with voluntary guidelines in Green Loan Principles (“**GLP**”) 2021 by the Loan Market Association (“**LMA**”), Loan Syndications and Trading Association (“**LSTA**”) and Asia Pacific Loan Market Association (“**APLMA**”).


For each GFI issued under the Framework, the Group is committed to align with the following elements:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

### USE OF PROCEEDS

The net proceeds from any GFI will be exclusively used to finance or refinance in whole or in part, new or existing eligible green projects (“**Eligible Green Projects**”) that meet one or more of the following eligible categories as recognised in the GBP/GLP. Refinancing of Eligible Green Projects will have a look-back period of no longer than 24 months from the time of issuance.

The eligible green project categories (“**Eligible Green Project Categories**”) that may be utilised under the Framework, together with associated selection criteria (“**Eligibility Criteria**”) are set out below:

Category of Eligible Green Projects	Examples of Eligible Green Projects
<p><b>Clean Transportation</b></p>  <p>For SDG Target 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons</p> <p>Favourable to fulfil the objectives of mitigations in climate change, adaptions to climate change</p>	<p><b>Technical Research and Preliminary Planning:</b></p> <ul style="list-style-type: none"> <li>• Preliminary research expenditures, including but not limited to surveys, planning programs and site selection</li> </ul> <p><b>Electric Rail Infrastructure and Rolling Stock</b></p> <ul style="list-style-type: none"> <li>• Development, construction and operation of electric mass transit rail systems, as well as expansion, maintenance and upgrades of these infrastructures that result in extended lifespan with preserved carrying capacity. This includes:               <ul style="list-style-type: none"> <li>◦ purchase and maintenance of electric rolling stock (excluding projects or assets which involve the use or generation of fossil fuels, diesel or nuclear energy)/carriages</li> <li>◦ construction of relevant infrastructures in rail transit systems driven by electricity including but not limited to track and tunnel construction and the manufacture or purchase of equipment used in the construction of such infrastructure (including but not limited to the manufacture or purchase of shield machines)</li> </ul> </li> </ul> <p><b>Electric Rail Transit Stations:</b></p> <ul style="list-style-type: none"> <li>• Construction of station, including investments in interior modern fit- out, ventilation, water, lighting, waste management, etc. The chiller plant in the station to be invested shall fulfil the standards of Level 1 of the China Energy Label or equivalent</li> <li>• New or renovation of existing ticketing system to automate service</li> <li>• Replacement of escalators and safety gates for safety and energy conservation</li> </ul> <p><b>Associated Rail Infrastructure:</b></p> <ul style="list-style-type: none"> <li>• Construction of infrastructure that supports low-carbon transportation such as signaling equipment, network interfaces including passenger access, facilities required for the safe, clean and efficient operation of the network, utilities and other enabling infrastructure</li> </ul>

**Category of Eligible Green Projects**

**Sustainable Water Resources and Wastewater Management**



For SDG Target 6.6: By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes

Favourable to fulfil the objectives of pollution prevention

**Pollution Prevention**



For SDG Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Favourable to fulfil the objectives of pollution prevention

**Examples of Eligible Green Projects**

**Protection of Underground Natural Spring Water:**

- As the underground natural spring water in Jinan is flourishing, protecting such underground natural spring water in the area is essential where the metro lines pass through during the construction process. Investments in this area include research and development of technology to protect underground natural spring water (Note 1), manufacture or purchase equipment, construction of relevant infrastructure, etc.

(Note 1: Please refer to Attachment One for details on the protection technology of natural spring water)

**Technologies in Relation to:**

- To improve the air quality, we will invest more in air circulation and air cleanliness, for instance, in fresh air ventilation systems in train compartments or rail stations, investments in air sterilizing units within the train compartments, and rail stations, etc.
- The technology of noise cancellation, e.g. acoustic panels(to minimize the noise pollution caused by aboveground metro sections to surrounding communities), modernizing the safety shoulders and exits, shock-absorbing steel rails(to reduce the noise pollution), screen doors (to reduce noise pollution from metro operation inside the stations) etc.
- Upgrading and repair of ventilation and sewerage systems

**Category of  
Eligible Green Projects**

**Examples of Eligible Green Projects**

**Enhanced Energy  
Efficiency**



For SDG Target 7.3:  
By 2030, double the  
global rate of  
improvement in  
energy efficiency

Favourable to fulfil the  
objectives of  
mitigations in  
climate change

**Design, Manufacture or Installation of Systems, Products or  
Technologies related to Low-carbon Transportation:**

- Use of facilities that enhance energy efficiency, such as modern lighting systems (LED lighting system upgrades, etc.), the lighting equipment to be invested shall meet the standard that the energy efficiency of the whole lamp is not less than 85lm/w

**Renewable Energy**



For SDG Target 7.2:

By 2030, increase  
substantially the share  
of renewable energy in  
the global energy mix

Favourable to fulfil the  
objectives of  
mitigations in  
climate change

- Design, manufacture or installation of systems, products or technologies related to renewable energy, such as solar panels on transit stations, buildings, houses and related facilities

The following sectors and activities will be excluded from Eligible Green Projects:

- 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, PCB's, wildlife or products regulated under CITES.
- 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 km. in length.
- Production or activities involving any 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.

## **PROJECT EVALUATION AND SELECTION PROCESS**

The Group has a robust internal control and policy framework to ensure that the environmental and social risks are mitigated in Jinan Metro's operation. In addition, the Group actively responds to the national standard and continues to improve its design in ecological planning. The Eligible Categories will be aligned with the Group's sustainable development goals. All projects will undergo an environmental protection investigation to ensure that effective pollution control and environmental protection measures are adequate. The investigation covers aspects such as impacts on the surrounding atmosphere, surface, and ground water, etc. All projects will be under assessment surveys in social risk to ensure that during the construction period, projects would not cause noise pollution and water pollution to the surrounding residential areas and head-water points as well so that the healthy life of residents along the metro lines could be guaranteed. The survey includes monitoring the noise incurred in the surroundings during construction and detecting water quality from the head-water point in the same area.

The Group's Green Finance Working Group ("GFWG") is responsible for the management of the Framework and the compliance of all financial instruments under the Framework. The GFWG is formed by senior representatives of the following departments, including:

- Department of Financial Management (Centre for Fund Settlement) (Establishment and Amendment of Green Finance Framework)
- Department of Engineering Management (Identification and Control of Project Risks)  
Department of Safety and Quality (Identification and Control of Project Risks)
- Department of Audit and Legal Affairs (Control of Project in Area of Audit, Compliance and Legal Risks) Chief Engineer Office, Technology and Innovation Center (Presentation of Project Planning)

The GFWG will:

- Meet at least once every 12 months to discuss and select Eligible Green Projects according to the eligibility and exclusion criteria of this Framework. The GFWG prefers to select projects that comply with Energy Saving Regulation of the People's Republic of China, Design Standard for Energy Efficiency of Public Buildings, Code for Green Construction of Building and other related policies enforcing sustainability considerations. Then, the GFWG will measure each project by its feasibility report. Short-listed projects will be presented to the Board of Directors for approval. After receiving the Board's assessment and approval, the selected projects will become Eligible Green Projects.

- Ensure that the selected Eligible Green Projects comply not only with the Use of Proceeds section under the Framework but also the environmental guidelines applicable to the Group as well as all applicable national and international environmental standards and local laws and regulations. Projects will also be selected with the United Nations Sustainable Development Goals in mind. In the design stage, environmental impact assessments will be conducted in accordance with application regulations to identify environmental and social impacts. Controls and mitigation measures will be adopted to minimize the environmental impact. In the construction stage, mitigation measures and controls are strictly implemented and monitored to protect the eco-system.
- During the whole funding period, the asset pool is monitored on a regular basis to ensure that green and/or social projects are eligible as outlined above and satisfy the criteria specified in the exclusion criteria. Meanwhile, any ineligible green and/or social projects will be substituted by new eligible green and/or social projects.
- Manage and update this Framework, including additional requirements about the use of proceeds.
- Conduct regular reports on any green, social, or persistent problems according to our reporting regulations.

## **MANAGEMENT OF PROCEEDS**

The Group will use the evaluation and selection criteria outlined above to select Eligible Green Projects and use the proceeds to finance or refinance the projects over time.

The net proceeds of each GFI will be managed by the Group's financial team, and the proceeds will be deposited in general funding accounts and be earmarked for Eligible Green Projects. The Group will maintain a register to keep track of the use of proceeds of each GFI. It is the Group's intention to utilize the proceeds of each green finance transaction for Eligible Green Projects within 2 years.

The register will contain the following information:

(1) Types of Funding Transaction:

- Including key information such as issuer/borrower entity, transaction date, tranche(s) information (in the case of bonds, the ISIN number), principal amount of proceeds, repayment or amortization profile, maturity date and interest or coupon

(2) Allocation of Use of Proceeds

- Name, description, and relevant green certificates (if any) to which the proceeds of the GFI have been allocated in accordance with this Framework
- Amount and date of GFI proceeds allocated to each Eligible Green Project
- The remaining balance of unallocated proceeds yet to be earmarked to Eligible Green Projects
- Other relevant information such as information of temporary investment of unallocated proceeds (the investment amount and investment type)

The Group 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 Group will disclose to investors the types of temporary placement they use for unallocated proceeds. The Group 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 Group strives to maintain an amount of Eligible Green Projects at least equal of the total net proceeds of all GFIs outstanding.

Additionally, if any critical controversies emerge in relation to a specific project, the Group commits to substitute that project with an alternative Eligible Green Project.

## **REPORTING**

The Group will annually provide information on the allocation of the net proceeds from each GFI and on the environmental impact of the Eligible Green Projects publicly available on the Group's website, where the circumstances permit and there are available data. Such information will be provided until all the net proceeds have been allocated and in the event of any material changes until the relevant maturity date. The GFWG will review and approve the allocation and impact reporting.

The disclosures will include but are not limited to the following details:

### **Allocation Reporting**

The allocation report will include at least the following details:

- Share of financing vs. refinancing
- Details of each GFI that is outstanding
- Aggregate amount of proceeds from each GFI that has been allocated to Eligible Green Projects and geographical distribution
- Total unallocated proceeds

In addition, the Group will ensure that the proceeds from green finance transactions are utilized in compliance with the Framework.

### **Impact Reporting**

The impact report will potentially include the following impact indicators, which includes the actual qualitative and quantitative impacts of financing and refinancing projects. In addition, calculation methodologies and key assumptions will be disclosed.

<b>Category of Eligible Green Projects</b>	<b>Impact Indicators</b>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>• Length of tracks built in kilometres</li> <li>• No. of passenger</li> <li>• Annual GHG emissions reduced or avoided in (in tonnes of CO<sub>2</sub> equivalent p.a.)</li> </ul>
<b>Sustainable Water Resources and Waste Water Management</b>	<ul style="list-style-type: none"> <li>• Annual volume of pollution reduction from underground natural spring water (in ten thousand cubic meters)</li> </ul>
<b>Pollution Prevention and Control</b>	<ul style="list-style-type: none"> <li>• No. of noise barriers installed</li> <li>• Annual reduction in NOx, PM10 and PM2.5 emissions (in tonnes)</li> </ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>• Amount of energy saved (in MWh)</li> <li>• Percentage annual energy efficiency gain relative to an established baseline</li> </ul>
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Installed renewable energy production capacity</li> <li>• Annual GHG emissions avoided in (in tonnes of CO<sub>2</sub> equivalent p.a.)</li> </ul>

Further to the above indicators, the Group will, to the extent where is appropriated, consider to align impact indicators with the recommendations in ICMA's Harmonized Framework for Impact Reporting.

### **External Review**

The Group 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 the Group's website.

## EXCHANGE RATE INFORMATION

### CHINA

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 market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and US dollars, has been based on rates set by PBOC, which are set daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to US dollars remained generally stable. Although the PRC Government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loans or securities, still requires the approval of SAFE and other relevant authorities. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2 per cent. against the US dollar. On 18 May 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the US dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate, effective on 21 May 2007. This allows the Renminbi to fluctuate against the US dollar by up to 0.5 per cent. above or below the central parity rate published by PBOC. The floating band was further widened to 1 per cent. on 16 April 2012 and to 2 per cent. on 17 March 2014. From 21 July 2005 to 31 December 2014, the value of the Renminbi appreciated by approximately 33 per cent. against the US dollar. On 11 August 2015, the PBOC announced plans to improve the central parity rate of the RMB against the US dollar by authorising market-makers to provide parity to the China Foreign Exchange Trading Centre operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. On 11 December 2015, 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. The Renminbi continued to experience further fluctuation in value against the U.S. dollar in 2019. On 5 August 2019, the PBOC set the Renminbi daily reference rate above RMB7 per U.S. dollar for the first time in over a decade. The PRC Government has since made and in the future may make further adjustments to the exchange rate system. PBOC announces the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day.

The following table sets forth the exchange rate of the Renminbi against the US dollar as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends indicated.

Period	Renminbi per U.S. Dollar Noon Buying Rate <sup>(1)</sup>			
	End	Average <sup>(2)</sup>	High	Low
		<i>(RMB per U.S.\$1.00)</i>		
2016 .....	6.9430	6.6549	6.9580	6.4480
2017 .....	6.5063	6.7350	6.9575	6.4773
2018 .....	6.8755	6.6090	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	6.4382	6.5716	6.3435
2022				
January .....	6.4282	6.4672	6.4822	6.4282
February .....	6.4730	6.4601	6.4869	6.4344
March .....	6.5518	6.5109	6.5716	6.4648
April .....	6.6080	6.4310	6.6243	6.3590
May .....	6.6715	6.6990	6.7880	6.6079
June .....	6.6981	6.6952	6.7530	6.6534
July .....	6.7433	6.7352	6.7655	6.6945
August .....	6.8890	6.8007	6.9100	6.7674
September .....	7.1135	7.0195	7.1990	6.8985
October .....	7.3048	7.1902	7.3048	7.1103
November (through 21 November 2022) .....	7.1840	7.2576	7.3000	7.1840

Source: Federal Reserve H.10 Statistical Release

Note:

(1) Annual and monthly averages are calculated using the average of the daily rates during the relevant period.

## CAPITALISATION

The following table sets forth the consolidated total indebtedness (both current and non-current portions), total equity and total capitalisation of the Group as at 31 December 2021 on an (i) actual basis and (ii) on an adjusted basis to give effect to the Bonds to be issued. The summary consolidated financial information below should be read in conjunction with the Group's consolidated financial statements and the notes to those statements included elsewhere in this Offering Circular.

	Actual		As adjusted	
	(RMB)	(US\$) <sup>(1)</sup>	(RMB)	(US\$) <sup>(1)</sup>
	<i>(in millions)</i>			
<b>Current indebtedness:</b>				
Short-term borrowings . . . . .	1,088.2	170.8	1,088.2	170.8
Non-current liabilities due within one year . . . . .	4,840.9	759.6	4,840.9	759.6
Other current liabilities . . . . .	4,435.0	696.0	4,435.0	696.0
Bonds to be issued <sup>(2)</sup> . . . . .	–	–	1,274.5	200.0
<b>Total current indebtedness . . . . .</b>	<b>10,364.1</b>	<b>1,626.4</b>	<b>11,638.6</b>	<b>1,826.4</b>
<b>Non-current indebtedness:</b>				
Long-term borrowings . . . . .	54,646.1	8,575.2	54,646.1	8,575.2
Long-term payable . . . . .	20,390.0	3,199.6	20,390.0	3,199.6
Bonds payable . . . . .	18,665.6	2,929.0	18,665.6	2,929.0
<b>Total non-current indebtedness . . . . .</b>	<b>93,701.7</b>	<b>14,703.8</b>	<b>93,701.7</b>	<b>14,703.8</b>
<b>Total indebtedness<sup>(3)</sup> . . . . .</b>	<b>104,065.8</b>	<b>16,330.2</b>	<b>105,340.3</b>	<b>16,530.2</b>
<b>Total owner's equity . . . . .</b>	<b>39,562.7</b>	<b>6,208.3</b>	<b>39,562.7</b>	<b>6,208.3</b>
<b>Total capitalisation<sup>(4)</sup> . . . . .</b>	<b>143,628.5</b>	<b>22,538.5</b>	<b>144,903.0</b>	<b>22,738.5</b>

*Notes:*

- (1) For convenience only, all translation from Renminbi into US dollars was made at the rate of RMB6.3726 to US\$1.00, the exchange rate as at 31 December 2021 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve Bank System of the United States.
- (2) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting commissions and other estimated expenses payable in connection with the offering of the Bonds.
- (3) Total indebtedness equals the sum of current indebtedness and non-current indebtedness.
- (4) Total capitalisation represents the sum of total indebtedness and total owners' equity.

The Group issued offshore bonds with an aggregate principle amount of U.S.\$100,000,000 due 2022 in December 2021. The Group may incur additional debt from time to time in the ordinary course of its business to finance its operations. Except as otherwise disclosed above, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Group since 31 December 2021.

## TERMS AND CONDITIONS OF THE BONDS

*The following is the text of the Terms and Conditions which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates issued in respect of the Bonds (as defined below) and referred to in the Global Certificate.*

The US\$200,000,000 6.75 per cent. guaranteed green bonds due 2023 (the “**Bonds**”, which expression includes any further bonds issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of Jinan Shuntong International Co. Limited (濟南舜通國際有限公司) (the “**Issuer**”) are constituted by, are subject to, and have the benefit of, a trust deed dated on or about 28 November 2022 (as amended, restated, replaced or supplemented from time to time, the “**Trust Deed**”) between the Issuer, Jinan Rail Transit Group Co., Ltd (濟南軌道交通集團有限公司) as guarantor (the “**Guarantor**”) and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of (a) a deed of guarantee dated on or about 28 November 2022 (as amended, restated, replaced or supplemented from time to time, the “**Deed of Guarantee**”) entered into between the Guarantor and the Trustee and (b) an agency agreement dated on or about 28 November 2022 (as amended, restated, replaced or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, the Guarantor, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Bonds), China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) 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 transfer agents named therein (the “**Transfer Agent**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds), the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds) and the Trustee. References herein to the “**Agents**” are to the Registrar, the Principal Paying Agent, the Transfer Agents and the Paying Agents and any reference to an “**Agent**” is to any one of them. Certain provisions of these terms and conditions (these “**Conditions**”) are summaries of the Deed of Guarantee, the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Bondholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Deed of Guarantee, the Trust Deed and the Agency Agreement applicable to them. Copies of the Deed of Guarantee, the Trust Deed and the Agency Agreement are available for inspection by Bondholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong and at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, following prior written request and proof of holding and identity to the satisfaction of the Trustee.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

## 1. Form, Denomination, Status and Guarantee

- (a) *Form and denomination*: The Bonds are issued in registered form in the denomination of US\$200,000 and in integral multiples of US\$1,000 in excess thereof (each, an “**Authorised Denomination**”).
- (b) *Status of the Bonds*: The Bonds constitute direct, general, unsubordinated, unconditional and (subject to Condition 3(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (c) *Guarantee of the Bonds*: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Bonds. This guarantee (the “**Guarantee of the Bonds**”) constitutes direct, general, unsubordinated and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

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 evidenced by a global certificate (the “**Global Certificate**”) substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”), and will be exchangeable for individual Certificates (as defined below) only in the circumstances set out therein.*

## 2. Register, Title and Transfers

- (a) *Register*: The Registrar will maintain a register (the “**Register**”) in respect of the Bonds in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Bondholder**” means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A certificate (each, a “**Certificate**”) will be issued to each Bondholder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register and each Certificate shall represent the entire holding of Bonds by the same Bondholder.
- (b) *Title*: The Bondholder of each Bond shall (except as otherwise required by law) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Bondholder.

- (c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Bond may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a Bondholder are being transferred) the principal amount of the balance of Bonds not transferred are Authorised Denominations. Where not all the Bonds represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Bonds will be issued to the transferor. No transfer of title of a Bond will be valid unless and until registered in the Register.

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

- (d) *Registration and delivery of Certificates*: Within five business days of the receipt of a duly completed form of transfer and the surrender of a Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Bonds transferred to each relevant Bondholder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Bondholder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Bondholder. In this paragraph, “**business day**” means a day, other than a Saturday and Sunday or public holiday, on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

*Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.*

- (e) *No charge*: The transfer of a Bond will be effected without charge by or on behalf of the Issuer, the Guarantor, the Registrar or any Transfer Agent but upon (i) payment by the relevant Bondholder (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require) of any tax, duty or other governmental charges that may be imposed in relation to such transfer; (ii) the Registrar or the relevant Transfer Agent 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 have been complied with.
- (f) *Closed periods*: Bondholders may not require transfers to be registered (i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Bonds; (ii) during the period of 15 days ending on (and including) any date on which Bonds may be called for redemption by the Issuer at its option pursuant to Condition 5(b) (*Redemption for tax reasons*); (iii) after a Change of Control Put Exercise Notice (as defined in Condition 5(c) (*Redemption for Change of Control*)) has been delivered in respect of the relevant Bonds in accordance with Condition 5(c)

(*Redemption for Change of Control*) or (iv) after a No Registration Put Exercise Notice (as defined in Condition 5(d) (*Redemption for No Registration Event*)) has been delivered in respect of the relevant Bonds in accordance with Condition 5(d) (*Redemption for No Registration Event*).

- (g) *Regulations concerning transfers and registration*: All transfers of Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer and the Guarantor with the prior written approval of the Trustee and the Registrar or changed by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be available for inspection by any Bondholder at all reasonable times during usual business hours (being between 9:00am and 3:00pm) (Hong Kong time) from Monday to Friday (other than public holidays) following prior written request and proof of holding and identity to the satisfaction of the Registrar.

### 3. Covenants

- (a) *Negative Pledge*: So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that none of their respective Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without at the same time or prior thereto (a) securing the Bonds equally and ratably therewith to the satisfaction of the Trustee or (b) providing such other security for the Bonds the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Bondholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders.
- (b) *SAFE Registration*: The Guarantor undertakes that it will complete the cross-border security registration and filing (“**Cross-Border Security Registration**”) and obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) within the prescribed timeframe in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 and any implementation rules, reports, certificates, approvals or guidelines as issued by SAFE from time to time.

Before the SAFE Registration Deadline and within five PRC Business Days after the receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), the Guarantor shall provide the Trustee and the Principal Paying Agent with:

- (i) a certificate in English signed by any director or any Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming (A) completion of the Cross-Border Security Registration, (B) no Change of Control, Event of Default or 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 8 (*Events of Default*) become any Event of Default has occurred; and (C) the copies of the Registration Documents (as defined below) delivered are true and complete copies of the originals; and

- (ii) copies of the relevant documents evidencing the Cross-Border Security Registration (the items specified in (i) and (ii) together, the “**Registration Documents**”).

Such a certificate shall contain a notice to Bondholders of the above matters attached to such certificate and an instruction to the Principal Paying Agent to give such notice to Bondholders in accordance with Condition 15 (*Notices*).

The Trustee and the Agents shall have no obligation or duty to monitor or ensure the completion (or otherwise assist with) of the Cross-Border Security Registration on or before the relevant deadline referred to above or to verify the accuracy, completeness, content, validity and/or genuineness of any documents in relation to or in connection with the Cross-Border Security Registration, and shall not be liable to Bondholders or any other person for not doing so.

- (c) *Financial Statements*: So long as any Bond remains outstanding, each of the Issuer and the Guarantor shall provide to the Trustee:
  - (i) a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any holder or any other person for such compliance) within 14 days of a written request by the Trustee and at the time of provision of the English translation of the Guarantor Audited Financial Reports;
  - (ii) a copy of the Guarantor Audited Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with PRC GAAP (audited by a nationally recognised firm of independent accountants of good repute); and
  - (iii) a copy of the Guarantor Unaudited Financial Reports within 90 days of the end of each Relevant Period prepared on a basis consistent with the Guarantor Audited Financial Reports,

provided that, if at any time the capital stock of the Guarantor is listed for trading on a recognised stock exchange, the Guarantor shall provide to the Trustee, as soon as they are available but in any event not more than 14 days after any financial or other reports of the Guarantor are filed with the exchange on which the Guarantor’s capital stock is at such time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified in this Condition 3(d).

Reports and accounts referred to in this Condition 3(d) which are not in the English language shall be provided to the Trustee together with an English translation of the same translated by (x) a nationally recognised firm of independent accountants of good repute or (y) a professional translation service provider and checked by a nationally recognised firm of independent accountants of good repute, together with a certificate in English signed by any director or any Authorised Signatory of the Guarantor certifying that such translation is complete and accurate. The Trustee may

conclusively rely on such certificates, shall not be responsible for checking or verifying any such translation and may rely conclusively on the same as being a complete and accurate translation of the original, and shall not be liable to the Issuer, any Bondholder, the Agents or any other person for doing so.

- (d) *Ratings*: So long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution of the Bondholders, the Issuer and the Guarantor will maintain ratings on the Bonds by at least one Rating Agency.
- (e) *Issuer Activities*: The Issuer shall not, and the Guarantor will procure that the Issuer will not, so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of Holders, conduct any business or any activities other than the issue of the Bonds and the lending of the proceeds of the issue of the Bonds to any of the Guarantor's Subsidiaries and affiliates and any other activities reasonably incidental thereto. In these Conditions:

“**Compliance Certificate**” means a certificate in English of each of the Issuer and the Guarantor signed by any of their directors or Authorised Signatories respectively certifying that, having made due enquiries, to the best of the knowledge, information and belief of the Issuer or (as the case may be) the Guarantor as at a date (the “**Certification Date**”) not more than five days before the date of the certificate:

- (a) no Event of Default, an 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 8 (*Events of Default*), become an 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
- (b) each of the Issuer and the Guarantor has complied with all its respective covenants and obligations under the Bonds, the Deed of Guarantee, the Trust Deed and the Agency Agreement or, if non-compliance has occurred, giving details of it;

“**Guarantee**” means, in relation to any indebtedness of any Person, any obligation of another Person to pay such indebtedness including (without limitation):

- (a) any obligation to purchase such indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such indebtedness; and
- (d) any other agreement to be responsible for such indebtedness;

“**Guarantor Audited Financial Reports**” means the annual audited consolidated balance sheet, income statement, cashflow statement and statement of changes in shareholders' equity of the Guarantor together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

**“Guarantor Unaudited Financial Reports”** means the interim unaudited and unreviewed consolidated balance sheet, income statement, cashflow statement and statement of changes in shareholders’ equity of the Guarantor, together with any statements, reports and notes attached to or intended to be read with any of them, if any;

**“Hong Kong”** means the Hong Kong Special Administrative Region of the PRC;

**“Macau”** means the Macau Special Administrative Region of the PRC;

**“Person”** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**“PRC”** means the People’s Republic of China, which, for the purposes of these Conditions, shall not include Hong Kong, Macau and Taiwan;

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

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

**“Rating Agency”** means (i) Fitch Ratings Ltd. and its successors; (ii) S&P Global Ratings, a division of S&P Global, Inc., and its successors; (iii) Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors or (iv) any other reputable credit rating agency of international standing;

**“Relevant Indebtedness”** means any indebtedness incurred outside the PRC which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) (which, for the avoidance of doubt, does not include any bilateral loans, syndicated loans or club deal loans);

**“Relevant Period”** means:

- (a) in relation to each of the Guarantor Audited Financial Reports and the annual Compliance Certificate of the Issuer and the Guarantor, each period of twelve months ending on the last day of the financial year (being 31 December of that financial year); and
- (b) in relation to the Guarantor Unaudited Financial Reports, each period of six months ending on the last day of the 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 counterparts;

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

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

#### 4. Interest

The Bonds bear interest on their outstanding principal amount from and including 28 November 2022 (the “**Issue Date**”) at the rate of 6.75 per cent. per annum, (the “**Rate of Interest**”) payable in arrear on 28 May 2023 and 27 November 2023 (each, an “**Interest Payment Date**”), subject as provided in Condition 6 (*Payments*).

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

The amount of interest payable on the first Interest Payment Date shall be US\$33.75 in respect of each US\$1,000 (the “**Calculation Amount**”) principal amount of the Bonds. The amount of interest payable on the second Interest Payment Date shall be US\$33.56 in respect of each US\$1,000 principal amount of the Bonds. If interest is required to be paid in respect of a Bond on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant day-count fraction, 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 below), 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.

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**”.

## 5. Redemption and Purchase

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 27 November 2023 (the “**Maturity Date**”), subject as provided in Condition 6 (*Payments*).
- (b) *Redemption for tax 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 15 and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable) at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:
- (i) (A) the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 7 (*Taxation*)) as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Hong Kong 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 a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 21 November 2022; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Bonds) would become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantee of the Bonds, as the case may be, 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 a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 21 November 2022; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

*provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Amounts if a payment in respect of the Bonds were then due or (as the case may be) a demand under the Guarantee of the Bonds were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer or the Guarantor shall deliver or procure that there is delivered to the Trustee:

- (A) a certificate in English signed by any director or Authorised Signatory of the Issuer and the Guarantor stating that the circumstances referred to in (i) above of this Condition 5(b) prevail and setting out the details of such circumstances or (as the case may be) a certificate in English signed by any director or Authorised Signatory of the Guarantor stating that that the circumstances referred to in (ii) above of this Condition 5(b) prevail and setting out the details of such circumstances; and

- (B) an opinion addressed to and in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the circumstances set out in (i) or (ii) above of this Condition 5(b) prevail as a result of the change and/or amendment.

The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out in (i)(A) and (i)(B) or (as the case may be) (ii)(A) and (ii)(B) above, in which event they shall be conclusive and binding on the Bondholders.

Upon the date of redemption as specified in such notice(s) as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 5(b).

- (c) *Redemption for Change of Control*: At any time following the occurrence of a Change of Control, each Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all but not some only of that Bondholder's Bonds on the Change of Control Put Settlement Date at 101 per cent. of their principal amount, together with accrued interest to (but excluding) such Change of Control Put Settlement Date. To exercise such right, the Bondholder 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 "**Change of Control Put Exercise Notice**"), together with the Certificates evidencing the Bonds to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 15 (*Notices*). The "**Change of Control Put Settlement Date**" referred to in this Condition 5(c) shall be the 14th day after the expiry of such period of 30 days as referred to above.

The Issuer and the Guarantor shall give notice to Bondholders in accordance with Condition 15 (*Notices*) and to the Trustee and the Principal Paying Agent in writing by not later than 14 days following the first day on which either of them becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by Bondholders of their rights to require redemption of the Bonds pursuant to this Condition 5(c).

In this Condition 5(c):

a "**Change of Control**" occurs when:

- (a) the Guarantor ceases to, directly or indirectly, own 100 per cent. of the issued share capital of the Issuer; or
- (b) (i) the Jinan SASAC and (ii) any other person directly or indirectly Controlled by the People's Government of Jinan or the People's Government of Shandong Province, together cease to, directly or indirectly, have Control of the Guarantor;

"**Control**" means with respect to a Person (where applicable) (i) the ownership, acquisition or control of not less than 85 per cent. of the voting rights of the issued share capital of such

Person, whether obtained directly or indirectly or (ii) the possession, directly or indirectly, of the power to nominate or designate all members then in office of such 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. For the avoidance of doubt, a Person is deemed to Control another Person so long as it fulfils one of the two foregoing requirements and the terms "**Controlling**" and "**Controlled**" have meanings correlative to the foregoing; and

"**Jinan SASAC**" means the State-owned Assets Supervision and Administration Committee of Jinan City, Shandong Province.

- (d) *Redemption for No Registration Event*: At any time following the occurrence of a No Registration Event, each Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of that Bondholder's Bonds on the No Registration Put Settlement Date (as defined below for Condition 5(d)) at 100 per cent. of their principal amount, together with accrued interest up to (but excluding) the No Registration Put Settlement Date. To exercise such right, the Bondholder 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 "**No Registration Put Exercise Notice**"), together with the Certificates evidencing the Bonds to be redeemed by not later than 30 days following a No Registration Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 15 (*Notices*). The "**No Registration Put Settlement Date**" referred to in this Condition 5(d) shall be the fifth day after the expiry of such period of 30 days as referred to above.

The Issuer and the Guarantor shall give notice to Bondholders in accordance with Condition 15 (*Notices*) and the Trustee and the Principal Paying Agent in writing by not later than ten days following the first day on which either of them becomes aware of the occurrence of a No Registration Event, which notice shall specify the procedure for exercise by Bondholders of their rights to require redemption of the Bonds pursuant to this Condition 5(d).

In this Condition 5(d):

a "**No Registration Event**" occurs when the Registration Documents are not received by the Trustee on or before the SAFE Registration Deadline.

A Change of Control Put Exercise Notice or a No Registration Put Exercise Notice once delivered, shall be irrevocable and the Issuer shall redeem the Bonds subject to the relevant Put Exercise Notices delivered as aforesaid.

- (e) *No other redemption*: The Issuer shall not be entitled to redeem the Bonds otherwise than as provided in Condition 5(a) (*Scheduled redemption*) to Condition 5(d) (*Redemption for No Registration Event*) above.
- (f) *Purchase*: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise and at any price.

- (g) *Cancellation*: All Bonds so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.
- (h) *No duty to monitor*: The Trustee and each Agent shall not be obliged to take any steps to ascertain whether a Change of Control, Potential Event of Default (as defined in the Trust Deed) or Event of Default has occurred or to monitor the occurrence of any Change of Control, Potential Event of Default or Event of Default, and shall not be liable to the Bondholders or any other person for not doing so.
- (i) *Calculations*: Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto and shall not be liable to the Bondholders or any other person for not doing so.

## 6. Payments

### (a) *Method of Payment*

- (i) Payments of principal, premium (if any) and interest shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of 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 6(a)(ii).
  - (ii) Upon application by the Holder to the specified office of the Registrar or any Transfer Agent before the Record Date, or at the option of the relevant Agent, such payment of interest shall be made by wire transfer to the registered account of the Bondholder. For the purposes of this Condition 6(a)(ii), a Bondholder's "registered account" means the U.S. dollar denominated account maintained by or on behalf of it with a bank, details of which appear on the Register at the close of business on the Record Date.
  - (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.
- (b) *Principal and Interest*: Payments of principal and interest shall be made by transfer to a US dollar account maintained by the payee with, a bank and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.
  - (c) *Payments subject to fiscal laws*: All payments in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section

1471(b) of the US Internal Revenue Code of 1986 (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 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

- (d) *Payments on business days*: Where payment is to be made by transfer to a US dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated on the due date for payment. A Bondholder shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this paragraph, “**business day**” means a day (other than a Saturday, a Sunday or a public holiday) on which banks are open for general business and settlement of U.S. dollar payments (including dealings in foreign currencies) in New York City, London and Hong Kong and on which banks and foreign exchange markets are open for business in the place in which the Specified Offices of each of the Registrar and the Principal Paying Agent are located and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).
- (d) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Bond, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.
- (e) *Record date*: Each payment in respect of a Bond will be made to the person shown as the Bondholder in the Register at the opening of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”).

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

## **7. Taxation**

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

Where such withholding or deduction is made by the Issuer or (as the case may be) the Guarantor by or within the PRC up to the rate of withholding applicable on 21 November 2022 (the “**Applicable Rate**”), the Issuer or the Guarantor, as the case may be, will pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

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

- (a) held by a Bondholder (or to a third party on behalf of a Holder) which is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Bond; or
- (b) where (in the case of a payment of principal or interest on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Bondholder would have been entitled to such Additional Amounts if it had surrendered the relevant Certificate on the last day of such period of 30 days.

In these Conditions, “**Relevant Date**” means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Bondholders.

Any reference in these Conditions to principal, premium or interest shall be deemed to include any Additional Amounts in respect of principal, premium or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than Hong Kong or the PRC respectively, references in these Conditions to Hong Kong or the PRC shall be construed as references to Hong Kong or (as the case may be) the PRC and/or such other jurisdiction.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, assessments, government charges, withholding or other payment referred to in this Condition 7 (*Taxation*) or otherwise in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor, the Bondholders or any other person to pay such tax, duty, charges, assessments, government charges, withholding or other payment in any jurisdiction or be responsible to provide any notice or information to the Trustee or any Agent in relation to the

Bonds in connection with payment of such tax, duty, charges, assessments, government charges, withholding or other payment imposed by or in any jurisdiction, including without limitation any notice or information 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, charges, assessments, government charges, withholding or other payment imposed by or in any jurisdiction.

## **8. Events of Default**

If any of the following events (each, an “**Event of Default**”) occurs, then the Trustee at its discretion may and, if so requested in writing by Bondholders of at least one quarter of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer and the Guarantor declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Bonds on the due date for payment thereof or fails to pay any amount of interest in respect of the Bonds within seven days of the due date for payment thereof;
- (b) *Breach of other obligations*: the Issuer or the Guarantor defaults in the performance or observance of any of their respective other obligations under or in respect of the Bonds, the Deed of Guarantee or the Trust Deed (other than those referred to in Condition 8(a) or where such default gives rise to a redemption pursuant to Condition 5(c) or Condition 5(d)) and such default (i) is incapable of remedy or (ii) being a default which is capable of remedy remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer and the Guarantor; or
- (c) *Cross-default of Issuer, Guarantor or Subsidiary*:
  - (iv) any indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
  - (v) any such indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such indebtedness; or
  - (vi) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any indebtedness;

*provided that* the amount of indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds US\$20,000,000 (or its equivalent in any other currency or currencies); or

- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of any amount in excess of US\$20,000,000 (or its equivalent in any other currency or currencies), whether individually or in the aggregate, is rendered against the Issuer, the Guarantor or any of their respective Principal Subsidiaries and is not discharged or stayed within 45 days; or
- (e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries and is not discharged or stayed within 45 days; or
- (f) *Insolvency, etc.*: (i) the Issuer, the Guarantor or any of their respective Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer, the Guarantor or any of their respective Principal Subsidiaries or the whole or any material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries, or (iii) the Issuer, the Guarantor or any of their respective Principal Subsidiaries takes any action for a readjustment or deferment of all or a material part of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or a material part of its indebtedness or any Guarantee of any indebtedness given by it; or
- (g) *Winding up, etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any of their respective Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for (i) the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the Bondholders or (B) in the case of a Principal Subsidiary of the Issuer or the Guarantor, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or any of their respective Subsidiaries, (ii) a solvent winding up of any Principal Subsidiary of the Issuer or the Guarantor, or (iii) a disposal of a Principal Subsidiary or such Principal Subsidiary's business and assets on an arm's length basis where the proceeds, the assets or other considerations (whether in cash or otherwise) resulting from such disposal are fully transferred or vested in the Issuer or the Guarantor (as the case may be) or any of their respective wholly-owned Subsidiaries; or
- (h) *Analogous event*: any event occurs which under the laws of Hong Kong or the PRC has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) above; or
- (i) *Failure to take action, etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Bonds, the Deed of Guarantee or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and

enforceable and (iii) to make the Certificates, the Deed of Guarantee, the Trust Deed and the Agency Agreement admissible in evidence in the courts of Hong Kong and the PRC is not taken, fulfilled or done; or

- (j) *Unlawfulness*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement;
- (k) *Guarantee not in force*: the Guarantee of the Bonds or the Cross-Border Security Registration is not (or is claimed by the Guarantor not to be) in full force and effect or (in the case of the Cross-Border Security Registration) revoked; or
- (l) *Government Intervention*: (i) all or any material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries is condemned, seized, compulsorily acquired, expropriated, nationalised or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer, the Guarantor or any of their respective Principal Subsidiaries is prevented by any such person from exercising normal control over all or any material part of its undertaking, assets and revenues.

In this Condition 8, “**Principal Subsidiary**”, with respect to the Issuer and the Guarantor, means any Subsidiary of the Issuer or the Guarantor (as the case may be):

- (i) whose operating revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated operating revenue, as shown by its latest audited income statement are at least three per cent. of the consolidated operating revenue as shown by the latest audited consolidated income statement of the Issuer or the Guarantor (as the case may be) and their respective Subsidiaries including, for the avoidance of doubt, the Issuer or the Guarantor (as the case may be) and their respective consolidated Subsidiaries’ share of operating revenue of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (ii) whose operating profits or (in the case of a Subsidiary which itself has Subsidiaries) consolidated operating profits, as shown by its latest audited income statement are at least three per cent. of the consolidated operating profits as shown by the latest audited consolidated statement of income of the Issuer or the Guarantor (as the case may be) and their respective Subsidiaries including, for the avoidance of doubt, the Issuer or the Guarantor (as the case may be) and their respective consolidated Subsidiaries’ share of operating profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (iii) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least three per cent. of the amount which equals the amount included in the consolidated total assets of the Issuer or the Guarantor (as the case may be) and their respective Subsidiaries as shown by the latest audited consolidated balance sheet of the Issuer or the Guarantor (as the case may be) and their respective Subsidiaries as being represented by the investment of the Issuer or the Guarantor (as the case may be) in each relevant Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests; or

- (iv) to which the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary is transferred, provided that 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 until the date on which the first audited accounts (consolidated, if appropriate), of the Issuer or the Guarantor (as the case may be) prepared as of a date later than such transfer are issued, unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (i), (ii) or (iii) above of this definition;

provided that, in relation to paragraphs (i), (ii) or (iii) above of this definition:

- (A) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer or the Guarantor (as the case may be) relate, the reference to the then latest consolidated audited accounts of the Issuer or the Guarantor (as the case may be) for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer or the Guarantor (as the case may be) for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are available be deemed to be a reference to the then latest consolidated audited accounts of the Issuer or the Guarantor (as the case may be) adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (B) if at any relevant time in relation to the Guarantor, the Issuer or any Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of the Issuer, the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer or the Guarantor (as the case may be);
- (C) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer or the Guarantor (as the case may be); and
- (D) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (A) above) are not consolidated with those of the Issuer or the Guarantor (as the case may be), then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer or the Guarantor (as the case may be).

A certificate prepared by a director or an Authorised Signatory of the Issuer or the Guarantor (as the case may be) that in his or her opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary of the Issuer or the Guarantor (as the case may be) shall, in the absence of manifest error, be conclusive and binding on the Bondholders and all parties. The certificate shall, if there is a dispute as to whether any Subsidiary of the Issuer or the Guarantor (as the case may be) is or is not a Principal Subsidiary, be accompanied by a report by an

internationally recognised firm of accountants addressed to the Issuer or the Guarantor as to proper extraction of the figures used by the Issuer or the Guarantor in determining the Principal Subsidiaries of the Issuer or the Guarantor and mathematical accuracy of the calculation.

## **9. Prescription**

Claims for principal and interest on redemption shall become void unless the relevant Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

## **10. Replacement of Certificates**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar or any Transfer Agent as may from time to time be designated by the Issuer for that purpose notice of whose designation is given to Bondholders in accordance with Condition 15, subject to all applicable laws, regulations or other regulatory authority regulations, upon payment by the claimant of the fees and costs incurred in connection with such replacement and on such terms as to evidence, security, indemnity pre-funding and otherwise as the Issuer or the Registrar or the Transfer Agent may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## **11. Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and/or provided with security and/or pre-funded and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Bondholders. In addition, the Trustee, the Agents and their respective directors and officers are entitled to enter into business transactions with the Issuer or the Guarantor and any entity (directly or indirectly) relating to the Issuer or the Guarantor without accounting for any profit.

In the exercise of its powers and discretions under these Conditions, the Deed of Guarantee, the Trust Deed and the Agency Agreement, the Trustee will have regard to the interests of the Bondholders as a class and will not be responsible for any consequence 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 Guarantor or, in the case of a claim by any Bondholder, the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

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

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

In acting under the Agency Agreement and in connection with the Bonds, the Agents act solely as agents of the Issuer, the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer and the Guarantor shall at all times maintain a principal paying agent, a transfer agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given by the Issuer to the Bondholders.

## 12. Meetings of Bondholders; Modification and Waiver

- (a) *Meetings of Bondholders:* The Trust Deed contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions, the Deed of Guarantee and the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Bonds and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses by such Bondholders. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal, premium or interest in respect of the Bonds, to reduce the amount of principal, premium or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, to change the currency of payments under the Bonds, to amend Condition 3 (*Covenants*), to amend the terms of the Guarantee of the Bonds, or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

In addition, a resolution (A) passed by Electronic Consent (as defined in the Trust Deed) or (B) in writing signed by or on behalf of Bondholders holding not less than 90 per cent. of the aggregate principal amount of the Bonds then outstanding who for the time being are entitled to receive notice of a meeting of Bondholders under the Trust Deed will take effect as if it were an Extraordinary Resolution passed at a

meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. A resolution passed in writing will be binding on all Bondholders whether or not they participated in such written resolution.

*So long as the Bonds are represented by the Global Certificate, Extraordinary Resolution includes a consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of all the Holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding.*

- (b) *Modification and waiver:* The Trustee may (but shall not be obliged to), without the consent of the Bondholders, agree to any modification of these Conditions, the Deed of Guarantee, the Trust Deed and the Agency Agreement (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Bondholders and to any modification of the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any proposed breach or breach of the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

Any such authorisation, waiver or modification shall be binding on the Bondholders and unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Bondholders by the Issuer as soon as practicable thereafter in accordance with Condition 15. The Trustee may request and conclusively rely upon certificate signed by an Authorised Signatory of the Issuer and/or an opinion of counsel concerning the compliance with the above conditions in respect of any modification and/or amendment.

- (c) *Directions from Bondholders:* Notwithstanding anything to the contrary, the Bonds, the Deed of Guarantee, the Trust Deed and/or the Agency Agreement, whenever the Trustee is required or entitled by the terms or conditions in the Bonds, the Deed of Guarantee, the Trust Deed and/or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking or refraining from taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Bondholders by way of an Extraordinary Resolution or clarification of any directions and the Trustee shall be entitled to rely on any such direction or clarification and shall have been indemnified and/or provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any person as a result of any delay in it exercising such discretion or power, taking or refraining from taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or clarification of any directions from the

Bondholders or in the event that the instructions sought are not provided by the Bondholders. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee in accordance with the instructions or any direction or request of the Bondholders. The Trustee shall be entitled to rely on any direction or instruction or request of Bondholders (whether given by Extraordinary Resolution or otherwise as contemplated or permitted by the Trust Deed and/or the Bonds).

- (d) *Certificates and Reports*: The Trustee may conclusively, and may or refrain from acting, in each case rely without liability to Bondholders, the Issuer the Guarantor or any other person on a report, advice, opinion, confirmation or certificate from any lawyers, valuers, accountants (including auditors and surveyors), financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely conclusively on any such report, confirmation, opinion or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor and the Bondholders.

### **13. Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such actions, suits and proceedings as it thinks fit to enforce its rights under the Deed of Guarantee, the Trust Deed or the Agency Agreement in respect of the Bonds, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the Bondholders of at least one quarter of the aggregate principal amount of the outstanding Bonds or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified and/or provided with security and/or pre-funded to its satisfaction.

No Bondholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

### **14. Further Issues**

Subject to compliance with Condition 3(b) (*SAFE Registration*), the Issuer may from time to time, without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest and the timing of the Cross-Border Security Registration) so as to form a single series with the Bonds.

## 15. Notices

Notices to the Bondholders will be sent to them by uninsured mail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day (being a day other than a Saturday, a Sunday or a public holiday) 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 publication or, if published more than once or on different dates, on the first date on which such publication is made.

*Until such time as any individual certificates are issued and so long as the Global Certificate is held in its entirety on behalf of Euroclear and Clearstream any notice to the Bondholders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such Clearing System.*

## 16. Currency Indemnity

If any sum due from the Issuer or the Guarantor in respect of the Bonds or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer or the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Bonds, the Issuer and the Guarantor shall indemnify the Trustee and each Bondholder, on the written demand of the Trustee or such Bondholder addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Trustee or such Bondholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of each of the Issuer and the Guarantor and shall give rise to a separate and independent cause of action.

## 17. Governing Law and Jurisdiction

- (a) *Governing law:* The Bonds, the Deed of Guarantee, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with the Bonds, the Deed of Guarantee, the Trust Deed and Agency Agreement are governed by English law.
- (b) *Jurisdiction:* The courts of Hong Kong shall have exclusive jurisdiction to settle any dispute arising out of or in connection with the Bonds, the Deed of Guarantee, the Trust Deed and the Agency Agreement (including any non-contractual obligation arising out of or in connection with the Bonds and such documents) and accordingly any legal action or proceedings arising out of or in connection with the Bonds, the Deed of Guarantee, the Trust Deed and the Agency Agreement (the “**Proceedings**”)

may be brought in such courts. Each of the Issuer and the Guarantor has in the Deed of Guarantee, the Trust Deed and the Agency Agreement irrevocably submitted to the exclusive jurisdiction of such courts and waived any objection to the 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 Guarantor has irrevocably appointed in the Trust Deed and the Deed of Guarantee the Issuer as its authorised agent to receive for it and on its behalf, service of process in Hong Kong. Such service shall be deemed completed on delivery to such agent (whether or not it is forwarded to and received by the Issuer and/or the Guarantor). If for any reason such agent ceases to be able to act as such or no longer has an address in Hong Kong, each of the Issuer and the Guarantor irrevocably agrees to forthwith appoint a substitute process agent in Hong Kong and deliver to the Trustee a copy of the substitute process agent's acceptance of that appointment within 30 days of such cessation. Nothing in this paragraph shall affect the right to serve process in any other manner permitted by law.

#### **18. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds, the Deed of Guarantee or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 except to the extent (if any) that the Bonds expressly provide for such Act to apply to any of their terms.

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

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

Terms defined in the terms and conditions of the Bonds (the “**Conditions**” or “**Terms and Conditions**”) set out in this Offering Circular have the meaning in the paragraphs below.

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

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal sum to the registered holder of the Global Certificate (the “**Holder**”) on such date or dates as the same may become payable in accordance with the Terms and Conditions.

Owners of interests in the Bonds in respect of which this Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if Euroclear or Clearstream or any other clearing system (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 this Global Certificate is issued must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

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

### **Notices**

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

### **Transfers**

Transfers of the interests in the Bonds represented by this Global Certificate will be effected through the records of Euroclear or Clearstream, or any Alternative Clearing System and their respective participants in accordance with the rules and operating procedures of Euroclear or Clearstream or any Alternative Clearing System and their respective participants.

## **Cancellation**

Cancellation of any Bond represented by this Global Certificate which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Bonds in the register of Bondholders and this Global Certificate on its presentation to or to the order of the Principal Paying Agent for annotation (for information only).

## **Meetings**

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by this Global Certificate shall (unless this 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 US\$1,000 in principal amount of the Bonds held.

## **Bondholder's redemption**

The Bondholder's redemption option in Condition 5(c) or Condition 5(d) may be exercised by the holder of this Global Certificate giving notice to any Paying Agent in accordance with the rules and procedures of Euroclear and Clearstream or any Alternative Clearing System, and stating the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

## **Issuer's redemption**

The option of the Issuer provided for in Condition 5(b) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Conditions.

## **Trustee's powers**

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

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

This Global Certificate and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

## **DESCRIPTION OF THE ISSUER**

### **OVERVIEW**

The Issuer is a limited liability company incorporated under the laws of Hong Kong on 6 October 2021. The Issuer is an indirect wholly-owned subsidiary of the Guarantor. The registered office of the Issuer is at United B, 1/F., Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

### **BUSINESS ACTIVITIES**

The Issuer was established with full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and has full rights, powers and privileges for the above purposes pursuant to the objects and powers set out in its articles of association. As at the date of this Offering Circular, the Issuer does not carry and has not carried on any business other than entering into arrangements for the issue of the Bonds and the Issuer has no debt outstanding and has no contingent liabilities. As at the date of this Offering Circular, the Issuer has no subsidiaries and no material assets or liabilities.

### **DIRECTORS AND OFFICERS**

As at the date of this Offering Circular, the directors of the Issuer are SUN Mingjian and YU Lei. As at the date of this Offering Circular, the Issuer does not have any employees.

### **SHARE CAPITAL**

As at the date of this Offering Circular, the authorised share capital of the Issuer is US\$100,000.00 divided into 100,000 ordinary shares, all of which have been issued. The register of members of the Issuer is maintained at its registered office. None of the equity securities of the Issuer are listed or dealt in any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought as at the date of this Offering Circular.

### **FINANCIAL INFORMATION**

As at the date of this Offering Circular, the Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary and to file the audit report to the Companies Registry on an annual basis.

### **LEGAL PROCEEDINGS**

The Issuer is not involved in any litigation or arbitration proceedings, and it is not aware of any pending or threatened action against it.

## DESCRIPTION OF THE GROUP

### OVERVIEW

The Group is a key state-owned entity for the construction and operation of rail transit system in Jinan City, Shandong Province, the PRC. As at 31 December 2021, the Group had six metro line projects, namely Line 1, Line 2 (Phase I), Line 3 (Phase I), Line 3 (Phase II), Line 4 (Phase I) and Line 6 of the Jinan Metro, and one railway line project, namely the Jinan-Laiwu High-speed Railway, under construction and/or trial operation with an aggregate length of 293.3 k.m. All the metro lines in Jinan City are to be operated by the Group upon completion. The Group is also responsible for the integrated development of the resources along the rail transit lines it operates, the development of resettlement housing and the construction and operation of municipal infrastructures in Jinan City.

The Group conducts its business primarily within Jinan City, the capital city and the political, economic, cultural and financial centre of Shandong Province. Along with the approval of the Recent Plan on the Construction of Jinan's Rail Transit (2015–2019) 《( 濟南市軌道交通近期建設規劃(2015–2019)》) by the NDRC in January 2015 endorsing the construction plans with respect to Line 1, Line 2 (Phase I), Line 3 (Phase I) of the Jinan Metro, the approval of the Plan on the Construction of Jinan's Rail Transit (Phase II) (2020–2025) 《( 濟南市城市軌道交通第二期建設規劃(2020–2025)》) by the NDRC in October 2020 endorsing the construction plans with respect to Line 3 (Phase II), Line 4 (Phase I), Line 6, Line 7 (Phase I), Line 8 (Phase I) and Line 9 (Phase I) of the Jinan Metro and the announcement of the construction plan with respect to the Xinjian District-Jinan District (Pilot District) Tramline Project (新建至濟陽區(先行區)有軌電車工程) by the Jinan Natural Resources and Planning Bureau, Jinan City has been undergoing rapid development and actively implementing its urban rail transit planning during recent years.

As one of the primary government-designated platforms through which the Jinan Municipal Government implements its blueprint for Jinan City's rail transit development, the Group has benefited from the rapid development of Jinan City's rail transit infrastructure and has maintained a strong growth momentum. For the years ended 31 December 2019, 2020 and 2021, the total operating income from the Group's business operation was RMB532.2 million, RMB1,604.8 million, and RMB2,539.9 million, respectively. As at 31 December 2019, 2020 and 2021, the total asset of the Group was RMB74.9 billion, RMB108.4 billion and RMB152.8 billion, respectively. As at 31 December 2019, 2020 and 2021, the debt to asset ratio of the Group was 74.5 per cent., 74.1 per cent. and 74.1 per cent., respectively. Overall, the Group has maintained healthy leverage ratio in the sense that there has not occurred any material debt default in the course of the Group's operation. As at the date of this Offering Circular, the Company has a registered capital of RMB15.0 billion and is wholly owned by the Jinan SASAC.

The Group's business segments include (i) rail construction and operating business, (ii) resettlement housing development business, (iii) infrastructure construction business, (iv) engineering and consulting business, (v) property management business, (vi) concrete and construction materials business, (vii) electrical and machinery equipment business, (viii) advertising business and (ix) other business. The following sets out an overview of the Group's major business segments:

- *Rail construction and operation:* The Group's rail transit construction and operation business primarily includes rail construction and its operation upon completion as well as the development of resources along the rail transit lines. As at 31 December 2021, the Group had six metro line projects and one railway line project under construction and/or trial operation with an aggregate length of 293.3 k.m. and an estimated total investment of approximately RMB161.9 billion. The Group finances its rail construction business primarily with operating income derived from its resources development business, which involves the integrated development of the resources along the rail transit lines, particularly land development. The Group will also explore new business opportunities, such as advertisements on metros, communication services, commerce and development of property and other resources, once the metro lines are put into operation.
- *Resettlement housing development:* The Group has undertaken a number of resettlement housing development projects in Jinan City. As at 31 December 2021, the Group had nine resettlement housing projects under development with an estimated total investment of approximately RMB22.9 billion and a total planned GFA of approximately 2,962.6 thousand sq.m.
- *Infrastructure construction:* The Group's infrastructure construction business includes the investment, construction and operation of municipal infrastructures, including urban infrastructure, municipal roads and transport facilities, in Jinan City according to the municipal infrastructure construction plans and investment budget promulgated by the Jinan Municipal Government. As at 31 December 2021, the Group had four infrastructure construction projects under construction with an estimated total investment of approximately RMB19.7 billion.
- *Engineering and consulting:* The Group provides technical services related to survey and design, consultation and research, testing and inspection and engineering management to rail transit lines in Jinan City and is primarily involved in the design and planning of the Jinan Metro. The Group, through its subsidiaries, derives operating income primarily from engineering design and engineering survey services, which includes commission fees as a joint designer or joint surveyor. As at 31 December 2021, the Group had served various phases of the three key metro lines of the Jinan Metro, namely Line 1, Line 2 and Line 3, and had also provided site design services for Line 4 of the Xuzhou Metro and Line 15 of the Qingdao Metro.
- *Property management:* The Group began its property management business in 2021. The Group provides property management services, including without limitation, security, cleaning, equipment repair and maintenance and landscaping services, primarily for the rail transit lines in Jinan City that it develops, as well as the Jianandong Railway Station and its subsidiaries, including Shandong Aipel Electrical Equipment Co., Ltd. (山東愛普電氣設備有限公司).
- *Concrete and construction materials:* The Group began its concrete and construction materials business in 2018. The Group's concrete and construction materials business primarily includes the production and sale of concrete and construction materials, such as cables and segments.

- *Electrical and machinery equipment:* The Group's electrical and machinery equipment business consists of two sub-segments, namely electrical equipment business and machinery equipment business. The Group began its electrical equipment business and machinery equipment business in 2020 and 2021, respectively. The Group's electrical equipment business primarily includes the development, design, manufacturing and sales of electrical equipment and relevant components, as well as the installation and leasing of electrical facilities. The Group's machinery equipment business primarily involves sales and leasing of machinery equipment relating to electric power, mining and tunnel excavation.
- *Advertising:* The Group began its advertising business in 2019. The Group's advertising business includes print advertisements and vehicle advertisements in rail transit lines that the Group operates. The Group's advertising business offers a variety of advertising and presentation solutions, including without limitation, in-car light box, creative display, super media, super large screen, vehicle body naming, creative car chartering, brand channel, brand ocean and brand forest, to customers who seek for displaying and building business image and promoting market projects. The Group also undertakes the promotion of government administrative affairs.

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

	For the year ended 31 December					
	2019		2020		2021	
	Amount (RMB in millions)	per cent. of total	Amount (RMB in millions)	per cent. of total	Amount (RMB in millions)	per cent. of total
Rail construction and operation .....	–	–	–	–	–	–
Resettlement housing development .....	–	–	–	–	–	–
Infrastructure construction .....	–	–	–	–	–	–
Engineering and consulting .....	18.6	3.5	43.6	2.7	66.6	2.6
Property management ....	–	–	–	–	27.8	1.1
Concrete and Construction Materials .....	497.2	93.4	735.8	45.9	613.3	24.2
Electrical and machinery equipment .....	–	–	790.4	49.3	1,780.5	70.1
Advertising .....	9.8	1.8	14.3	0.9	25.2	1.0
Other business .....	6.6	1.2	20.8	1.3	26.5	1.0
<b>Total .....</b>	<b>532.2</b>	<b>100.0</b>	<b>1,604.8</b>	<b>100.0</b>	<b>2,539.9</b>	<b>100.0</b>

## COMPETITIVE STRENGTHS

The Group believes that the following strengths are important to its success and future development:

### **Strong and continuous governmental support**

Being directly and wholly owned by Jinan SASAC, the Group is the only rail transit constructor and operator among the 22 local state-owned enterprises administrated at the municipal level and one of the primary government-designated platforms through which the Jinan Municipal Government implements its blueprint for Jinan City's rail transit development. The Group's operations facilitate the implementation of the national and regional development strategies and policies that are fundamental to the rail transit development in Jinan City. The Group, as the key investment and construction platform for infrastructure construction in Jinan City, also participates in the integrated deployment of the resources along the rail transit lines, particularly land development, as well as the construction and development of infrastructure facilities and resettlement housing in Jinan City.

In addition, Jinan SASAC, as a sole shareholder of the Guarantor, controls and supervises the Group's strategic planning, major investment and financing projects as well as major corporate restructuring and asset disposals, directly appoints a majority of the Group's executive roles, evaluates the performance of the Group on a regular basis and determines remunerations of the Group's senior management, underpinning the financial stability, strong credit and comprehensive competitiveness of the Group. With a strong government background and unparalleled strategic significance in relation to Jinan City's rail transit development, the Group has established close ties with the Jinan Municipal Government and other local government entities and agencies and enjoys continuous and stable financial support from the Jinan Municipal Government through capital injections, government subsidies, asset injections and other preferential treatments since its establishment in 2013.

In 2013, the Group received a RMB300.0 million capital injection from the Jinan Municipal Finance Bureau. In 2016, the Group received RMB3.0 billion capital funds from the Jinan Municipal Finance Bureau to fund the major municipal construction projects undertaken by the Group from 2014 to 2016 and RMB351.0 million from the Jinan Municipal Finance Bureau for land grant fees. In the same year, the Jinan Municipal Treasury Payment Bureau allocated RMB2.0 billion capital funds for rail transit construction projects undertaken by the Group. In 2017, the Jinan Municipal Finance Bureau refunded land grant fee of RMB141.0 million to the Group. In the same year, the Group received RMB84.0 million special subsidies from the PRC central government and the Shandong Provincial Government (collectively, the "**central and provincial governments**"). In 2018, the Jinan Municipal Finance Bureau refunded land grant fee of approximately RMB13.1 billion to the Group. In the same year, the Group received RMB254.4 million special subsidies from the central and provincial governments. In 2019, the Jinan Municipal Finance Bureau allocated RMB3.9 billion funds to the Group. In the same year, the Jinan Municipal Government injected approximately RMB45.8 million of assets from the former Jinan Engineering Quality and Safety Production Supervision Station Inspection Centre (濟南市工程質量與安全生產監督站檢測中心) into the Group. The Group also received RMB152.1 million special subsidies from the central and provincial governments. In 2020, the Jinan Municipal Finance Bureau allocated RMB3.2 billion funds to the Group, and the Group received RMB457.4 million special subsidies from the central and provincial governments. In 2021, the Group received RMB0.5 billion special subsidies from the central and provincial

governments and approximately RMB3.2 billion funds from the Jinan Municipal Finance Bureau. The strong and continuous support from the local government allows the Group to undertake capital-intensive and large-scaled projects, which is expected to strengthen the Group's competitiveness and contribute to its further business growth and prospects.

The Jinan Municipal Government has named rail transit development as the "No.1 Project" (一號工程) among the city's major development projects, and has implemented a number of policies to coordinate the city's resources to facilitate rail transit development. For example, according to the Opinion on the Implementation of Facilitating Rail Transit Construction and Development (Jizhengbanfa [2018] No. 26) (《關於加快推進軌道交通建設與發展的實施意見》(濟政辦發[2018]26號)) issued by the Jinan Municipal Government in 2018, the government reiterated the backbone role of rail transit in public transportation, planning to increase capital injection and arrange funding for rail transit construction projects, delineating the zoning designation for the rail transit revenue balance area, and formulating the administrative measures for the development and utilisation of resources in the rail transit revenue balance area and other related policies. According to the Notice on Further Standardising the Management of Municipal Government Administered State-Owned Land Reserves and Fund Receipts and Expenditures (《關於進一步規範市級國有土地儲備及資金收支管理的通知》) issued by the Jinan Municipal Finance Bureau and the Jinan Natural Resources and Planning Bureau in 2020, the Jinan Municipal Land Reserve Centre planned to seek to develop land reserves, and a certain percentage of land grant revenue generated from such land-related projects would be used as special funds for major infrastructure construction projects such as rail transit construction in Jinan City.

In addition, the recent development plans promulgated by the local government of Jinan City have also brought significant business opportunities for the Group. According to the Jinan City Development Strategic Plan (2020–2050) (《濟南市發展戰略規劃(2020–2050年)》) issued by the Jinan Natural Resources and Planning Bureau, the government aimed to, through the construction of national high-speed railway lines, intercity railways, urban light rails, urban rail transit, metro lines and tramlines, build a massive transportation network spanning across adjacent areas including the cities of Changqing, Zhangqiu, Jiyang, Shanghe and Pingyin, with Jinan City as the core centre and Laiwu City as the supporting centre. Along with the approval of the Recent Plan on the Construction of Jinan's Rail Transit (2015–2019) (《濟南市軌道交通近期建設規劃(2015–2019)》) by the NDRC in January 2015 endorsing the construction plans with respect to Line 1, Line 2 (Phase I), Line 3 (Phase I) of the Jinan Metro, the approval of the Plan on the Construction of Jinan's Rail Transit (Phase II) (2020–2025) (《濟南市城市軌道交通第二期建設規劃(2020–2025)》) by the NDRC in October 2020 endorsing the construction plans with respect to Line 3 (Phase II), Line 4 (Phase I), Line 6, Line 7 (Phase I), Line 8 (Phase I) and Line 9 (Phase I) of the Jinan Metro and the announcement of the construction plan with respect to the Xinjian District – Jinan District (Pilot District) Tramline Project (新建至濟陽區(先行區)有軌電車工程) by the Jinan Natural Resources and Planning Bureau, Jinan City has been undergoing rapid development and actively implementing its urban rail transit planning during recent years. As the sole rail transit constructor and operator in Jinan City and one of the government-designated municipal platforms in Jinan City through which the Jinan Municipal Government implements its blueprint for Jinan City's rail transit development, the Group has benefited from the rapid development of Jinan City's rail transit infrastructure and has maintained a strong growth momentum.

Furthermore, a number of favourable national and regional initiatives and policies on rail transit development have been recently published or introduced, further brightening the

prospects of the Group's core business. For example, President Xi Jinping stressed that urban rail transit is the future of transportation in metropolitan areas. In 2018, the State Council issued the Opinion on Further Strengthening Urban Rail Transit Planning and Construction Management (Guobanfa [2018] No. 52) (《關於進一步加強城市軌道交通規劃建設管理的意見》(國辦發[2018]52號)), affirming that urban rail transit is an important part of modern urban transportation system and is the backbone of urban public transportation system. In 2019, the Central Committee of the Communist Party of China and the State Council jointly issued the Outline of the Construction of a Strong Transportation Country (《交通強國建設綱要》), promoting the integration and development of mainline railroads, intercity railroads, urban (suburban) railroads and urban rail transit. In the same year, NDRC issued the Guidance on Fostering and Developing Modernised City Clusters (《關於培育發展現代化都市圈的指導意見》), proposing to build modernised city clusters with rail transit and promote the "integration of four networks" consisting of mainline railroads, intercity railroads, urban (suburban) railroads and urban rail transit. In 2020, the People's Government of Shandong Province issued the Guiding Opinions on Accelerating the Integrated Development of the Provincial Capital Economic Rim (《山東省人民政府關於加快省會經濟圈一體化發展的指導意見》), affirming the construction of the Jinan-centred high-speed rail network to develop an economic rim leveraging on efficient and convenient high-speed railroads reaching all cities in the economic rim within one hour, promoting the planning and construction of the rail transit network in Jinan City to form an integrated rail transit system and facilitating the "integration of four networks". In addition, the 14th Five-Year Plan of Shandong Province (山東省十四五規劃) reiterates the importance of building a high quality high-speed rail transit network and promoting the planning and construction of urban rail transit in Jinan City and Qingdao City, aiming to make Jinan City a national hub connecting Beijing, Tianjin, Hebei, and Xiongan New Area and a pioneer in high-quality development and ecological protection in the Yellow River Basin. These favourable initiatives and policies have supported and will continue to support the Group's business growth.

### **Well-positioned in Jinan City with favourable development environment**

The Group conducts its business primarily within Jinan City, the capital city and the political, economic, cultural and financial centre of Shandong Province. Leveraging its strong foothold in Jinan City, the Group has benefited from the distinct geographic advantages and economic development potentials in Jinan City.

Jinan City has long been in a leading position among all cities in the economy of Shandong Province. For the year ended 31 December 2021, according to the Shandong Provincial Bureau of Statistics and the Jinan Municipal Bureau of Statistics, its GDP amounted to approximately RMB1,143.2 billion, with a nominal year-on-year growth rate of 7.2 per cent., ranking first in the Shandong Province. Furthermore, in the same years, the GDP per capita of Jinan City in 2021 were approximately RMB124.2 thousand, ranking third in Shandong Province.

In addition, having served the Jinan Municipal Government as a strategic platform for the implementation of its city blueprint, the Group also aligns its business development and strategies with several national and regional development plans implemented in Jinan City, such as the Recent Plan on the Construction of Jinan's Rail Transit (2015–2019) and the Recent Plan on the Construction of Jinan's Rail Transit (2020–2025). See "*– Strong and continuous governmental support*" for further details.

The favourable environment in Jinan City has laid a solid foundation for the Group's further development.

## **Leading position and unparalleled market share in Jinan City in the construction and operation of rail transit**

As the sole rail transit constructor and operator in Jinan City, the Group enjoys unparalleled market share for its rail construction and operation business. The Group provides specialised and technical services related to planning and design, investment and financing, construction and operation and property development and management of rail transit lines in Jinan City. As at 31 December 2021, the Group had six metro line projects, namely Line 1, Line 2 (Phase I), Line 3 (Phase I), Line 3 (Phase II), Line 4 (Phase I) and Line 6 of the Jinan Metro, and one railway line project, namely the Jinan-Laiwu High-speed Railway, under construction and/or trial operation with an aggregate length of 293.3 k.m. and an estimated total investment of approximately RMB161.9 billion. All the metro lines in Jinan City are to be operated by the Group upon completion. See “– *Description of the Group’s Business – Rail Construction and Operation – Rail Construction – Rail Transit Lines under Construction*” for further details. The Group’s expertise and experience in the rail transit industry and the civil engineering industry has been well recognised in China. The Group has received numerous notable accolades, including, among others, the 18th Tian-yow Jeme Civil Engineering Prize Award (第十八屆中國土木工程詹天佑獎), the top Chinese award in civil engineering by the China Civil Engineering Society and the Beijing Tien-yow Jeme Civil Engineering, Science, and Technology Development Foundation, awarded to the Group’s Metro Line 1 project in September 2021; and the “Advanced Enterprise Administered at the Municipal Level in terms of Comprehensive Assessment of Economic and Social Development for the Year” (年度經濟社會發展綜合考核先進市管企業) awarded by the Jinan Municipal Committee of the Chinese Communist Party and the Jinan Municipal Government for three consecutive years from 2018 to 2020.

In addition, in light of the government’s placing strategic importance on rail transit development, Jinan City’s rail transit projects have been highly valued and supported by the government, which is expected to enable the Group to maintain sustainable growth. For example, a portion of the Group’s funding for the construction of the Jinan rail transit system has consisted of subsidies from the Jinan Municipal Government since 2014. Such subsidies include annual special funds in form of capital funds the Group regularly receives for major municipal construction projects undertaken by the Group. As at 31 December 2021, the Group had received an aggregate amount of approximately RMB7,460.0 million government subsidies for the construction of the Jinan rail transit system. The Jinan Municipal Government has also released relevant policies to establish and delineate the zoning designation for the rail transit revenue balance area where the revenue generated from land-related business are used as special funds for the construction and development of rail transit in Jinan City. See “– *Strong and continuous governmental support*” for further details. In addition, the construction plans with respect to Line 3 (Phase II), Line 4 (Phase I), Line 6, Line 7 (Phase I), Line 8 (Phase I) and Line 9 (Phase I) of the Jinan Metro approved by NDRC and the construction plan with respect to the Xinjian District – Jinan District (Pilot District) Tramline Project (新建至濟陽區(先行區)有軌電車工程) announced by the Jinan Natural Resources and Planning Bureau have presented significant business opportunities for the Group, which is expected to allow the Group to continue to play an important role in the implementation of the Jinan Municipal Government’s blueprint and to achieve further business growth.

## **Diversified business lines with synergy**

The Group believes that diversified business lines with synergy provide diverse sources of revenue and generate stable revenue for the Group. The Group’s current business consists

primarily of eight segments, namely rail construction and operation, resettlement housing development, infrastructure construction, engineering and consulting, property management, concrete and construction materials, electrical and machinery equipment and advertising. In addition, the Group also conducts certain other businesses, including station rental services, car parking and tube seat rental services. Although the financial contribution of certain of these businesses is insignificant at the current stage, the Group believes that the diversification of its business is not only conducive to lifting its strategic position in Jinan City, but also will allow it to capture commercial opportunities throughout the various stages of the development of Jinan City, minimise the risk arising from a single business segment, and achieve more stable financial returns in the long run.

### **Diversified funding channels**

The Group funds its business through various financing channels, including, among others, bank loans, issuance of debt securities, financial leasing arrangements and special loans from the government. Over the years, the Group has established and maintained good working relationship with a number of reputable commercial banks and financial institutions in the PRC, including China Construction Bank, China Development Bank, the Export-Import Bank of China, Bank of Communications, Industrial and Commercial Bank of China, Bank of China, Agricultural Bank of China, Postal Savings Bank of China, China Merchants Bank, China Minsheng Bank, Ping An Bank, China CITIC Bank, Industrial Bank, Laishang Bank, Qilu Bank, Bank of Tianjin, Bank of Beijing, CCB International, SPDB Financial Leasing, Bank of Qingdao, China Pacific Insurance and BOCOMM Leasing, providing the Group with solid access to funding. As at 31 December 2021, the Group had credit facilities of approximately RMB176.5 billion in aggregate, of which approximately RMB117.5 billion had yet to be utilised. The Group also leverages its financial strengths and creditworthiness to access capital markets through issuing debt securities in the PRC. As at 31 December 2021, the Group had issued an aggregate amount of more than RMB24.0 billion bonds in China. The Group also receives funding from the Jinan Municipal Government. As at 31 December 2021, the Group had approximately RMB23.5 billion government special loans outstanding. As at 31 December 2021, the Group had received approximately RMB8.4 billion of funds from land special bonds with book balance of RMB5.2 billion. These bonds generally take three to seven years to mature. The Group manages the duration of its indebtedness prudently to ensure its liquidity and sustainable funding. As at 31 December 2021, indebtedness due within one year (including short-term borrowings, non-current liabilities due within one year and other current liabilities) represented 6.8 per cent. of the Group's total indebtedness. The Group believes that it has adequate funding sources to support its continued business operation and expansion in the future.

### **Experienced management team and sound corporate governance**

The Group's directors and senior management have extensive experience and expertise in business operation, human resources, capital operation and financial management in the industries in which the Group operates. Further, the Group's directors and senior management are experienced in collaborating with various government authorities in strategically important projects. A number of directors and senior managers of the Group have previously served as senior executives of various state-owned enterprises and/or senior officials of government authorities. Under the leadership of its management team, the Group believes that it will continue to benefit from the experience of its management team and their valuable industry knowledge to capture market opportunities, formulate sound business strategies, assess and manage risks, and achieve sustainable development. For more information on the experience and expertise of the Group's directors and senior management, see "*Directors, Supervisors and Senior Management*".

The Group has established a sound corporate governance structure, including an internal management framework to oversee different aspects of the Group's daily operation. As the sole shareholder of the Guarantor, the Jinan SASAC participates in and closely monitors the Group's decision-making process for major projects, reviews the Group's development strategy and investment plans, and appoints and conducts annual performance review on the Group's senior management personnel and directors. The Group's senior management and the Jinan SASAC have regular in-depth discussions regarding major investment projects, and essential evaluation procedures are conducted before investment decisions are made. For more information on the Group's internal management framework, see “– *Internal Control*”.

With experienced management team and sound corporate governance, the Group believes that it is able to achieve efficient management.

## **RECENT DEVELOPMENT**

### **Interim Results as at and for the Six Months Ended 30 June 2022**

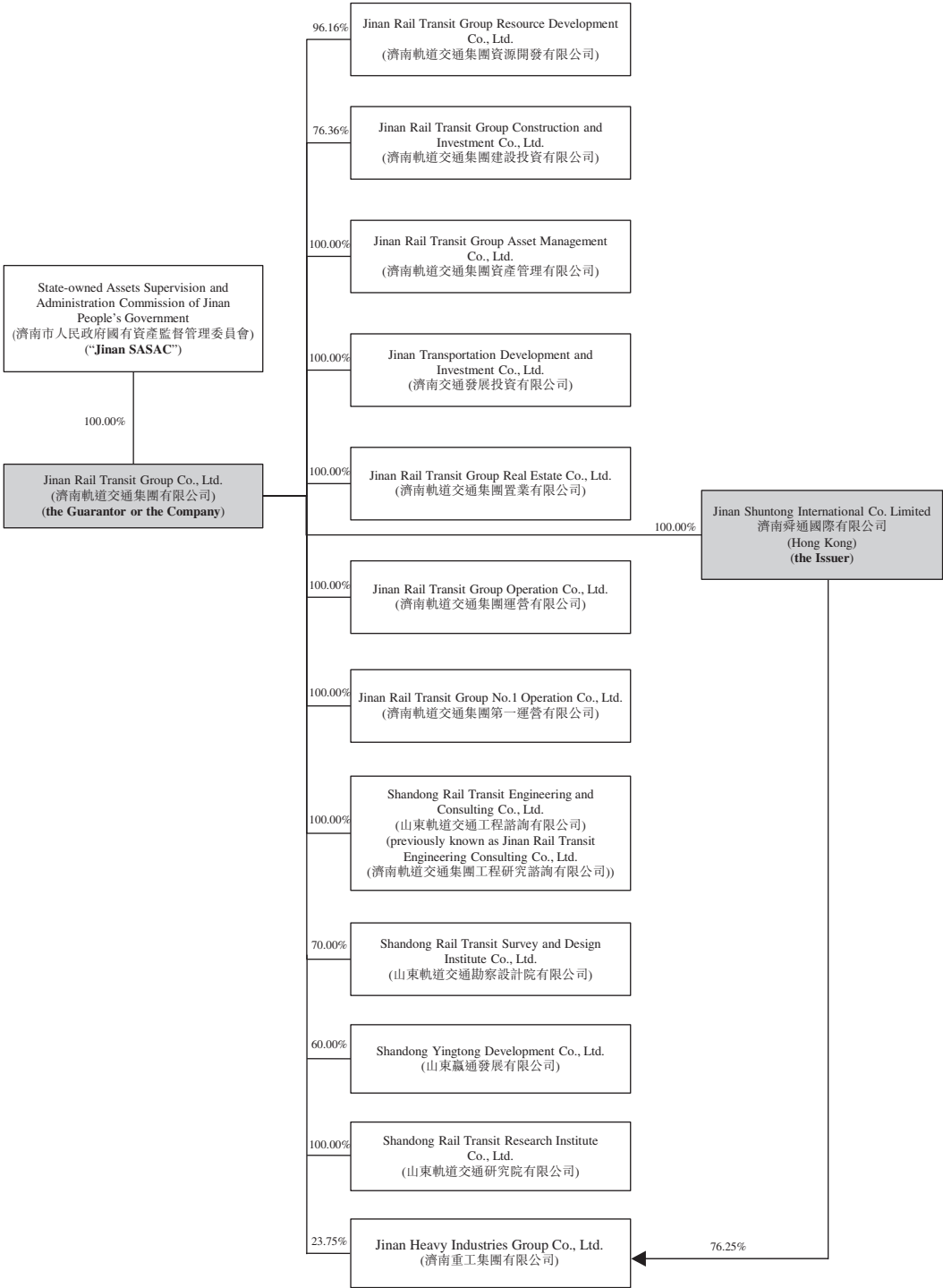
As at 30 June 2022, as compared to the financial information as at 31 December 2021, the Group's notes receivables decreased, primarily due to the decreased receivables from commercial acceptance bill. The Group's other receivable decreased, primarily due to the decreased deposit due from Jinan Public Resources Trading Centre. The Group's other current assets decreased, primarily due to the decreased deductible amount of input VAT. The Group's other non-current assets decreased, primarily due to the decreased advance payment of land requisition compensation and resettlement amount and project construction fund. The Group's advances from customers increased, primarily due to the inclusion of advance payment from construction under this line item. The Group's other payables increased, primarily due to the increased current account within the Group. The Group's long-term borrowings increased, primarily due to the increased syndicated loans and bank loans. The Group's bonds payable increased, primarily due to onshore corporate bonds issued by the Group in April 2022. The Group's rental liabilities increased, primarily due to the increased financing leasing and government special bonds.

For the six months ended 30 June 2022, as compared to the same period in the preceding year, the Group experienced increases in operating costs, primarily due to the increased labor and manufacturing costs and other costs. The Group experienced increases in taxes and surcharges, primarily due to the increased property taxes. The Group experienced increases in administrative expenses, primarily due to the increased administrative expenses, such as staff compensation, depreciation and amortization expenses, intermediary service fees and office, water, power and property management expenses, incurred during the operation of the Group's business. The Group experienced increases in R&D expenses, primarily due to the increased salary for research and development personnel and increased costs for research and development materials. The Group experienced increases in financial expenses, primarily due to the increased interest expenses. The Group experienced decreases in asset disposal income, primarily due to the decreased fixed asset disposal income. The Group experienced increases in non-operating expenses, primarily due to the increased losses from obsolescence and damage of non-current assets.

Potential investors should note, in particular, that the Group's financial information as at and for the six months ended 30 June 2022 is derived from the Company's management accounts and has not been audited or reviewed by independent auditors. As such, the Group's financial information as at and for the six months ended 30 June 2022 has not been set out in detail in this Offering Circular and does not form part of this Offering Circular and potential investors should not rely on such financial information in their evaluation of the financial condition of the Group and in making their investment decisions. The aforementioned financial information as at and for the six months ended 30 June 2022 are not necessarily indicative of the results that may be expected for the year ending 31 December 2022 or any period thereafter. Consequently, potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. See "*Risk Factors – Risks Relating to the Group's Business – The Company published and may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on any financial information other than that disclosed in this Offering Circular*". None of the Managers, the Trustee or the Agents nor any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy of the Group's financial information as at and for the six months ended 30 June 2022 or the sufficiency of such financial information for an assessment of the Group's financial condition and results of operation.

# GROUP STRUCTURE

The following chart presents a simplified corporate structure of the Group as at 31 December 2021:



## HISTORY AND DEVELOPMENT

In 2008, the Company's predecessor, the Leading Group Office for the Planning and Construction of Jinan Rail Transit System (濟南市軌道交通規劃建設工作領導小組辦公室) was established by the Jinan Municipal Government. Based on such set up, the Company was established by the Jinan Municipal Government with the Jinan Municipal Finance Bureau (濟南市財政局) as the sole shareholder. As at the date of this Offering Circular, the Company has a registered capital of RMB15.0 billion and is wholly owned by the Jinan SASAC. The following table sets out selected milestone events in the history of the Company:

<u>Year</u>	<u>Milestone Event</u>
2008 .....	The Leading Group Office for the Planning and Construction of Jinan Rail Transit System was established by the Jinan Municipal Government to undertake the preliminary work for the construction of Jinan rail transit system. Since its establishment, the Leading Group Office for the Planning and Construction of Jinan Rail Transit System had been focusing on the planning of the Jinan rail transit system and had developed relevant plans such as the Plan on the Jinan Urban Rail Transit Network (《濟南市城市軌道交通線網規劃》), the Regulatory Plan on the Site Area of the Jinan Urban Rail Transit (《濟南市城市軌道交通用地控制性詳細規則》) and the Plan on the Construction of the Jinan Urban Rail Transit (《濟南市城市軌道交通建設規劃》).
2013 .....	Based on the set up of the Leading Group Office for the Planning and Construction of Jinan Rail Transit System, the Company was established by the Jinan Municipal Government with the Jinan Municipal Finance Bureau as the sole shareholder.  Jinan Municipal Finance Bureau injected RMB100.0 million of cash into the Company as capital. The registration of such change of registered capital was completed in March 2018.
2017 .....	The Jinan SASAC became the sole shareholder of the Company.  The Company's registered capital was increased to RMB5.3 billion as a result of the conversion of its capital reserve to registered capital.
2018 .....	The Company's registered capital was increased to RMB9.5 million as a result of the conversion of its capital reserve to registered capital.
2020 .....	The Company's registered capital was increased to RMB15.0 billion as a result of the conversion of its capital reserve to registered capital.

2022 . . . . . In accordance with the Notice Regarding the Plan on Reform and Reorganisation of State-owned Enterprises at Municipal Level (Jitingzi [2021] No.9) (市屬國有企業改革重組方案的通知(濟廳字[2021]9號)) published by the General Office of the Jinan Committee of the Communist Party of China and the Jinan Municipal Government, Jinan SASAC decided to transfer 100 per cent. equity interest in Jinan Huanghe Luqiao Construction Group Co., Ltd. (濟南黃河路橋建設集團有限公司) and 100 per cent. equity interest in Laiwu Traffic Development Group Co., Ltd. (萊蕪交通發展集團有限公司) to the Company.

## AWARDS AND RECOGNITIONS

The Group received various awards and recognitions from various organisations listed as follows:

<u>Year</u>	<u>Awards/Recognitions</u>	<u>Event/Organiser/Media</u>
2018 . . . . .	“Advanced Enterprise Administered at the Municipal Level in terms of Comprehensive Assessment of Economic and Social Development for the Year” (年度經濟社會發展綜合考核先進市管企業)	Jinan Municipal Committee of the Chinese Communist Party and the Jinan Municipal Government
2019 . . . . .	“Advanced Enterprise Administered at the Municipal Level in terms of Comprehensive Assessment of Economic and Social Development for the Year” (年度經濟社會發展綜合考核先進市管企業)	Jinan Municipal Committee of the Chinese Communist Party and the Jinan Municipal Government
2020 . . . . .	“Advanced Enterprise Administered at the Municipal Level in terms of Comprehensive Assessment of Economic and Social Development for the Year” (年度經濟社會發展綜合考核先進市管企業)	Jinan Municipal Committee of the Chinese Communist Party and the Jinan Municipal Government
2021 . . . . .	Line 1 project was awarded the “18th Tian-yow Jeme Civil Engineering Prize Award” (第十八屆中國土木工程詹天佑獎)	China Civil Engineering Society and the Beijing Tien-yow Jeme Civil Engineering, Science, and Technology Development Foundation

## **RELATIONSHIP WITH THE JINAN SASAC AND THE JINAN MUNICIPAL GOVERNMENT**

The Guarantor is wholly and directly owned by the Jinan SASAC, which is a government organ of the Jinan Municipal Government. As a key state-owned entity for the construction and operation of rail transit system in Jinan City, the Group has extensive connections with other entities directly or indirectly controlled by the Jinan Municipal Government. The Group has been commissioned by the Jinan Municipal Government and other local government entities and agencies to participate in the investment, construction and operation of the Jinan rail transit system and the integrated development of resources along the rail transit lines it operates. The Group has also received various asset and capital injections, subsidies, grants and tax incentives from the Jinan SASAC, the Jinan Municipal Government and other local government entities. As the sole shareholder of the Guarantor, the Jinan SASAC also appoints the senior management personnel and a majority of the board of directors of the Guarantor and supervises the performance of the Group and the Guarantor's board of directors and senior management personnel in such capacity through various means.

Notwithstanding the Group's extensive relationships with the Jinan Municipal Government and other entities controlled by it, the various social and community functions performed by the Group and the financial support received by the Group, the Group is not part of any government. It is operationally and financially separated from the Jinan SASAC and the Jinan Municipal Government. Its functions and departments are separated from those of the government and do not share any premises with the Jinan SASAC and the Jinan Municipal Government. The directors and the senior management of the Guarantor are not government officers. The Guarantor has its own budget and financial reporting system, and its assets and liabilities are separated from those of the Jinan SASAC and the Jinan Municipal Government. The Jinan SASAC, as the sole shareholder of the Guarantor, is only responsible for the liability of the Group up to the limit of its equity contributions to the Guarantor. Neither the Jinan SASAC, the Jinan Municipal Government nor any other PRC governmental entity has any payment or other obligations under the Bonds, the Deed of Guarantee or the Trust Deed, and they will not provide guarantee of any kind for the Bonds. The Bondholders do not have any recourse against the Jinan SASAC, the Jinan Municipal Government or any other PRC governmental entities in respect of any obligation arising out of or in connection with the Bonds, the Deed of Guarantee or the Trust Deed. The Bonds are solely to be repaid by the Issuer and the Guarantor, and the obligations of the Issuer and the Guarantor under the Bonds, the Deed of Guarantee and the Trust Deed shall solely be fulfilled by the Issuer and the Guarantor as independent legal persons. Investments in the Bonds are on the credit risk of the Issuer and the Guarantor, rather than that of the Jinan SASAC, the Jinan Municipal Government or any other PRC governmental entity. In the event that the Issuer or the Guarantor does not fulfil its obligations under the Bonds or the Deed of Guarantee, investors will only be able to claim as an unsecured creditor against the Issuer, the Guarantor and their assets, and not any other person, including the Jinan SASAC, the Jinan Municipal Government nor any other PRC governmental entity.

This position has been reinforced by Circular 23, Circular 706 and Circular 666. However, neither of these Circulars prohibits the PRC Government from providing support (in various forms including capital injection and subsidies, but excluding injecting any kinds of public assets and land reserves as the Group's assets) to the Group in its ordinary course of business in compliance with PRC laws and regulations. The detailed description of the relationships between the Issuer, the Guarantor and the Jinan SASAC, the Jinan Municipal Government in this Offering Circular does not imply in any way any explicit or implicit credit support of the Jinan SASAC or the Jinan Municipal Government in respect of the Bonds, the repayment of which remains the sole responsibility of the Issuer and the Guarantor. See also the risk factors entitled "*Jinan SASAC and the Jinan Municipal Government can exert significant influence over the Group, and may not act in the best interests of the Group.*" and "*A reduction or discontinuance of government support could materially and adversely affect the Group's business, financial condition, results of operations and prospects.*" in the section entitled "*Risk Factors – Risks Relating to the Group and its Business*".

## **DESCRIPTION OF THE GROUP'S BUSINESS**

### **Overview**

The Group is a key state-owned entity for the construction and operation of rail transit system in Jinan City. The Group's business segments include (i) rail construction and operating business, (ii) resettlement housing development business, (iii) infrastructure construction business, (iv) engineering and consulting business, (v) property management business, (vi) concrete and construction materials business, (vii) electrical and machinery equipment business, (viii) advertising business and (ix) other business.

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

	For the year ended 31 December					
	2019		2020		2021	
	Amount (RMB in millions)	per cent. of total	Amount (RMB in millions)	per cent. of total	Amount (RMB in millions)	per cent. of total
Rail construction and operation . . . . .	–	–	–	–	–	–
Resettlement housing development . . . . .	–	–	–	–	–	–
Infrastructure construction . . . . .	–	–	–	–	–	–
Engineering and consulting . . . . .	18.6	3.5	43.6	2.7	66.6	2.6
Property management . . . . .	–	–	–	–	27.8	1.1
Concrete and Construction Materials . . . . .	497.2	93.4	735.8	45.9	613.3	24.2
Electrical and machinery equipment . . . . .	–	–	790.4	49.3	1,780.5	70.1
Advertising . . . . .	9.8	1.8	14.3	0.9	25.2	1.0
Other business . . . . .	6.6	1.2	20.8	1.3	26.5	1.0
<b>Total . . . . .</b>	<b>532.2</b>	<b>100.0</b>	<b>1,604.8</b>	<b>100.0</b>	<b>2,539.9</b>	<b>100.0</b>

For the years ended 31 December 2019, 2020 and 2021, the total operating income from the Group's business operation was RMB532.2 million, RMB1,604.8 million and RMB2,539.9 million, respectively. As at 31 December 2019, 2020 and 2021, the total asset of the Group was RMB74.9 billion, RMB108.4 billion and RMB152.8 billion, respectively.

## **Rail Construction and Operation**

### ***Overview***

The Group's rail transit construction and operation business primarily includes rail construction and its operation upon completion as well as the development of resources along the rail transit lines. The Group conducts its rail construction and operation business primarily through its subsidiaries, including Jinan Rail Transit Group Construction and Investment Co., Ltd. (濟南軌道交通集團建設投資有限公司), Jinan Transit Development and Investment Co., Ltd. (濟南交通發展投資有限公司), Jinan Rail Transit Group Resource Development Co., Ltd. (濟南軌道交通集團資源開發有限公司) and Jinan Rail Transit Group No.1 Operation Co., Ltd. (濟南軌道交通集團第一運營有限公司). The operating revenue generated from the Group's rail transit construction and operation business are mainly through tickets selling for the rail transit lines, other activities related to the operation of rail transit lines and government subsidies. Due to the long-term and capital-intensive nature of the Group's rail transit construction and operation business and the revenue recognition methods adopted by the Group, no operating income was recognised under the Group's rail construction and operation business for the years ended 31 December 2019, 2020 and 2021.

### ***Rail Construction***

The Group undertakes the financing, investment and construction of Jinan rail transit system in Jinan City as well as railways in Shandong Province pursuant to the rail transit development plans implemented by the Jinan Municipal Government. As at 31 December 2021, the Group had six metro line projects, namely Line 1, Line 2 (Phase I), Line 3 (Phase I), Line 3 (Phase II), Line 4 (Phase I) and Line 6 of the Jinan Metro, and one railway line project, namely the Jinan-Laiwu High-speed Railway, under construction and/or trial operation with an aggregate length of 293.3 k.m. and an estimated total investment of approximately RMB161.9 billion. All the metro lines in Jinan City are to be operated by the Group upon completion.

The Group finances its rail construction business primarily with operating income derived from its resources development business. See also “– *Resources Development*” for more details. The Group also raises funds through bank loans and debt financing. In addition, a portion of the Group's funding for the construction of the Jinan rail transit system consists of subsidies from the Jinan Municipal Government. As at 31 December 2021, the Group had received an aggregate amount of approximately RMB7,460.0 million special funds for the construction of Jinan rail transit system.

The Group generally outsources the construction work to third-party contractors. The Group is generally responsible for the financing of the construction of the metro and railway lines and monitors the construction progress of the metro and railway lines by third-party contractors. Such contractors may engage subcontractors for specific processes and manages the construction progress and the subcontractors to ensure the completion of the construction project in a timely and efficient manner as well as according to pre-agreed price and scope of work as set out in the outsourcing contracts with the Group.

### ***Rail Transit Lines under Construction***

As at 31 December 2021, the Group had six metro line projects and one railway line project under construction and/or under trial operation with an aggregate length of 293.3 k.m.

and an estimated total investment of approximately RMB161.9 billion. The particulars of the projects under construction are set forth as below:

<u>Project</u>	<u>Length</u>	<u>Estimated total investment<sup>(1)</sup></u>	<u>Invested amount</u>
	<i>(k.m.)</i>	<i>(RMB in millions)</i>	
Line 1 (1號線) <sup>(2)</sup> .....	26.1	12,525	11,966
Line 2 (Phase I) (2號線一期工程) <sup>(3)</sup> .....	36.4	28,987	19,717
Line 3 (Phase I) (3號線一期工程) <sup>(4)</sup> .....	21.6	14,295	14,100
Line 3 (Phase II) (3號線二期工程) .....	12.9	7,984	1,030
Line 4 (Phase I) (4號線一期工程) .....	40.2	39,864	1,255
Line 6 (6號線) .....	40.1	40,554	793
Jinan-Laiwu High-speed Railway (濟萊高鐵) .....	116.0	17,669	11,756
<b>Total</b> .....	<b>293.3</b>	<b>161,878</b>	<b>60,617</b>

*Notes:*

- (1) Represents the estimated total cost to be incurred for the project. The actual cost incurred upon completion may differ from the estimation.
  - (2) Under trial operation since April 2019 and will be put into operation upon trial operation and acceptance by the Jinan Municipal Government.
  - (3) Under trial operation since March 2021 and will be put into operation upon trial operation and acceptance by the Jinan Municipal Government.
  - (4) Under trial operation since December 2019 and will be put into operation upon trial operation and acceptance by the Jinan Municipal Government.
- *Line 1 (1號線):* Line 1, with a total investment of approximately RMB12.5 billion and a total length of approximately 26.1 k.m., among which the total lengths for the elevated section, the transition section and the underground section are approximately 16.2 k.m., 0.2 k.m. and 9.7 k.m., respectively, is the northwest express line of Jinan City, connecting to landmarks such as the Jiananxi Railway Station and Jinan Intangible Cultural Heritage Expo Park. Line 1 has eleven stations, seven of which are elevated stations and four of which are underground stations, starting from Gongyanyuan Station and ending at Fangte Station, one control centre as well as one Model Village Vehicle Passing Base (範村車輛總行基地). Line 1 commenced construction in July 2015 and was put into trial operation in April 2019.
  - *Line 2 (Phase I) (2號線一期工程):* Line 2 (Phase I), with a total investment of approximately RMB29.0 billion and a total length of approximately 36.4 k.m., has 19 stations, starts from Wangfuzhuang Station and ends at Pengjiazhuang Station. Line 2 (Phase I) commenced construction in November 2016 and was put into trial operation in March 2021.

- *Line 3 (Phase I) (3號線一期工程)*: Line 3 (Phase I), with a total investment of approximately 14.3 billion and a total length of approximately 21.6 k.m., has 13 stations, starting from Longdong Station and ending at Tantou Station, two reserve stations and one vehicle station in the middle section with a site area of approximately 330,000.0 sq.m. and one parking lot in the south section with a site area of approximately 80,000.0 sq.m. Line 3 (Phase I) commenced construction in June 2016 and was put into trial operation in December 2019.
- *Line 3 (Phase II) (3號線二期工程)*: Line 3 (Phase II), with a total investment of approximately RMB8.0 billion and a total length of approximately 12.9 k.m., has six stations with an average distance of approximately 2.15 k.m., starts from Tantou Station and ends at Jinan Yaoqiang International Airport Station. Line 3 (Phase II) commenced construction in 2020 and is expected to be put into operation in December 2023.
- *Line 4 (Phase I) (4號線一期工程)*: Line 4 (Phase I), with a total investment of approximately RMB39.9 billion and a total length of approximately 40.2 k.m., has 33 stations, starts from Xiaogaozhuang Station and ends at Pengjiazhuang Station. Line 4 (Phase I) commenced construction in January 2021 and is expected to be fully operated in July 2027.
- *Line 6 (6號線)*: Line 6, with a total investment of approximately RMB40.6 billion and a total length of approximately 40.1 k.m., has 33 stations, starts from Lizhuang Station and ends at Liangwangdong Station. Line 6 commenced construction in September 2021. Construction is expected to be completed in July 2028.
- *Jinan-Laiwu High-speed Railway (濟萊高鐵)*: Jinan-Laiwu High-speed Railway, with a total investment of approximately RMB17.7 billion, a total length of approximately 116.0 k.m. and a designed speed of approximately 350.0 k.m./hour, locates at the centre of Shandong Province. Jinan-Laiwu High-speed Railway has six stations, starts from Jinandong Railway Station and ends at Gangchengdong Railway Station. Jinan-Laiwu High-speed Railway commenced construction in 2019 and is expected to be put into operation by the end of 2022.

#### *Rail Transit Lines under Planning*

As at 31 December 2021, the Group had three metro line project under planning with an aggregate length of approximately 67.2 k.m. and an estimated total investment of approximately RMB48.6 billion and one tram line project with a total length of approximately 44.8 k.m. and an estimated total investment of approximately RMB9.0 billion. The particulars of the project under planning are set forth as below:

<u>Project</u>	<u>Expected date of commencement</u>	<u>Planned length</u> <i>(k.m.)</i>	<u>Estimated total investment<sup>(1)</sup></u> <i>(RMB in billions)</i>
Jinan Rail Transit Line 8 (Phase I) (濟南軌道交通8號線一期工程) . . .	2022	22.4	14.1
Jinan Urban Rail Transit Line 7 (Phase I) (濟南城市軌道交通7號線 一期工程) . . . . .	2022	30.0	24.0
Jinan Urban Rail Transit Line 9 (Phase I) (濟南城市軌道交通9號線 一期工程) . . . . .	2022	14.8	10.5
Xinjian District-Jinan District (Pilot District) Tramline Project (新建至 濟陽區(先行區)有軌電車工程) <sup>(1)</sup> . .	2022	44.8	9.0
<b>Total</b> . . . . .		<b>112.0</b>	<b>57.6</b>

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*Note:*

- (1) Xinjian District-Jinan District (Pilot District) Tramline Project (新建至濟陽區(先行區)有軌電車工程), equipped with one vehicle station, one parking lot and one control centre, comprises of main lines, which starts from Jinandong Railway Station and ends at Jiyang North Station, and branch lines, which starts from Daqiao Station and connects to the main lines at Cuizhai. The planned construction period is 17 months, approximately RMB204 million has been invested in earlier stage.

### ***Rail Operation***

The Group will operate the Jinan Metro once the metro lines are put into operation. The Group is currently at the stage of researching and determining the appropriate range of ticket fares. Due to the public services nature of the Jinan rail transit system, the Jinan Municipal Government strictly controls the ticket fares.

### ***Resources Development***

The resources development business of the Group includes the integrated development of the resources along the rail transit lines, particularly land development. The Group will also explore new business opportunities, such as advertisements on metros, communication services, commerce and development of property and other resources, once the metro lines are put into operation.

The operating income derived from land development is primarily used for the Group's rail construction business. See also "*Rail Construction*" for more details. The Group's land development includes land acquisition, demolition, relocation and resettlement of residents, land levelling and the construction of supporting facilities.

The Group conducts land development under two models:

- *Model 1:* The Group generally carries out land development work, such as demolition and levelling of the land along the rail transit lines, in accordance with the plans regarding land acquisition, reserve and disposal which have been approved by the Jinan Municipal Government. Upon the completion of the land development work, the Group will transfer the developed land to the Land Reserve Centre of the Jinan Municipal Land and Resources Bureau (濟南市國土資源局) for transfer through public tenders, auctions or listings-for-sale. The land transfer fees, after deducting taxes and other costs, will be paid to the Group as cash inflow from its land development work, which will then be used for the construction and operation of Jinan rail transit system.
- *Model 2:* The Group also conducts land development through a tripartite cooperation model, under which the local government, the Group and the investor will sign a land development cooperation agreement. Under the agreement, the Jinan Municipal Government is responsible for the mapping and survey and preliminary approval of the land development work, the investor finances the land development work while the Group is responsible for the construction of supporting facilities as well as carrying out land acquisition, demolition, resettlement and relocation of residents thereby transforming the land into a condition ready for secondary real property development. Upon the completion of the land development work, the Group will transfer the developed land to the Land Reserve Centre of the Jinan Municipal Land and Resources Bureau for transfer through public tenders, auctions or listings-for-sale. The

land transfer fees, after deducting the investor's agreed investment return, taxes and other costs, will be paid to the Group as cash inflow from its land development work, which will then be used for the construction and operation of Jinan rail transit system.

### Project Description

The Group undertakes the land development of several land subdivisions, including Zhangma Subdivision (張馬片區), Huashan North Subdivision (華山北片區), Xindongzhan Subdivision (新東站片區) and Wangfu Subdivision (王府片區), aggregating a total area of approximately 35.2 sq.km. For the year ended 2019, the Group completed the transfer of five lots of land in Zhangma Subdivision Phase I and II (a total area of approximately 210,740 sq.m.), generating a total revenue of RMB3.3 billion, and the Group was entitled to a total return amount of RMB3.0 billion, in which, after deducting all taxes and costs, the remaining RMB462 million were recognised by the Group as capital reserve. For the year ended 2021, the Group completed the transfer of 14 lots of land (a total area of approximately 450,727 sq.m.) and the Group was entitled to a total return amount of approximately RMB5.5 billion. As at 31 December 2021, the Group planned to transfer land subdivisions with a total area of approximately 1.4 sq.km., 1.3 sq.km., 1.2 sq.km., 0.9 sq.km. and 1.4 sq.km, respectively, for the years from 2022 to 2026. The particulars of the land subdivisions developed by the Group as at or for the year ended 31 December 2021 are set forth as below:

Project	Year of commencement	Expected year of completion	Site area (sq.km.)	Transferable area (sq.km.)	Estimated total investment <sup>(1)</sup> (RMB in millions)	Invested amount (RMB in millions)
Zhangma Subdivision (張馬片區) . . . . .	2019	2028	4.3	2.3	11,541	1,477
Huashan North Subdivision (華山北片區) . . . . .	2019	2024	4.5	1.6	17,800	7,457
Xindongzhan Subdivision (新東站片區) . . . . .	2019	2030	21.3	3.2	60,800	13,443
Wangfu Subdivision (王府片區) . . . . .	2019	2025	5.0	0.7	8,900	1,892
<b>Total</b> . . . . .			<b>35.2</b>	<b>7.8</b>	<b>99,041</b>	<b>24,269</b>

Note:

- (1) Represents the estimated total cost to be incurred for the project. The actual cost incurred upon completion may differ from the estimation.

The Group has also participated in the investment of an ongoing land development project on behalf of the Jinan Municipal Government, namely Jinan-Qingdao High-speed Railway Licheng District Land Requisition and Demolition Project (濟青高鐵歷城區征地拆遷項目), where the Group is only responsible for funding the project and does not involve in the specific land demolition work. As at 31 December 2021, the Group has allocated RMB2.4 billion of project demolition and compensation funds and RMB1.1 billion of project construction funds.

## Resettlement Housing Development

### *Overview*

The Group has undertaken a number of resettlement housing development projects in Jinan City primarily through the Company and its subsidiary, Jinan Rail Transit Group Resource Development Co., Ltd. As at 31 December 2021, the Group had nine resettlement housing projects under development with an estimated total investment of approximately RMB22.9 billion and a total planned GFA of approximately 2,962.6 thousand sq.m. Due to the long-term and capital-intensive nature of the Group's resettlement housing development business and the revenue recognition methods adopted by the Group, no operating income was recognised under the Group's resettlement housing development business for the years ended 31 December 2019, 2020 and 2021.

### *Business Model*

The Group generally carries out the construction work in accordance with a project buy-back agreement with the relevant local competent authorities, such as Jinan Housing Security and Housing Administration Bureau (Jinan Urban Renovation Bureau) (濟南市住房保障和房產管理局(濟南市城市更新局)) and the Jinan Municipal Finance Bureau. The Group is responsible for financing, constructing and delivering projects to the relevant competent authorities within an agreed timetable in accordance with prescribed specifications. Upon completion, inspection and acceptance of the resettlement housing development project, the Group will transfer the entire project to the relevant competent authorities. In return, the local government or its relevant competent authorities will pay the Group a sum amount of the project cost incurred plus a premium at a pre-fixed rate. Such amount will be paid to the Group in instalments over a specified period of time, normally being 25 years.

The Group generally follows the following steps to develop its resettlement housing projects:

- *Single source procurement:* The Group is generally selected by the local government for the undertaking of the resettlement housing development project under the single source procurement method.
- *Construction:* The Group generally outsources its project construction work to independent construction companies, which are normally selected through a statutory tender process. When selecting contractors, the Group considers construction contractors' reputation, track records in similar projects, creditworthiness, technical capabilities, proposed construction blueprint and price.
- *Repurchase obligation:* The local competent authority undertakes to repurchase the completed resettlement housing project within agreed period after the completion, inspection and acceptance of such projects.
- *Fees:* The Group is entitled to the consideration paid by the local competent authority pursuant to the project buy-back agreement of the resettlement housing project.

In addition, certain resettlement housing projects developed by the Group are funded by special loans for redevelopment of shantytown areas, where costs of such projects will be paid with proceeds from land transfer.

### ***Project Description***

As at 31 December 2021, the Group had nine resettlement housing projects under development with an estimated total investment of approximately RMB22.9 billion and a total planned GFA of approximately 2,962.6 thousand sq.m. The particulars of the projects under development are set forth as below:

<u>Project</u>	<u>Year of commencement</u>	<u>Expected year of completion</u>	<u>Total GFA</u> <i>(thousand sq.m.)</i>	<u>Estimated total investment<sup>(1)</sup></u> <i>(RMB in millions)</i>	<u>Invested amount</u>
Daxiao Fanan Resettlement Area (大小範安置區) <sup>(2)</sup> . . . .	2015	2017	107.7	656	878
Xindong Resettlement Area III (新東站安置三區) <sup>(2)</sup> . . . . .	2016	2018	677.8	3,071	3,325
Xindong Station Resettlement Area I (新東站安置一區) <sup>(2)</sup> . . . . .	2017	2020	447.3	2,976	3,108
Huashan Beian Resettlement Area II (華山北安置二區) <sup>(2)</sup> . . . . .	2020	2023	467.1	2,656	933
Huashan Beian Resettlement Area I (華山北安置一區) . . . . .	2018	2020	414.8	3,300	1,638
Xindong Station Resettlement Area II (新東站安置二區) <sup>(2)</sup> . . . . .	2018	2021	235.6	3,971	3,211
Xindong Station Resettlement Area IV (新東站安置四區) . . . . .	2018	2022	246.5	3,981	2,156
Xindong Station Resettlement Area III (Phase II) (新東站安置三區(二期)) . . . . .	2020	2022	254.8	1,721	264
Wangfu Shuitun Resettlement Housing (王府水屯安置房) . . . . .	2020	2022	111.0	599	522
<b>Total</b> . . . . .			<b>2,962.6</b>	<b>2,931</b>	<b>16,035</b>

*Notes:*

- (1) Represents the estimated total cost to be incurred for the project. The actual cost incurred upon completion may differ from the estimation.
- (2) Construction completed, pending inspection and acceptance by the relevant local competent authorities.

## **Infrastructure Construction**

### ***Overview***

The Group's infrastructure construction business includes the investment, construction and operation of municipal infrastructures, including urban infrastructure, municipal roads and transport facilities, in Jinan City according to the municipal infrastructure construction plans and investment budget promulgated by the Jinan Municipal Government. The Group conducts its infrastructure construction business primarily through its subsidiary, Jinan Rail Transit Group Construction and Investment Co., Ltd. The Group hold various professional qualifications for its infrastructure construction business, including the Municipal Engineering Planning Qualification (市政工程規劃資質), the Municipal Engineering Design Qualification (市政工程設計資質) and the Municipal Engineering Construction Qualification (市政工程施工資質). As at 31 December 2021, the Group had seven infrastructure construction projects under construction with an estimated total investment of approximately RMB19.7 billion.

Due to the long-term and capital-intensive nature of the Group's infrastructure construction business and the revenue recognition methods adopted by the Group, no operating income was recognised under the Group's infrastructure construction business for the years ended 31 December 2019, 2020 and 2021.

### ***Business Model***

The Group's infrastructure construction projects are constructed under the direct operation model. Under such business model, the Group finances, develops and manages its own infrastructure construction projects. The source of funds for the project mainly comprises of bank loans, debt financing and government subsidies. Upon completion, the Group will generate operating income through operating the infrastructures and facilities it develops, such as leasing out retail spaces and advertising space.

## Project Description

As at 31 December 2021, the Group had seven infrastructure construction projects under construction with an estimated total investment of approximately RMB19.7 billion, among which approximately RMB10.0 billion had been incurred. The particulars of the projects under construction are set forth as below:

Project	Year of commencement	Expected year of completion	Estimated total investment	Invested amount
<i>(RMB in millions)</i>				
Jinandong Railway Station Integrated Transport Hub Project (濟南市東客站綜合交通樞紐工程) <sup>(2)</sup> . . . . .	2016	2023	9,763	6,583
CBD Municipal Facilities Project (CBD市政配套工程) . . . . .	2018	2022	3,283	1,168
Xindong Station Phase II Municipal Road Construction (新東站二期市政道路建設) . . . . .	2018	2023	2,134	544
Longji River and Little Hanyu Gully River Regulation and Landscape Upgrading Project (龍脊河與小漢峪溝河道整治及景觀提升工程). . . . .	2018	2023	698	63
Jinan Shanghe General Airport Construction Project (濟南商河通用機場建設工程) <sup>(3)</sup> . . . . .	2020	2021	578	324
Fancun Vehicle Base Rental Housing (範村車輛基地租賃住房) . . . . .	2020	2023	2,297	986
Pengjiazhuang Station Land Parcel Rental Housing (彭家莊站地塊租賃住房) . . . . .	2020	2023	984	308
<b>Total</b> . . . . .			<b>19,737</b>	<b>9,976</b>

Notes:

- (1) Represents the estimated total cost to be incurred for the project. The actual cost incurred upon completion may differ from the estimation.
- (2) Under trial operation since end of 2018 and will be put into operation upon trial operation and acceptance by the Jinan Municipal Government.
- (3) Construction completed in October 2021 pending final audit and settlement of the total cost.

- *Jinandong Railway Station Integrated Transport Hub Project (濟南市東客站綜合交通樞紐工程)*. The Jinandong Railway Station Integrated Transport Hub, with a total GFA of 247,704 sq.m. and a total investment of RMB9.8 billion, is one of the three main railway stations among the Jinan railway hubs and one ancillary project of Jinan Railway Station (High-speed Railway Station) (濟南東客站(高鐵站)), which involves the construction of long-distance bus stations, bus/BRT stations, taxi storage and dispatch areas, community parking garages, supporting roads and long-distance car

storage and bus maintenance bases. Among the above, the South Square Ancillary Rail Facilities has a total GFA of 120,163 sq.m. The North Square Ancillary Rail Facilities has a total GFA of 94,030 sq.m. The Taxi Parking Lot has a total GFA of 15,972 sq.m. The Long-distance Parking Lot and the Bus Maintenance Base have a total GFA of 17,539 sq.m. The Entrance and Exit Roads, equipped with one 1.7-k.m. dive-under bridge, has a total length of 40.1 k.m.

- *CBD Municipal Facilities Project (CBD市政配套工程)*. The CBD Municipal Facilities Project, with a total site area of 861,100 sq.m. and a total GFA of 179,700 sq.m., among which the total underground floor area is 170,700 sq.m. and the total above-ground floor area is 9,000 sq.m., involves the construction of six underground space, including Xinjian Lixia Square Underground Space (新建歷下廣場地下空間), Silk Ribbon Park Underground Space (綢帶公園地下空間), South Industrial Road Underground Space (工業南路地下空間), Huayang Road Underground Space (華陽路地下空間), Huayang Road – Silk Ribbon Park (華陽路-綢帶公園地下空間) and Silk Ribbon Park – Ligeng Road Underground Space (綢帶公園 – 禮耕路地下空間), and two interconnecting channels, such as Lixia Square – Silk Ribbon Park Interconnecting Channel (歷下廣場 – 綢帶公園連通道).

## **Engineering and Consulting**

### *Overview*

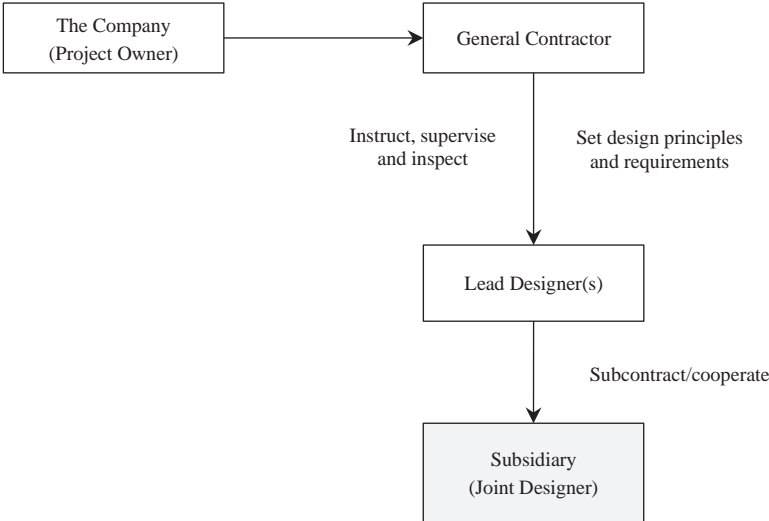
The Group provides technical services related to survey and design, consultation and research, testing and inspection and engineering management to rail transit lines in Jinan City and is primarily involved in the design and planning of the Jinan Metro. As at 31 December 2021, the Group had served various phases of the three key metro lines of the Jinan Metro, namely Line 1, Line 2 and Line 3, and had also provided site design services for Line 4 of the Xuzhou Metro and Line 15 of the Qingdao Metro.

The Group, through its subsidiaries, Shandong Rail Transit Survey and Design Institute Co., Ltd. (山東軌道交通勘察設計院有限公司) and Shandong Rail Transit Engineering and Consulting Co., Ltd. (山東軌道交通工程諮詢有限公司), derives operating income primarily from engineering design and engineering survey services, which includes commission fees as a joint designer or joint surveyor. For the years ended 31 December 2019, 2020 and 2021, operating income generated from the Group's engineering and consulting business was RMB18.6 million, RMB43.6 million and RMB66.6 million respectively, representing 3.5 per cent., 2.7 per cent. and 2.6 per cent., respectively, of the Group's total operating income for the same periods.

### *Engineering Design*

In a typical rail transit project undertaken by the Group, engineering design generally involves three sides, namely the project owner, the general contractor and the lead designer(s), where the Company as the project owner would appoint an experienced engineering consulting enterprise as the general contractor for the overall management and planning of the project. The lead designer is generally responsible for carrying out the engineering design work in accordance with the design principles and requirements set out by the general contractor. The lead designer may cooperate with other engineering consulting enterprises or subcontract part of its work. Through its subsidiary, the Group generally serves as a joint designer.

The following diagram shows the relationship among the Company, the general contractor and the lead designer and the Company’s subsidiary:



Pursuant to the cooperative design contracts entered into between the subsidiary and the lead designers, the Group in its capacity as a joint designer is entitled to certain percentage of the net commission fees (after deducting costs and expenses) for the engineering design whereas the lead designer is entitled to the remaining. Such fees will be paid by the lead designer to the subsidiary within a few days upon receipt of the gross commission fees from the project owner.

*Main Customers*

The following table sets forth certain information of the Group’s services to its main customers, namely the lead designers, for its engineering design services in terms of total contract value for the year ended 31 December 2021:

Customer	Project	Contract value
		<i>(RMB in thousands)</i>
China Railway Siyuan Survey and Design Group Co., Ltd. (中鐵第四勘察設計院集團有限公司) .....	Jinan Rail Transit Line 3 (Phase I) Cooperative Design Contract (濟南市軌道交通R3綫一期合作設計合同), Line M3 Civil Engineering Standard II, System Standard I and System Standard V (M3線土建二標、系統一標、系統五標) and Line 3 System Standard One and System Standard Five (R3線系統一標、系統五標)	11,578

<b>Customer</b>	<b>Project</b>	<b>Contract value</b>
		<i>(RMB in thousands)</i>
China Railway Engineering Design and Consulting Group Co., Ltd. Jinan Design Institute (中鐵工程設計諮詢集團有限公司濟南設計院) . . . . .	Jinan Rail Transit Line 2 (Phase I) Cooperative Design Contract Supplementary Agreement (Civil Construction V) (濟南市軌道交通R2線一期合作設計合同補充協議(土建五))	7,972
Xuzhou Metro Group Co., Ltd. (徐州地鐵集團有限公司) . . . . .	Xuzhou Urban Rail Transit Line 4 Project (Phase I) Civil Construction Site Design (Section 02) (徐州市城市軌道交通4號線一期工程土建工點設計(02標段))	5,141
Beijing Urban Construction Design & Development Group Co., Ltd. (北京城建設計發展集團股份有限公司) . . . . .	Jinan Rail Transit Line 2 (Phase I) Cooperative Design Contract (濟南市軌道交通R2綫一期合作設計合同), Jinan Rail Transit Line M1 (Civil Construction Section 8-2) Design Contract (濟南市軌道交通M1線工程(土建8-2標)設計合同), Jinan Rail Transit Line 3 (Phase I) Cooperative Design Contract (濟南市軌道交通R3綫一期合作設計合同) and Jinan Rail Transit Line 2 (Phase I) Engineering System Site Design (Section 5) Project Police Station Special Subcontracting Design Service Contract (濟南市軌道交通R2線一期工程系統工點設計(五標段)項目派出所專項分包設計服務合同)	3,353
Shanghai Municipal Engineering Design General Research Institute (Group) Co., Ltd. (上海市政工程設計研究總院(集團)有限公司) . . . . .	Jinan Rail Transit Line M3 Cooperative Design Contract (濟南市軌道交通M3綫合作設計合同)	2,707

### **Engineering Survey**

In a typical rail transit project undertaken by the Group, engineering survey generally involves two sides, namely the project owner and the lead surveyor, where the lead surveyor as a third party is generally responsible for carrying out independent engineering survey work in accordance with the instructions of the project owner. Through its subsidiary, the Group generally serves as a joint surveyor which cooperates with the lead surveyor.

Pursuant to the cooperative contracts entered into between the subsidiary and the lead surveyor, the Group in its capacity as a joint surveyor is entitled to certain percentage of the net commission fees (after deducting costs and expenses) for the engineering survey whereas the lead surveyor is entitled to the remaining. Such fees will be paid by the lead surveyor to the subsidiary within a few days upon receipt of the gross commission fees from the project owner.

#### *Main Customers*

The following table sets forth certain information of the Group's services to its main customers, namely the lead surveyor, for its engineering survey services in terms of total contract value for the year ended 31 December 2021:

<u>Customer</u>	<u>Project</u>	<u>Contract value</u>
		<i>(RMB in thousands)</i>
Jinan Survey and Mapping Research Institute (濟南市勘察測繪研究院) .....	Line 2 Control Network Survey Cooperation Agreement (R2線控制網測量合作協議), Jinan Rail Transit Line 2 Project (Phase I) Third Party Survey (Section 2) Cooperation Agreement (濟南市軌道交通R2線一期工程第三方測量(二標段)合作協議) and Jinan Rail Transit Line 2 Project (Phase I) Third Party Survey (Section 4) Cooperation Agreement (濟南市軌道交通R2線一期工程第三方測量(四標段)合作協議)	725
Shandong Zhengyuan Construction Engineering Co., Ltd. Survey & Design Research Institute (山東正元建設工程有限責任公司勘察設計研究院) .....	Line 3 Third Party Survey Standard III (R3綫第三方監測三標)	459
China Railway Sixth Survey and Design Institute Group Co., Ltd. (中鐵第六勘察設計院集團有限公司) .....	Jinan Rail Transit Line 2 Project (Phase I) Third Party Survey (Section 3) Cooperation Agreement (濟南市軌道交通R2線一期工程第三方測量(三標段)合作協議)	442

<u>Customer</u>	<u>Project</u>	<u>Contract value</u>
		<i>(RMB in thousands)</i>
China Hebei Construction & Geotechnical Investigation Group Ltd. (中冀建勘集團有限公司) (previously known as Hebei Construction and Geotechnical Investigation and Research Institute Co., Ltd. (河北建設勘察研究院有限公司)) . . . . .	Jinan Rail Transit Line 1 Third Party Survey Cooperation Survey Agreement (Standard 3) (濟南市軌道交通R1線第三方監測合作監測協議三標)	267

## Property Management

### Overview

The Group began its property management business, through its subsidiary, Shunjie (Shandong) Property Development Co., Ltd. (舜潔(山東)物業發展有限公司), in 2021. The Group provides property management services, including without limitation, security, cleaning, equipment repair and maintenance and landscaping services, primarily for the rail transit lines in Jinan City that it develops, as well as the Jianandong Railway Station and its subsidiaries, including Shandong Aipel Electrical Equipment Co., Ltd. (山東愛普電氣設備有限公司). The Group is entitled to management fees, which are generally based on an agreed fixed commission rate per sq.m. per month. Such commission rate is usually determined with a reference to the service scope provided by the Group and the type of properties it manages. Property management fees are paid on an annual basis.

For the year ended 31 December 2021, operating income generated from the Group's property management business was RMB27.8 million, representing 1.1 per cent. of the Group's total operating income for the same periods.

## Concrete and Construction Materials

### Overview

The Group began its concrete and construction materials business in 2018. The Group's concrete and construction materials business primarily includes the production and sale of concrete and construction materials, such as cables and segments. The Group conducts such business primarily through its subsidiaries, including Jinan Dongtie Rail Transit Construction Material Co., Ltd. (濟南東鐵軌道交通建材有限公司), Jinan Quantie Rail Transit Construction Material Co., Ltd. (濟南泉鐵軌道交通建材有限公司), Shandong Kaiyue Rail Transit Cable Co., Ltd. (山東凱越軌道交通電纜有限公司) and Jinan Rail Urban Construction Segment Manufacturing Co., Ltd. (濟南軌道城建管片製造有限公司).

For the years ended 31 December 2019, 2020 and 2021, the Group's operating income generated from its concrete and construction materials business was RMB497.2 million, RMB735.8 million and RMB613.3 million, respectively, representing 93.4 per cent., 45.9 per cent. and 24.2 per cent. of the Group's total operating income for the same periods.

## **Raw Materials and Major Products**

The raw materials for the Group's concrete and construction materials business are primary sand, stone, clinker, slag powder, fly ash, additive and rebar. The major products of the Group's concrete and construction materials business primarily include concrete, cables, segments, partial segments, additives and prefabricated components. The following table sets forth the approximate price of the Group's raw materials and major products as at 31 December 2021:

	<u>As at 31 December 2021</u>
	<i>(RMB/ton, except for cable and segment)</i>
<b>Raw material</b>	
Sand .....	125
Stone .....	125
Clinker .....	510
Slag powder .....	380
Fly ash .....	150
Additive .....	2,500
Rebar .....	5,100
<b>Major product</b>	
Concrete (type A) .....	500
Concrete (type B) .....	485
Cable (RMB/metre) .....	80,000
Segment (type A) (RMB each) .....	23,189.86
Segment (type B) (RMB each) .....	24,025.64
Segment (type C) (RMB each) .....	25,374.52
Segment (type D) (RMB each) .....	20,400.00
Partial segment (RMB each) .....	23,189.86

## **Business Model**

The Group has adopted a demand-driven manufacturing approach to its concrete and construction materials business, under which the production is based on actual customer orders (demand) rather than a forecast, and therefore the Group is able to effectively minimise the inventory levels and costs from its concrete and construction materials business. The Group enters into contracts with customers through public bidding and tender or contract negotiation, pursuant to which the Group is usually responsible for procurement of raw materials, production and shipment. The purchase consideration is usually paid upon delivery or in accordance with an agreed-upon payment schedule, and is generally settled by means of telegraphic transfer or bank acceptable bills. The Group generally grants its customers one month credit period.

In terms of procurement, the Group generally pays a certain percentage of the total consideration as a deposit to its upstream suppliers in advance, and the remaining amount in one month after the raw materials are delivered. The Group generally arranges settlement with suppliers through telegraphic transfer or bank acceptable bills. The Group recognises the cost and revenue for its concrete and construction materials business on a monthly basis.

## Sales Volume

The following tables set forth the sales volume of major products sold by the Group for the periods indicated:

	For the year ended 31 December		
	2019	2020	2021
Concrete (in thousand cubic metres) .....	805	1,035	1,202
Cable (in kilometres) .....	1,568	3,368	3,912
Segment (each) .....	19,960	5,866	5,511

## Suppliers and Customers

Over the years, the Group has established stable relationships with its key upstream suppliers and downstream customers. The following table sets forth the Groups' top five upstream suppliers in terms of procurement amount in its concrete and construction materials business for the year ended 31 December 2021:

Supplier	Procurement amount	Per cent. of total procurement
	<i>(RMB in millions)</i>	
Shandong Kangshunda Construction Materials Co., Ltd. (山東康舜達建材有限公司) .....	7.2	1.8
Sishui Hui Feng Agricultural Development Engineering Co., Ltd. (泗水惠豐農業開發工程有限公司) .....	7.2	1.8
Jiangsu Subot New Material Co., Ltd. (江蘇蘇博特新材料股份有限公司) .....	6.8	1.7
Licheng District Anjia Construction Materials Sales and Operation Centre (歷城區安嘉建材銷售經營中心) .....	5.5	1.4
Jinan Tiancheng Construction Materials Co., Ltd. (濟南天誠建材有限公司) .....	5.4	1.4
<b>Total</b> .....	<b>32.1</b>	<b>8.1</b>

The following table sets forth the Group's top five downstream customers in terms of sales amount in its concrete and construction materials business for the year ended 31 December 2021:

Customer	Sales amount	Per cent. of total sales
	<i>(RMB in millions)</i>	
China Construction Hongda Construction Co., Ltd. (中建宏達建築有限公司) .....	34.3	7.7
Qingdao Bohai Construction Group Co., Ltd. (青島博海建設集團有限公司) .....	26.2	5.9
Yingzhijie Construction Engineering Co., Ltd. (英之傑建設工程有限公司) .....	19.2	4.3
Jinan Chengsheng Industrial Co., Ltd. (濟南城生實業有限公司) .....	18.1	4.1
China Railway 17th Bureau Group Co., Ltd. (中鐵十七局集團有限公司) .....	16.4	3.7
<b>Total</b> .....	<b>114.2</b>	<b>25.6</b>

## Electrical and Machinery Equipment

### Overview

The Group's electrical and machinery equipment business consists of two sub-segments, namely electrical equipment business and machinery equipment business. The Group began its electrical equipment business, primarily through its subsidiary, Shandong Aipel Electrical Equipment Co., Ltd., in 2020 and its machinery equipment business, primarily through its subsidiary, Jinan Heavy Industries Group Co., Ltd. (濟南重工集團有限公司), in 2021. The Group's electrical equipment business primarily includes the development, design, manufacturing and sales of electrical equipment and relevant components, as well as the installation and leasing of electrical facilities. The Group's machinery equipment business primarily involves sales and leasing of machinery equipment relating to electric power, mining and tunnel excavation.

For the years ended 31 December 2020 and 2021, the Group's operating income generated from its electrical and machinery equipment business was RMB790.4 million and RMB1,780.5 million, respectively, representing 49.3 per cent. and 70.1 per cent. of the Group's total operating income for the same periods.

### Raw Materials and Major Products and Services

The raw materials for the Group's electrical and machinery equipment business are primarily copper bar, transformer, breaker, cable, steel bar, semi-gear, end cap and dashboard. The major products and services of the Group's electrical and machinery equipment business primary include switch cabinet, charging posts, ring cabinet, substation, transformer, distribution box, shield machine, grinder, services for new-energy electric vehicles, power substitution and equipment maintenance.

The following table sets forth certain information of the Group's raw materials and major products for its electrical equipment business as at 31 December 2021:

	<u>As at 31 December 2021</u>
<b>Raw material</b>	
Copper bar (RMB/kg) . . . . .	76.8
Transformer SCB10-1000 (RMB each) . . . . .	97,000
Frame breaker (RMB each) . . . . .	8,000
Plastic-shell breaker (RMB each) . . . . .	1,200
35-milimetres cable (RMB/metre) . . . . .	35
<b>Major product</b>	
10kV Switch cabinet (RMB each) . . . . .	60,000
10kV Ring cabinet (RMB each) . . . . .	350,000
10kV Box-type substation (RMB each) . . . . .	150,000
10kV Transformer (RMB each) . . . . .	100,000
0.4kV Switch cabinet (RMB each) . . . . .	30,000
0.4kV Distribution box (RMB each) . . . . .	5,000

The following table sets forth certain information of the Group's raw materials and major products and services for its machinery equipment business as at 31 December 2021:

	<u>As at 31 December 2021</u>
<b>Raw material</b>	
Steel bar ( <i>RMB/kg</i> ) .....	5.8
Semi-gear ( <i>RMB/kg</i> ) .....	9.6
Feeding end cap ( <i>RMB/kg</i> ) .....	8.9
Discharging end cap ( <i>RMB/kg</i> ) .....	9.0
Central dashboard ( <i>RMB/kg</i> ) .....	5.7
<b>Major product and service</b>	
Operation and leasing of shield machine ( <i>RMB/metre</i> ) .....	7,500.0
JZE6410e Earth-pressure balance shield machine ( <i>RMB in millions</i> ) .....	41.0
JZE6650 Earth-pressure balance shield machine ( <i>RMB in millions</i> ) .....	39.0
CTE6650 Compound earth-pressure balance shield machine ( <i>RMB in millions</i> ) .....	38.0
JZE6680 Compound earth-pressure balance shield machine ( <i>RMB in millions</i> ) .....	36.5
JZE6430FE Spoke-type earth-pressure balance shield machine ( <i>RMB in millions</i> ) .....	35.0
JZE6410 Spoke-type earth-pressure balance shield machine ( <i>RMB in millions</i> ) .....	34.0
Rotary calcining kiln $\phi 7.0 \times 72\text{m}$ ( <i>RMB in millions</i> ) .....	9.4
MQS38130 Coal-water slurry ball grinder ( <i>RMB in millions</i> ) .....	8.8
MBS4765 Rod grinder ( <i>RMB in millions</i> ) .....	7.3
MQY4585 Ball grinder ( <i>RMB in millions</i> ) .....	7.2

### ***Business Model***

Same as the Group's concrete and construction materials business, the Group has adopted a demand-driven manufacturing approach to its electrical and machinery equipment business, under which the production is based on actual customer orders (demand) rather than a forecast, and therefore the Group is able to effectively minimise the inventory levels and costs from its electrical and machinery equipment business. The Group enters into contracts with customers through public bidding and tender or contract negotiation, pursuant to which the Group is usually responsible for procurement of raw materials, production and shipment. The purchase consideration is usually paid upon delivery or in accordance with an agreed-upon payment schedule, and is generally settled by means of telegraphic transfer or bank acceptable bills. The Group generally grants its customers one month credit period.

In terms of procurement, the Group generally pays the total consideration to its upstream suppliers in one month after the raw materials are delivered. The Group generally arranges settlement with suppliers through telegraphic transfer or bank acceptable bills. In terms of sales, the Group generally directly sells products to customers and settles with customers by telegraphic transfer or bank acceptable bills.

## Suppliers and Customers

Over the years, the Group has established stable relationships with its key upstream suppliers and downstream customers. The following table sets forth the Groups' top five upstream suppliers in terms of procurement amount in its electrical equipment business for the year ended 31 December 2021:

Supplier	Procurement amount	Per cent. of total cost
	<i>(RMB in millions)</i>	
Shandong Hengruide Electrical Equipment Co., Ltd. (山東恒瑞德電力設備有限公司) .....	108.6	12.7
Shandong Weilikang Electricity Co., Ltd. (濟南威力康電氣有限公司) .....	44.0	5.2
Shandong Weisheng New Energy Development Co., Ltd. (山東偉晟新能源開發有限公司) .....	40.5	4.8
Shandong Shunkai Electrical Equipment Co., Ltd. (山東舜凱電力設備有限公司) .....	36.1	4.2
Shandong Hongma Copper Industry Co., Ltd. (山東宏麻銅業有限公司) .....	35.5	4.2
<b>Total</b> .....	<b>264.8</b>	<b>31.1</b>

The following table sets forth the Group's top five downstream customers in terms of sales amount in its electrical equipment business for the year ended 31 December 2021:

Customer	Sales amount	Per cent. of total sales revenue
	<i>(RMB in millions)</i>	
State Grid E-Commerce Technology Co., Ltd. (國網電商科技有限公司) .....	607.9	58.9
State Grid Shandong General Energy Service Co., Ltd. (國網山東綜合能源服務有限公司) .....	23.6	2.3
Shandong Yongsheng Construction Group Co., Ltd. (山東永勝建設集團有限公司) .....	11.5	1.1
Wonka Technology Co., Ltd. (奇妙科技有限公司) .....	10.5	1.0
Jinan Rail Transit Group Construction and Investment Co., Ltd. (濟南軌道交通集團建設投資有限公司) .....	10.1	1.0
<b>Total</b> .....	<b>663.6</b>	<b>64.3</b>

The following table sets forth the Groups' top five upstream suppliers in terms of procurement amount in its machinery equipment business for the year ended 31 December 2021:

<u>Supplier</u>	<u>Procurement amount</u>	<u>Per cent. of total cost</u>
	<i>(RMB in millions)</i>	
Nanyang Hanye Special Steel Co., Ltd. (南陽漢冶特鋼有限公司) .....	17.7	4.1
Huixian Tengfei Machinery Manufacturing Co., Ltd. (輝縣市騰飛機械製造有限公司) .....	17.6	4.0
Anhui Tiandi Heavy Machinery Co., Ltd. (安徽天地通重型機械有限公司) .....	13.3	3.1
Shandong Luzheng Engineering Co., Ltd. (山東路政建築工程有限公司) .....	8.8	2.0
Jiangsu Shoudun Wear Resistant Materials Co., Ltd. (江蘇首盾耐磨材料有限公司) .....	8.6	2.0
<b>Total</b> .....	<b>66.0</b>	<b>15.2</b>

The following table sets forth the Group's top five downstream customers in terms of sales amount in its machinery equipment business for the year ended 31 December 2021:

<u>Customer</u>	<u>Sales amount</u>	<u>Per cent. of total sales revenue</u>
	<i>(RMB in millions)</i>	
Chongqing Yiyu Financial Leasing Co., Ltd. (重慶鈞渝金融租賃股份有限公司) .....	110.0	18.3
Great Wall Financial Leasing Co., Ltd. (長城融資租賃有限責任公司) .....	86.0	14.3
Jiangxi Finance Leasing Co., Ltd. (江西金融租賃股份有限公司) .....	82.0	13.6
China Railway Construction Financial Leasing Co., Ltd. (中鐵建金融租賃有限公司) .....	72.0	12.0
China Railway Tunnel Co., Ltd. (中鐵隧道股份有限公司) .....	58.5	9.7
<b>Total</b> .....	<b>408.5</b>	<b>68.0</b>

## Advertising

The Group began its advertising business, primarily through its subsidiary, Jinan Metro Culture and Media Co., Ltd. (濟南地鐵文化傳媒有限公司), in 2019. The Group's advertising business includes print advertisements and vehicle advertisements in rail transit lines that the Group operates. The Group's advertising business offers a variety of advertising and presentation solutions, including without limitation, in-car light box, creative display, super media, super large screen, vehicle body naming, creative car chartering, brand channel, brand ocean and brand forest, to customers who seek for displaying and building business image and promoting market projects. The Group also undertakes the promotion of government administrative affairs.

For the years ended 31 December 2019, 2020 and 2021, the Group's operating income generated from its advertising business was RMB9.8 million, RMB14.3 million and RMB25.2 million, respectively, representing 1.8 per cent., 0.9 per cent. and 1.0 per cent. of the Group's total operating income for the same periods.

### **Other Business**

The Group engages in other business, such as station rental service, car parking and tube seat rental service. For the years ended 31 December 2019, 2020 and 2021, operating income generated from the Group's other business was RMB6.6 million, RMB20.8 million and RMB26.5 million, respectively, representing 1.2 per cent., 1.3 per cent. and 1.0 per cent., of the Group's total operating income for the same periods.

### **RELATED PARTY TRANSACTION**

The Group may from time to time conducts its business with its related party, which are to be disclosed in its consolidated financial statements in accordance with the PRC GAAP. The Group has established a comprehensive system to oversee its related party transaction to ensure its fairness. The Group normally enters into the written contract with the related party, especially specifying the pricing term, which shall be determined in accordance with the norms set out below:

- Refer to the government-guided price;
- Refer to an independent market price;
- Refer to an independent third party transaction price; and
- Cost-profit methodology.

### **INTERNAL CONTROL**

As an integral part of overall risk management, the Group places great importance on internal control. The Group has established a comprehensive system to oversee and manage its financial matters, personnel, projects, financing and investments, operations and other matters of its subsidiaries, third-party guarantees, production safety, related party transactions, information disclosure obligations, emergency incidents and capital operations.

In order to maintain business integrity and operational efficiency, the Group has established a three-tier management structure comprising the board of directors, the general manager and thirteen departments. The Group has also established and implemented risk management organisational structure to ensure its compliance with regulatory requirements and to implement control measures to lower operational and investment risks, covering different aspects of the Group's operations, including budget management, invested projects finance management, guarantee management, remuneration management, safety production, subsidiaries management, investment and financing management, connected transaction, information disclosure and incidents management.

## **ENVIRONMENT MATTERS**

The Group is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by the governmental authorities in the PRC. The Group believes that it is in compliance in all material respects with applicable environmental laws and regulations. As at the date of this Offering Circular, the Group is not aware of any material environmental proceedings or investigations to which it is or might become a party.

## **OCCUPATIONAL HEALTH AND SAFETY**

The PRC Government imposes a number of regulatory requirements on transportation infrastructure companies with regard to employee safety. The Group regards occupational health and safety as one of its important social responsibilities, and has implemented safety measures to ensure compliance with applicable regulatory requirements. The Group has established a safety supervision department on each of its projects. These safety supervision departments conduct periodic inspections of operating facilities to ensure that its transportation infrastructure projects are in compliance with existing laws and regulations. The Group believes that safe practises are the only means to ensure employee safety. Thus, its safety supervision departments conduct regular training sessions for employees on accident prevention and management.

## **INSURANCE**

The Group maintains insurance policies, which the Group believes to be consistent with the relevant law and industry and business practise in the PRC. The Group maintains insurance coverage in the types which it believes are commensurate with its risk of loss and industry practise. Consistent with what the Group believes to be customary practise in the PRC, it does not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims. Such insurance is not mandatory under the laws and regulations of the PRC, and such insurance is either unavailable in the PRC or requires substantial cost.

## **EMPLOYEES**

As at 31 December 2021, the Company had approximately 9,422 full-time employees. In accordance with the applicable regulations of local governments in regions where the Group has business operations, the Group makes contributions to its employee's social insurance, including the statutory pension plan, medical insurance, unemployment insurance, maternity insurance and workers' compensation 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 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.

## **GOVERNMENTAL REGULATIONS AND LICENCES**

The Group's operations are subject to a variety of laws and regulations promulgated by the governments in which it operates. See the section headed "*PRC Regulations*".

The Group believes that it is in compliance in all material respects with the applicable governmental regulations, rules and executive orders in each jurisdiction in which it operates. The Group is not aware of any governmental proceedings or investigations to which it might become a party and which may have a material adverse effect on its properties and operations.

The Group maintains regular communication with local governments and regulatory authorities through its management team or representatives, ensuring compliance with the requirements and conditions for obtaining and maintaining the aforementioned licences, concessions, permits, or certificates.

## **LEGAL PROCEEDINGS**

From time to time, the Company, together with its subsidiaries, may be involved in legal proceedings or other disputes in the ordinary course of its business. See also "*Risk Factors – Risks Relating to the Group and its Business – The Group may be involved in disputes, legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result*".

As at the date of this Offering Circular, the Group is not aware of any legal proceedings, claims, disputes, penalties or liabilities currently pending or threatened against the Group that may have a material adverse change on its business, financial condition or results of operations.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### DIRECTORS

The board of directors of the Company (the “**Board**”) consists of nine directors. The Board is primarily responsible for, among others, calling for and holding shareholder meeting and making reports to the shareholder, implementing the resolutions and decisions adopted in the shareholder meeting, determining the Company’s business plans and investment plans, formulating the Company’s annual financial budget plans and accounting plans, annual profit distribution plans and deficit covering plans, proposals in relation to the increase or decrease of registered capital, formulating plans on mergers, spin-off, change of corporate form and liquidation and dissolution in relation to the Company, determining the Company’s internal management structure and appointment and removal of senior management and formulating the basic management policies of the Company.

The following table sets forth certain information concerning the Company’s directors as at the date of this Offering Circular:

Name	Age	Position/Title
Mr. CHEN Sibin (陳思斌) . . . . .	60	Chairman of the Board
Mr. WANG Bozhi (王伯芝) . . . . .	57	Director and general manger
Ms. LV Jianxin (呂建新). . . . .	53	Director
Mr. YANG Chenglin (楊承林) . . . . .	58	External director
Mr. ZHOU Youzhi (周有志) . . . . .	58	External director
Mr. WANG Xiaojun (王曉軍) . . . . .	56	External director
Mr. LI Liping (李利平) . . . . .	41	External director
Mr. HU Anhong (胡安洪) . . . . .	58	External director
Mr. YU Lei (于磊) . . . . .	51	Employee director

**Mr. CHEN Sibin (陳思斌)**, aged 60, has been the chairman of the Board and the secretary of the Party Committee of the Company since April 2017. Mr. Chen previously served as the head of the Agricultural Tax Administration Division (農業稅收管理處), the head of the Primary Financial Management Division (基層財政管理處) and subsequently the director of the General Office of the Jinan Finance Bureau (濟南市財政局), the head of Jinan Agricultural Comprehensive Development Office (濟南市農業綜合開發辦公室), a Party Committee member of the Jinan Finance Bureau, and the chairman of the Board and the secretary of the Party Committee of Jinan Financial Investment Holding Group Co., Ltd. (濟南財金投資控股集團有限公司) (currently known as Jinan Financial Holding Group Co, Ltd (濟南金融控股集團有限公司)).

**Mr. WANG Bozhi (王伯芝)**, aged 57, has been a director and the general manager of the Company since September 2018. Mr. Wang previously served as the chairman of the Board of Jinan Heavy Industry Co., Ltd. (濟南重工股份有限公司), the chairman of the Board of China Heavy Automobile Group Co., Ltd. (中國重型汽車集團有限公司), the chairman of the Revolutionary Committee of the Chinese Kuomintang of Jinan City (中國國民黨革命委員會濟南市委員會), the deputy chairman of the Revolutionary Committee of the Chinese Kuomintang of Shandong Province (中國國民黨革命委員會山東省委員會), and the deputy chairman of the Shandong Jinan Committee of the Chinese People’s Political Consultative Conference (中國人民政治協商會議山東省濟南市委員會).

**Ms. LV Jianxin (呂建新)**, aged 53, has been a director, a deputy secretary of the Party Committee and the head of the Labour Union of the Company since August 2022. Ms. Lv previously served as an officer and an assistant engineer of Jinan Nanjiao Thermal Power Plant (濟南南郊熱電廠) (currently known as Jinan Thermal Power Group Co., Ltd. (濟南熱電集團有限公司)), a senior staff member, the principal staff member, a deputy head and subsequently the head of the Organisation and Personnel Division of the Jinan Cultural Bureau (濟南市文化局), the head of the Organisation and Personnel Division and a Party Committee member of the Jinan Press Bureau for Culture, Radio and Television (濟南市文化廣電新聞出版局), and a deputy head and a Party Committee member of the Jinan Cultural Market Comprehensive Administrative Law Enforcement Bureau (濟南市文化市場綜合行政執法局). Ms. Lv has obtained a master's degree.

**Mr. YANG Chenglin (楊承林)**, aged 58, has been an external director of the Company since August 2022. Mr. Yang previously served as the head (工長) of the Fifth Division (五處) and a deputy head of the Foreign Engineering Division (國外工程處) of Jinan Sijian Group (濟南四建集團), a deputy chairman of the board of directors, the general manager and a Party Committee member of Shandong Sanjian Property Group Co., Ltd. (山東三箭置業集團有限公司), the chairman of the board of directors and the general manager of Shandong Sanjian Engineering Construction Co., Ltd. (山東三箭建設工程股份有限公司), and the chairman of the board of directors, the general manager and the secretary of the Party Committee of Shandong Sanjian Group Co., Ltd. (山東三箭集團有限公司). Mr. Yang has obtained a bachelor's degree.

**Mr. ZHOU Youzhi (周有志)**, aged 58, has been an external director of the Company since August 2022. Mr. Zhou previously served as the head of the Office (辦公室主任) and subsequently the manager of the Import and Export Company (進出口公司) of the China Jinan Washing Machine Plant (中國濟南洗衣機廠), the head and a deputy secretary of the General Party Branch of the Jinan Household Appliance General Factory (濟南家用電器總廠), the chairman of the board of directors, the general manager and the secretary of the Party Committee of Shandong Xiaoya Group (山東小鴨集團), and a director, a deputy secretary of the Party Committee and the head of the Labour Union of Jinan State-owned Assets Investment Co., Ltd. (濟南市國有資產投資有限公司). Mr. Zhou has obtained a bachelor's degree.

**Mr. WANG Xiaojun (王曉軍)**, aged 56, has been an external director of the Company since August 2022. Mr. Wang previously served as an assistant to the general manager, the general economist and a deputy general manager of Jinan Yijichuang Group (濟南一機床集團), a director, the general manager and a deputy secretary of the Party Committee of Jinan Chengchuang Assets Operation Co., Ltd. (濟南誠創資產經營有限公司), and a director, the general manager and a deputy secretary of the Party Committee of Jinan Guorun Assets Operation and Management Co., Ltd. (濟南國潤資產運營管理有限公司). Mr. Wang has obtained a bachelor's degree.

**Mr. LI Liping (李利平)**, aged 41, has been an external director of the Company since August 2022. Mr. Li previously served as a professor of the Shandong University (山東大學), and the executive vice-president (常務副院長) of the School of Qilu Transportation (齊魯交通學院) of the Shandong University. Mr. Li has obtained a doctorate degree.

**Mr. HU Anhong (胡安洪)**, aged 58, has been an external director of the Company since August 2022. Mr. Hu previously served as a teacher of the Shandong Banking School (山東銀行學校), and a professor, a vice-president of the Finance Vocational College (金融職業學院) and subsequently a vice-president of the Continuing Education College (繼續教育學院) of the Qilu

University of Technology (Shandong Academy of Sciences) (齊魯工業大學山東省科學院)). Mr. Hu has obtained a bachelor's degree.

**Mr. YU Lei (于磊)**, aged 51, has been an employee director and the head of the Financial Management Department of the Company since February 2018. Mr. Yu concurrently also serves as an executive director and the general manager of Jinan Rail Transit Group Asset Management Company (濟南軌道交通集團資產管理有限公司). Mr. Yu previously served as an accountant of Jinan Sijian Construction Group Co., Ltd. (濟南四建(集團)有限責任公司), an accountant of the Jinan Engineering Construction Trading Centre (濟南市建設工程交易中心), an accountant of the Jinan Municipal Government Fund Settlement Centre (濟南市政府資金結算中心), the principal staff member and an accountant and subsequently a deputy head of the Financial Division of the Jinan West District Investment and Financing Management Centre (濟南市西區投融資管理中心), the head of the Financial Division of Jinan Xicheng Investment and Development Group Co., Ltd. (濟南西城投資開發集團有限公司), and the head of the Investment Department of Jinan Financial Investment Holding Group Co., Ltd.

## SUPERVISORS

The board of supervisors of the Company (the “**Supervisory Board**”) consists of five representative supervisors. The responsibilities of the Supervisory Board include, but not limited to, overseeing the Company's financial positions and implementing relevant laws, administrative regulations and other rules and regulations and supervising the Board and senior management in discharging their duties.

The following table sets forth certain information concerning the Company's supervisors as at the date of this Offering Circular:

<u>Name</u>	<u>Age</u>	<u>Position/Title</u>
Mr. LI Qinxin (李勤新) . . . . .	49	Employee representative supervisor
Mr. WANG Liang (王亮) . . . . .	42	Employee representative supervisor
Ms. ZHANG Hui (張慧) . . . . .	44	Employee representative supervisor
Mr. WANG Bin (王斌) . . . . .	46	Employee representative supervisor
Ms. ZHAO Baixue (趙白雪) . . . . .	40	Employee representative supervisor

**Mr. LI Qinxin (李勤新)**, aged 49, has been an employee representative supervisor and the head of the Bidding Management Office (招標管理辦公室) of the Company since April 2020. Mr. Li has obtained a bachelor's degree in mechanical design and manufacturing (機械設計與製造) from Shanghai Railway University (上海鐵道大學).

**Mr. WANG Liang (王亮)**, aged 42, has been an employee representative supervisor of the Company since April 2022. Mr. Wang concurrently also serves as an executive director and the general manager of Jinan Rail Transit Group Real Estate Co., Ltd. (濟南軌道交通集團置業有限公司). Mr. Wang previously worked for Jinan Rail China Railway Segment Manufacturing Co., Ltd. (濟南軌道中鐵管片製造有限公司), Jinan Rail Urban Construction Segment Manufacturing Co., Ltd. (濟南軌道城建管片製造有限公司) and Jinan Rail Transit Group Real Estate Co., Ltd. Mr. Wang has obtained a master's degree.

**Ms. ZHANG Hui (張慧)**, aged 44, has been an employee representative supervisor of the Company since April 2022. Ms. Zhang concurrently also serves as the head of the Audit and Legal Department (審計法律部) of the Company. Ms. Zhang previously worked for Jinan Municipal Safety Production Supervision and Administration Bureau (濟南市安全生產監督管理局), Jinan Jinkong Group Co., Ltd. (濟南金融控股集團有限公司) (previously known as Jinan Caijin Investment Holding Group Co., Ltd. (濟南財金投資控股集團有限公司)) and the Company. Ms. Zhang has obtained a master's degree.

**Mr. WANG Bin (王斌)**, aged 46, has been an employee representative supervisor of the Company since September 2022. Mr. Wang concurrently also serves as the director of the Tender Management Office (招標管理辦公室) of the Company. Mr. Wang previously served as the head and a deputy head of the Industry and Commerce Office (工商所), a section head of the Consumer Insurance Section (消保科), a deputy head of the Fair Trade Bureau (公平交易局) and a deputy head of the Jiyang Branch of Jinan Industry and Commerce Bureau (濟南市工商局濟陽分局), a deputy secretary of the Party Committee of Huihe Town (回河鎮) of Jiyang County (濟陽縣), a senior staff of the Jiyang District Housing and Urban and Rural Construction Management Committee (濟陽區住房和城鄉建設管理委員會), the head and the secretary of the Party Branch of the Jiyang District Municipal Parks and Public Utility Bureau (濟陽區市政園林公用事業局) and the head and the secretary of the Party Group of the Jiyang District Urban and Rural Transport Bureau (濟陽區城鄉交通運輸局). Mr. Wang has obtained a bachelor's degree.

**Ms. ZHAO Baixue (趙白雪)**, aged 40, has been an employee representative supervisor of the Company since September 2022. Ms. Zhao previously served as a staff, a deputy office director, the office director, a deputy section head and the section head of the General Section (綜合科) of Jinan Engineering Quality and Work Safety Supervision Station (濟南市工程品質與安全生產監督站), the head of the General Administration Department (綜合管理部) (Human Resources Department (人力資源部)) and a deputy general manager of a subsidiary of the Company, a deputy director and the director of the Women's Committee (婦女委員會) of the Company, the head of the Party and Mass Work Department (黨群工作部) of the Company and a deputy head of the Labor Union (工會) of the Company. Ms. Zhao has obtained a bachelor's degree.

## SENIOR MANAGEMENT

The following table sets forth certain information concerning the Company's senior management as at the date of this Offering Circular:

<u>Name</u>	<u>Age</u>	<u>Position/Title</u>
Mr. HA Yueting (哈月亭) . . . . .	56	Deputy general manager and secretary of the Discipline Committee
Mr. LIU Fengzhou (劉鳳洲) . . . . .	40	Deputy general manager
Mr. XU Qinwei (徐勤偉) . . . . .	55	Deputy general manager
Mr. PAN Jun (潘軍) . . . . .	58	Deputy general manager
Mr. YANG Xiaodong (楊曉東) . . . . .	50	Deputy general manager
Mr. DING Qiang (丁強) . . . . .	53	Deputy general manager

**Mr. HA Yueting (哈月亭)**, aged 56, has been a deputy general manager and the secretary of the Discipline Committee and a Party Committee member of the Company since November 2014. Mr. Ha previously served as the principal staff member of the Party Building Research Division (黨建研究處) of the Jinan Committee Policy Research Office of the Communist Party of China (中國共產黨濟南市委政策研究室), the secretary of the General Branch of the Chinese Communist Youth League (團總支) of the Power Engineering Department of Shandong Industrial University (山東工業大學動力工程系) (currently known as Shandong University (山東大學)), the principal staff member, an assistant research member and subsequently a deputy head of the Officer Department I (幹部一處) of the Jinan Committee Organisation Department of the Communist Party of China (濟南市委組織部), and a research member and subsequently a deputy head of the General Division and the head of the Courseware Resource Division (課件資源處) of the Modern Distance Education Centre for Jinan Party Member Officer (濟南市黨員幹部現代遠程教育中心). Mr. Ha has obtained a bachelor's degree.

**Mr. LIU Fengzhou (劉鳳洲)**, aged 40, has been a deputy general manager of the Company since November 2019. Mr. Liu previously served as the head for design of the Chief Engineer Office of Tianjin Subway Group Co., Ltd. (天津市地下鐵道集團有限公司), and the head engineer of the Pre-stage Planning Department, the project manager of the Rail Transit Line 3 (軌道交通3號線) and subsequently the head of the Third Project Management Centre (第三項目管理中心) and the manager of the Line 3 Construction Project Department (3號線建設項目部) of the Company. Mr. Liu has obtained a master's degree.

**Mr. XU Qinwei (徐勤偉)**, aged 55, has been a deputy general manager of the Company since April 2022. Mr. Xu previously served as an executive director and the general manager of Shandong Yingtong Development Co., Ltd. (山東贏通發展有限公司) and a supervisor of Shandong Xueye Lake Studio Co., Ltd. (山東雪野湖影視城有限公司). Mr. Xu has obtained a master's degree.

**Mr. PAN Jun (潘軍)**, aged 58, has been a deputy general manager of the Company since November 2014. Mr. Pan previously served as a deputy director and subsequently the director of the Municipal Engineering Planning and Design Office (市政工程規劃設計室) of the Jinan Planning and Design Institute (濟南市規劃設計研究院), a vice president of the Jinan Planning and Design Institute, and a deputy head of Jinan Urban and Rural Planning Research Centre (濟南市城鄉規劃編製研究中心). Mr. Pan has obtained a master's degree.

**Mr. YANG Xiaodong (楊曉東)**, aged 50, has been a deputy general manager of the Company since November 2015. Mr. Yang previously served as an engineer of Jinan Weimin Industrial General Company (濟南偉民實業總公司), a supervisor and subsequently a senior staff member of the Jinan Engineering Construction Quality Supervision Station (濟南市建築工程質量監督站), a senior staff member of the Quality Safety Management Division (質量安全管理處) of the Jinan Construction Commission (濟南市建設委員會) (currently known as the Jinan Urban and Rural Construction Commission (濟南市城鄉建設委員會)), and the principal staff member of the Division III (三處), a senior staff member of the Division IV (四處) and subsequently the head of the General Management Division (綜合管理處) and the head of the Bus Management Division (公車管理處) of the Jinan Municipal Government Organ Affair Administration Bureau (濟南市市級機關事務管理局) (currently known as the Jinan Government Organ Affair Service Centre (濟南市機關事務服務中心)). Mr. Yang has obtained a master's degree.

**Mr. DING Qiang (丁強)**, aged 53, has been a deputy general manager of the Company since June 2016. Mr. Ding previously served as the head of the Business Department II (業務二部) of the Jinan Engineering Construction Financial Supervision and Management Centre (濟南市建設工程財務審查管理中心), a deputy head of the Jinan Financial Investment Assessment Centre (濟南市財政投資評審中心), the head of the Jinan Financial Data and Information Computing Centre (濟南市財政數據信息計算中心), and the head of the General Office, the head of the Regulation and Taxation Division (法規稅政處) and subsequently the head of the Taxation Division (Regulation Division) (稅政處(法規處)) of the Jinan Finance Bureau. Mr. Ding has obtained a master's degree.

## PRC REGULATIONS

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

### THE PRC LEGAL SYSTEM

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

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

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC and the Standing Committee of the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders. The People's Congresses or their standing committees of the comparatively larger cities may, in light of the specific local conditions and actual needs, formulate local regulations, provided that they do not contradict the PRC Constitution, the national laws, the administrative regulations and the local regulations of their respective provinces or autonomous regions, and they shall submit the regulations to the standing committees of the people's congresses of the provinces or autonomous regions for approval before implementation.

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

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

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The

State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

## REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

*The following is a general description of certain currency controls in the PRC and is based on the 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 advice. It does not purport to be a complete analysis of all applicable currency controls in the PRC relating to the Bonds. Prospective holders of the Bonds who are in any doubt as to PRC currency controls are advised to consult their own professional advisers. Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.*

## CURRENT ACCOUNT ITEMS

Under PRC foreign exchange control regulations, current account item refers to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers. Since July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and the Macau Special Administrative Regions of China (“**Macau**”). On 17 June 2010, the PRC Government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算試點有關問題的通知) (the “**Renminbi Settlement Circular**”), pursuant to which (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts was expanded to cover 20 provinces and cities and (iii) the restriction on designated offshore districts was lifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle imports and exports of goods and services and other current account items between them. Renminbi remittance for exports of goods from the PRC may only be effected by approved pilot enterprises in designated pilot districts in the PRC. On 22 August 2011, the PRC Government further expanded Renminbi cross-border trade settlement nationwide and make Renminbi trade and other current account item settlement in all countries worldwide. On 3 February 2012, the PRC Government promulgated the Circular on the Relevant Issues Pertaining to Administration over Enterprises Engaging in RMB Settlement of Export of Goods (關於出口貨物貿易人民幣結算企業管理有關問題的通知), pursuant to which any enterprises in China which are qualified to engage in import and export trade are allowed to settle their goods export trade in Renminbi.

On 5 July 2013, the PBOC issued the Circular on the Simplification of Renminbi Cross-border Business Processes and the Improvement of Relevant Policies (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the “**2013 PBOC Circular**”), pursuant to which on the basis of three principles of “know your customer,” “know your business,” and “due diligence,” PRC banks can directly handle the cross-border settlement upon the PRC enterprises presenting the payment instruction (except for enterprises on the key regulatory list of regulating Renminbi cross-border settlement in export goods trade). PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank’s verification

of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross-border remittance).

The Renminbi Settlement Circular and the 2013 PBOC Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practises in applying the Renminbi Settlement Circular and the 2013 PBOC Circular and impose conditions for settlement of current account items. 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 use of Renminbi for payment of transactions categorised as current account items, then such settlement will need to be made subject to the specific requirements or restrictions set out in such regulations.

## **CAPITAL ACCOUNT ITEMS**

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency.

That said, the relevant PRC authorities may grant approval for a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investors outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may be required to complete a registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 3 June 2011, the PBOC promulgated the Circular on Clarifying Issues concerning Cross-border Renminbi Settlement (中國人民銀行關於明確跨境人民幣業務相關問題的通知) (the "**PBOC Circular**"). The PBOC Circular provides instructions to local PBOC authorities on procedures for the approval of settlement activities for non-financial Renminbi foreign direct investment into the PRC. The PBOC Circular applies to all non-financial Renminbi foreign direct investment into the PRC, and includes investment by way of establishing a new enterprise, acquiring an onshore enterprise, transferring the shares, increasing the registered capital of an existing enterprise, or providing loan facilities in Renminbi. The domestic settlement banks of foreign investors or foreign invested enterprises in the PRC are required to submit written applications to the PBOC which include, *inter alia*, requisite approval letters issued by the relevant MOFCOM authorities. The PBOC Circular only applies to cases where the receiving onshore enterprise is not a financial institution and the approval from PBOC has only been granted on a trial basis.

On 13 October 2011, PBOC promulgated the PBOC FDI Measures, to commence the PBOC's detailed RMB FDI administration system, which covers almost all aspects of RMB FDI,

including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as RMB denominated cross-border loans. Pursuant to the PBOC FDI Measures, PBOC special approval for RMB FDI and shareholder loans, which is required by an earlier circular of PBOC is no longer necessary and the required enterprise registration is implemented on a regular, rather than trial, basis.

On 3 December 2013, the MOFCOM promulgated the “Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment” (商務部關於跨境人民幣直接投資有關問題的公告) (the “**MOFCOM Circular**”), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify “Renminbi Foreign Direct Investment” and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

The PBOC Circular, the MOFCOM Circular and the PBOC FDI Measures 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.

## TAXATION

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

### HONG KONG

#### **Withholding tax**

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

#### **Stamp Duty**

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

### PRC

*The following summary describes the principal PRC tax consequences of ownership 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-PR C Bondholders in this section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.*

Pursuant to the EIT Law, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose “de facto management organisation” are within the territory of the PRC shall be PRC tax resident enterprises for the purpose of the EIT Law and they shall pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside the PRC. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the Issuer’s “de facto management organisation” is within the territory of the PRC, it may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside the PRC. As at the date of this Offering Circular, the Issuer confirms that it has not received notice or been informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there is no assurance that the Issuer will not be treated as a

PRC tax resident enterprise under the EIT Law in the future. Pursuant to the EIT Law, any non-resident enterprise without an establishment within the PRC or whose income has no actual connection to its establishment within the PRC, shall be required to pay an income tax at the rate of 10 per cent. on the income sourced inside the PRC. Such income tax shall be withheld by the PRC payer that is acting as the obligatory withholder and such PRC payer shall withhold the tax amount from each payment or payment due.

Although as confirmed by the Issuer, as of the date of this Offering Circular, the Issuer has not been notified informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, it will be required to withhold income tax from the payments of interest in respect of the Bonds for any non-PRC Bondholder. However, despite the potential withholding of the PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in the “Terms and Conditions of the Bonds”.

Non-PRC Bondholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Bonds consummated outside the PRC between non-PRC Bondholders, except however, if the Issuer is treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future, any gain realised by the non-PRC Bondholders from the transfer of the Bonds may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10 per cent. of PRC withholding tax. No PRC stamp duty will be imposed on non-PRC Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds. No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Bondholders is maintained outside the PRC) of a Bond.

If the Guarantor makes any payments in respect of interest on the Bonds under the Deed of Guarantee, the Guarantor will be obliged to withhold PRC enterprise income tax at the rate of up to 10 per cent. on such payments to non-PRC resident enterprise Bondholders as such payments will be regarded as being derived from sources within the PRC. The Guarantor will pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payments of interest, as further set out in the “Terms and Conditions of the Bonds”.

On 23 March 2016, the Ministry of Finance and the SAT issued Circular 36, which confirmed that business tax has been 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 Circular 36, the entities and individuals providing 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. 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. It is not clear from the interpretation of Circular 36, whether the provision of loans to the Issuer could be considered as services provided within the PRC, which in turn could be regarded as the provision of financial services that could be subject to VAT. Furthermore, there is no assurance that the Issuer will not be treated as PRC tax resident enterprise under the EIT Law. PRC tax authorities could take the view that the holders of the

Bonds are providing loans within the PRC because the Issuer is treated as PRC tax resident enterprise. In which case, the issuance of the Bonds could be regarded as the provision of financial services within the PRC and subject to VAT.

If the Issuer is treated as PRC tax resident enterprise and if PRC tax authorities take the view that the holders of the Bonds are providing loans within the PRC, or if the interest component of the amount payable by the Guarantor to the Bondholders under the Deed of Guarantee is viewed as interest income arising within the territory of the PRC, the holders of the Bonds shall be subject to VAT at the rate of 6 per cent. and certain surcharges (if any) when receiving the interest payments under the Bonds. Given that the Issuer or the Guarantor pays interest income to Bondholders who are located outside of the PRC, the Issuer or the Guarantor will be obliged to withhold VAT and local levies from the payment of interest income and pay additional amounts to Bondholders who are located outside of the PRC.

## SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Managers dated 21 November 2022 (the “**Subscription Agreement**”) pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to issue and the Managers have severally and not jointly agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the principal amount of the Bonds as set forth opposite their names in the following table.

<b>Managers</b>	<b>Principal amount of the Bonds to be subscribed</b>
	<i>(US\$)</i>
CCB International Capital Limited . . . . .	50,000,000
Hua Xia Bank Co., Limited Hong Kong Branch . . . . .	10,000,000
China Everbright Bank Co., Ltd., Hong Kong Branch . . . . .	10,000,000
CEB International Capital Corporation Limited . . . . .	10,000,000
Bank of Communications Co., Ltd. Hong Kong Branch . . . . .	10,000,000
CNCB (Hong Kong) Capital Limited . . . . .	10,000,000
Luso International Banking Limited . . . . .	10,000,000
Huatai Financial Holdings (Hong Kong) Limited . . . . .	10,000,000
Guolian Securities International Capital Co., Ltd. . . . .	10,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch . . . . .	10,000,000
Shenwan Hongyuan Securities (H.K.) Limited . . . . .	10,000,000
China Galaxy International Securities (Hong Kong) Co., Limited . . . . .	10,000,000
China International Capital Corporation Hong Kong Securities Limited . . . . .	10,000,000
Guotai Junan Securities (Hong Kong) Limited . . . . .	10,000,000
Zhongtai International Securities Limited . . . . .	10,000,000
Haitong International Securities Company Limited . . . . .	10,000,000
<b>Total</b> . . . . .	<b>200,000,000</b>

The Managers are offering the Bonds in accordance with the terms of the Subscription Agreement and subject to certain conditions contained in the Subscription Agreement, including, inter alia, the receipt by the Managers of documentation related to the issuance and sale of the Bonds and legal opinions. The Subscription Agreement may be terminated by the Managers in certain circumstances at any time prior to payment of the subscription monies of the Bonds to the Issuer. The Subscription Agreement provides that the Issuer and/or the Guarantor will indemnify the Managers and their affiliates against certain liabilities in connection with the offer and sale of the Bonds.

The Issuer and/or the Guarantor will pay the Managers’ customary fees and commissions in connection with the offering and will reimburse the Managers for certain fees and expenses incurred in connection with the offering.

The Managers propose initially to offer the Bonds at the Issue Price set forth on the cover page of this Offering Circular and for resale in transactions not requiring registration under the Securities Act pursuant to Regulation S.

If a jurisdiction requires that the issue of the Bonds be made by a licenced broker or dealer and the Managers or any affiliate of the Managers is a licenced broker or dealer in that jurisdiction, the issue of the Bonds shall be deemed to be made by such Manager or such affiliate on behalf of the Issuer and/or the Guarantor in such jurisdiction.

## **PRICE STABILISATION AND SHORT POSITIONS**

In connection with the issue of the Bonds, the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) 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(s) or any person acting on behalf of the Stabilisation Manager(s) shall act as principal and not as agent of the Issuer and/or the Guarantor. However, there is no assurance that the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) will undertake stabilisation action. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Managers.

Neither the Issuer, the Guarantor nor the Managers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Bonds. In addition, neither the Issuer, the Guarantor nor the Managers make any representation that any Manager or its agent will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

## **OTHER RELATIONSHIPS**

Each of the Managers or its affiliates may place orders, receive allocations and purchase the Bonds for its or its own account and enter into transactions, including, without limitation, credit derivatives, including asset swaps, repackaging and credit default swaps relating to the Bonds or the securities of the Guarantor and its subsidiaries or associates and the other members of the Group at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would 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 purchaser of the Bonds). Each Manager and/or its affiliate(s) may purchase Bonds and be allocated Bonds for asset management and/or proprietary purposes, acting as investor for their own accounts and not with a view to distribution, and may in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer, the Guarantor or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the Bonds being “offered” should be read as including any offering of the Bonds to the Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained. The Issuer, the Guarantor 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 make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Bonds and could adversely affect the trading prices 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/or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

The Managers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Guarantor or its subsidiaries, jointly controlled entities or associates or other members of the Group from time to time. They have received, and may in the future receive, customary fees and commissions for these transactions. In addition to the transactions noted above, the Managers and their affiliates may, from time to time, engage in other transactions with, and perform services for, the Guarantor or its subsidiaries, jointly controlled entities or associates or other members of the Group in the ordinary course of their business. In addition, the Managers and certain of their respective subsidiaries and affiliates may hold shares or other securities in the Issuer and/or the Guarantor as beneficial owners, on behalf of clients or in the capacity of investment advisors.

## **SELLING RESTRICTIONS TO THE OFFERING**

### **General**

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

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

## **United States**

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

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 Bonds within the United States by any a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

## **United Kingdom**

Each Manager has represented, warranted and agreed that:

- (a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer or the Guarantor;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

## **The PRC**

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

## Hong Kong

Each Manager has represented, warranted and agreed that:

- (a) 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
- (b) 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 registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause 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 (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:
  - (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
  - (ii) where no consideration is or will be given for the transfer;
  - (iii) where the transfer is by operation of law;
  - (iv) as specified in Section 276(7) of the SFA; or
  - (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

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

**Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks)**

This notice to CMIs (including private banks) is a summary of certain obligations the Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the offering and are subject to additional requirements under the Code.

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

CMIs are informed that the marketing and investor targeting strategy for the offering includes Professional Investors such as banks, securities firms, asset management companies, mutual funds, hedge funds, sovereign wealth funds, pension funds, insurance companies, family offices, high net worth individuals, private banks and other institutional investors, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

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

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

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

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

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

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

consents have been obtained). In such event, other CMI's (including private banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested.

To ..... project\_connection2022@ccbintl.com

Offering ..... U.S.\$200,000,000 6.75 per cent. Guaranteed Green Bonds due 2023

Date ..... 21 November 2022

Name of CMI submitting order ...

Name of prospective investor .....

Type of unique identification of prospective investor ..... *For individual investor clients, indicate one of the following:*

- (i) HKID card; or*
- (ii) national identification document; or*
- (iii) passport.*

*For corporate investor clients, indicate one of the following:*

- (i) legal entity identifier (LEI) registration; or*
- (ii) company incorporation identifier; or*
- (iii) business registration identifier; or*
- (iv) other equivalent identity document identifier.*

Unique identification number of prospective investor ..... *Indicate the unique identification number which corresponds with the above "type" of unique identification*

Order size (and any price limits) . .

Other information:

- Associations . . . . . *Identify any “Associations“ (as used in the Code) and, if any Associations identified, provide sufficient information to enable the OCs to assess whether such order may negatively impact the price discovery process.*
  
- Proprietary Orders . . . . . *Identify if this order is a “Proprietary Order“ (as used in the Code) and, if so, provide sufficient information to enable the OCs to assess whether such order may negatively impact the price discovery process.*
  
- Duplicated Orders (i.e. two or more corresponding or identical orders placed via two or more CMIs) . . . . . *If the prospective investor has placed an/any order(s) via other CMIs in this offering, identify if this order is (i) a separate/unique order or (ii) a duplicated order.*
  
- Contact Information of CMI submitting the order . . . . . *Provide 24-hour contact details (telephone and email) of relevant individual(s) who may be contacted in relation to this order.*

## SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

*The analysis below is not meant to be an exhaustive description of all significant differences between PRC GAAP and IFRS. In making an investment decision, investors must rely upon their own examination of the Issuer, the Company, the Group, the terms of the offering and the financial information included herein. Potential investors should consult their own professional advisors for an understanding of any differences that may exist between PRC GAAP and IFRS, and how those differences might affect the financial information included herein.*

The consolidated financial statements of the Company 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 China'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 Company. The differences identified below are limited to those significant differences that are appropriate to the Company's consolidated financial statements. The Company is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the summary. The Company has not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and has not quantified such differences. Had any such quantification or reconciliation been undertaken by the Company, other potentially significant accounting and disclosure differences that are not identified below may have been required. 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 projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, Investors must rely upon your own examination of the Company, the terms of the offering and other disclosure contained herein. Investors should consult their own professional advisors for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

### **(1) Classification of difference between fair value and carrying amount of land on transfer**

Under PRC GAAP, the difference between fair value and carrying amount of land on a transfer date is recognised under capital surplus. However, under IFRS, the difference between fair value and carrying amount of land on a transfer date is recognised under retained earnings.

### **(2) Classification of land value added tax**

Under PRC GAAP, land value added tax is recognised under business taxes and surcharges in the income statement. However, under IFRS, land value added tax is recognised under income tax expenses in the income statement.

## GENERAL INFORMATION

- 1. Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code of 252554823 and the ISIN Code for the Bonds is XS2525548231.
- 2. Authorisations:** The Issuer and the Company have obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds and the provision of the Guarantee of the Bonds (as the case may be). The issue of the Bonds was authorised by resolutions of the directors of the Issuer passed on 5 August 2022. The Guarantee of the Bonds was authorised by resolutions of the Board of Directors of the Company passed on 9 May 2022.
- 3. No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Company and the Group since 31 December 2021 and of the Issuer since its date of incorporation.
- 4. Litigation:** None of the Issuer, the Company or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Company, as the case may be, believes are material in the context of the Bonds, nor is either of the Issuer or the Company aware that any such proceedings are pending or threatened.
- 5. Available Documents:** Copies of the Company's audited consolidated financial statements for the years ended 31 December 2020 and 2021, opinions from legal advisers, the Trust Deed, the Agency Agreement and the Deed of Guarantee will be available for inspection from the Issue Date at the specified office of the Principal Paying Agent upon proof of holding and with prior appointment, during normal business hours, so long as any of the Bonds is outstanding.
- 6. Financial Statements:** The Company's 2020 Consolidated Financial Statements and 2021 Consolidated Financial Statements, which are included elsewhere in this Offering Circular, have been audited by Pan-China Certified Public Accountants LLP, respectively, as stated in its audit reports or review report appearing herein.
- 7. Listing of Bonds:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. Such permission is expected to become effective on or about 29 November 2022.

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Jinan Rail Transit Group Co., Ltd.  
Auditor' s Report for the year 2021

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## Auditor's Report

PCCPAAR SHANDONG [2022] No. 464

To the Shareholders of Jinan Rail Transit Group Co., Ltd.:

### I. Audit Opinion

We have audited the accompanying financial statements of Jinan Rail Transit Group Co., Ltd. (the "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2021, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

### II. Basis for Audit Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Certified Public Accountant's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### III. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Company's management (the "Management") is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are

free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **IV. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit performed in accordance with China Standards on Auditing. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(IV) Conclude on the appropriateness of the Management's use of the going concern

basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(V) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain sufficient 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 sole responsibility for our audit opinion.

We communicate with those charged with governance regarding the planned audit scope, time schedule and significant audit findings, including any deficiencies in internal control of concern that we identify during our audit.

Pan-China Certified Public Accountants LLP



Chinese Certified Public Accountant  
(Engagement Partner)



Chinese Certified Public Accountant



Date of Report: March 7, 2022

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

# Consolidated Balance Sheet

31-Dec-21

Table 01

Unit: RMB

Prepared by: Jinan Rail Transit Group Co., Ltd.

Assets	Note No.	Closing balance	Closing balance of last year	Liabilities & Equity	Note No.	Closing balance	Closing balance of last year
<b>Current Assets:</b>				<b>Current liabilities:</b>			
Cash and bank balances	1	9,787,848,362.42	7,109,251,879.26	Short-term borrowings	24	1,088,160,330.14	747,039,236.09
Settlement funds				Central bank loans			
Loans to other banks				Loans from other banks			
Held-for-trading financial assets				Held-for-trading financial liabilities			
Financial assets at fair value through profit or loss				Financial liabilities at fair value through profit or loss			
Derivative financial assets				Derivative financial liabilities			
Notes receivable	2	140,383,837.34	27,526,521.00	Notes payable	25	2,670,368,560.49	378,375,637.36
Accounts receivable	3	1,522,555,717.57	1,049,787,424.68	Accounts payable	26	4,858,449,643.12	1,687,104,423.59
Receivables financing	4	123,982,267.03		Advances received	27	21,744,267.96	44,175,342.55
Advances paid	5	1,544,340,845.50	2,667,624,534.35	Contract liabilities	28	191,912,058.29	
Premiums receivable				Financial liabilities under repo			
Reinsurance accounts receivable				Absorbing deposit and interbank deposit			
Reinsurance reserve receivable				Deposit for agency security transaction			
Other receivables	6	6,350,465,698.14	5,050,394,721.32	Deposit for agency security underwriting			
Financial assets under reverse repo				Employee benefits payable	29	297,969,941.80	108,969,094.23
Inventories	7	4,263,406,325.88	1,039,755,666.71	Taxes and surcharges payable	30	47,745,305.96	24,064,949.87
Contract assets				Other payables	31	502,280,466.08	1,071,649,406.34
Assets held for sale				Handling fee and commission payable			
Non-current assets due within one year				Reinsurance accounts payable			
Other current assets	8	3,651,156,938.95	1,946,160,519.86	Liabilities held for sale			
<b>Total current assets</b>		<b>27,384,139,992.83</b>	<b>18,890,501,267.18</b>	Non-current liabilities due within one year	32	4,840,893,290.44	2,555,088,572.15
				Other current liabilities	33	4,435,027,041.65	4,080,521,944.44
				<b>Total current liabilities</b>		<b>18,954,550,905.93</b>	<b>10,696,988,606.62</b>
				<b>Non-current liabilities:</b>			
				Insurance contract reserve			
				Long-term borrowings	34	54,646,090,000.00	37,196,300,000.00
				Bonds payable	35	18,665,570,154.63	11,753,976,790.60
				Including: Preferred shares			
				Perpetual bonds			
				Lease liabilities	36	528,767,315.18	
<b>Non-current assets:</b>				Long-term payables	37	20,389,968,438.67	20,727,400,000.00
Loans and advances paid				Long-term employee benefits payable			
Debt investments				Estimated liabilities			
Available-for-sale financial assets	9		623,470,000.00	Deferred income	38	27,281,382.78	10,456,126.38
Other debt investments				Deferred tax liabilities	22	2,492,399.20	2,921,043.12
Held-to-maturity investments				Other non-current liabilities			
Long-term receivable				<b>Total non-current liabilities</b>		<b>94,260,169,690.46</b>	<b>69,691,053,960.10</b>
Long-term equity investments	10	892,234,648.75	349,997,893.74	<b>Total liabilities</b>		<b>113,214,720,596.39</b>	<b>80,388,042,566.72</b>
Other equity instrument investments	11	625,986,390.00		<b>Equity:</b>			
Other non-current financial assets	12	26,000,000.00		Share capital/Paid-in capital	39	15,000,000,000.00	15,000,000,000.00
Investment property	13	102,733,611.03		Other equity instruments	40	13,360,000,000.00	6,900,000,000.00
Fixed assets	14	539,758,364.99	242,651,591.88	Including: Preferred shares			
Construction in progress	15	90,477,673,261.61	62,953,828,697.02	Perpetual bonds		8,900,000,000.00	6,900,000,000.00
Productive biological assets	16	330,000.00		Capital reserve	41	5,648,281,035.66	2,708,408,082.33
Oil & gas assets				Less: Treasury shares			
Right-of-use assets	17	1,118,158,445.85		Other comprehensive income			
Intangible assets	18	155,133,655.56	131,351,664.99	Special reserve	42	4,193,187.09	
Development expenditures	19	2,604,162.38		Surplus reserve	43	6,981,095.23	6,981,095.23
Goodwill	20	77,899,826.12	75,308,738.93	General risk reserve			
Long-term prepayments	21	8,533,817.92	3,207,515.38	Undistributed profit	44	87,919,633.60	50,035,044.79
Deferred tax assets	22	14,796,190.38	10,966,516.59	Total equity attributable to the parent company		34,107,374,951.58	24,665,424,222.35
Other non-current assets	23	31,351,438,444.79	25,135,779,991.25	Non-controlling interest		5,455,325,264.24	3,363,597,087.89
<b>Total non-current assets</b>		<b>125,393,280,819.38</b>	<b>89,526,562,609.78</b>	<b>Total equity</b>		<b>39,562,700,215.82</b>	<b>28,029,021,310.24</b>
<b>Total asset</b>		<b>152,777,420,812.21</b>	<b>108,417,063,876.96</b>	<b>Total liabilities &amp; equity</b>		<b>152,777,420,812.21</b>	<b>108,417,063,876.96</b>

Legal representative:

Officer in charge of accounting:

Head of accounting department:

# Parent Company Balance Sheet

31-Dec-21

Table 01

Prepared by: Jinan Rail Transit Group Co., Ltd.

Unit: RMB

Assets	Note No.	Closing balance	Closing balance of last year	Liabilities and Equity	Note No.	Closing balance	Closing balance of last year
<b>Current Assets:</b>				<b>Current liabilities:</b>			
Cash and bank balances		2,608,000,351.50	1,550,801,638.36	Short-term borrowings		300,358,875.00	100,000,000.00
Held-for-trading financial assets				Held-for-trading financial liabilities			
Derivative financial assets				Derivative financial liabilities			
Notes receivable				Notes payable			
Accounts receivable				Accounts payable		8,947.60	
Receivables financing				Advances received			
Advances paid				Contract liabilities			
Other receivables		59,494,353,855.20	42,494,565,511.53	Employees benefits payable			
Inventories				Taxes and surcharges payable		10,850.71	5,200.00
Contract assets				Other payables		3,062,950.00	808,148,381.54
Assets held for sale				Liabilities held for sale			
Non-current assets due within one year				Non-current liabilities due within one year		2,910,982,857.03	1,108,100,000.00
Other current assets				Other current liabilities		3,520,784,445.78	3,498,031,944.44
<b>Total current assets</b>		62,102,354,206.70	44,045,367,149.89	<b>Total current liabilities</b>		6,735,208,926.12	5,514,285,525.98
				<b>Non-current liabilities:</b>			
<b>Non-current assets:</b>				Long-term borrowings		5,176,150,000.00	2,262,900,000.00
Debt investments				Bonds payable		18,665,570,154.63	11,753,976,790.60
Available-for-sale financial assets			300,000.00	Including: Preferred shares			
Other debt investments				Perpetual bonds			
Long-term receivable				Lease liabilities			
Long-term equity investments	1	20,984,681,056.59	16,467,681,056.59	Long-term payables		18,271,225,753.43	16,395,740,000.00
Other equity instrument investments		1,000,000.00		Long-term employee benefits payable			
Other non-current financial assets		26,000,000.00		Estimated liabilities			
Investment property				Deferred Income		14,243,256.37	10,040,519.77
Fixed assets		164,634.51	32,437.12	Deferred tax liabilities			
Construction in progress				Other non-current liabilities			
Productive biological assets				<b>Total non-current liabilities</b>		42,127,189,164.43	30,422,657,310.37
Oil & gas assets				<b>Total liabilities</b>		48,862,398,090.55	35,936,942,836.35
Right-of-use assets				<b>Equity:</b>			
Intangible assets				Share capital/Paid-in capital		15,000,000,000.00	15,000,000,000.00
Development expenditures				Other equity instruments		13,360,000,000.00	6,900,000,000.00
Goodwill				Including: Preferred shares			
Long-term prepayments				Perpetual bonds		8,900,000,000.00	6,900,000,000.00
Deferred tax assets				Capital reserve		5,839,707,255.00	2,619,707,255.00
Other non-current assets				Less: treasury shares			
<b>Total non-current assets</b>		21,011,845,691.10	16,468,013,493.71	Other comprehensive income			
				Special reserve			
<b>Total assets</b>		83,114,199,897.80	60,513,380,643.60	Surplus reserve		6,981,095.23	6,981,095.23
				Undistributed profit		45,113,457.02	49,749,457.02
				<b>Total equity</b>		34,251,801,807.25	24,576,437,807.25
				<b>Total liabilities &amp; equity</b>		83,114,199,897.80	60,513,380,643.60

Legal representative:

Officer in charge of accounting:

Head of accounting department:

# Consolidated Income Statement

2021

Table 02  
Unit: RMB

Prepared by: Jinan Rail Transit Group Co., Ltd.

Items	Note No.	Current period cumulative	Preceding period comparative
<b>I. Total operating revenue</b>		2,539,949,411.77	1,604,831,408.96
Including: Operating revenue	1	2,539,949,411.77	1,604,831,408.96
Interest income			
Premium earned			
Revenue from handling charges and commission			
<b>II. Total operating cost</b>		2,477,644,653.77	1,483,219,232.13
Including: Operating cost	1	1,952,789,375.06	1,269,979,204.94
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Expenditures dividend policy			
Reinsurance expenses			
Taxes and surcharges	2	23,377,348.84	15,750,830.46
Selling expenses	3	53,696,449.06	57,652,066.06
Administrative expenses	4	203,005,176.49	112,796,896.63
R&D expenses	5	139,928,157.67	24,825,999.06
Financial expenses	6	104,848,146.65	2,214,234.98
Including: Interest expenses		123,379,047.78	3,404,631.22
Interest income		24,845,852.84	2,211,001.28
Add: Other income	7	11,963,114.06	2,817,642.55
Investment income (or less: losses)	8	50,054,608.59	3,481,134.89
Including: Investment income from associates and joint ventures		50,054,608.59	3,481,134.89
Gains from derecognition of financial assets at amortized cost			
Gains on foreign exchange (or less: losses)			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)			
Credit impairment loss (or less: losses)	9	-25,542,068.04	
Assets impairment loss (or less: losses)	10		-13,236,167.99
Gains on asset disposal (or less: losses)	11	32,774,406.82	-111,352.76
<b>III. Operating profit (or less: losses)</b>		131,554,819.43	114,563,433.52
Add: Non-operating revenue	12	1,120,124.53	6,709,522.09
Less: Non-operating expenditures	13	2,003,249.40	357,102.94
<b>IV. Profit before tax (or less: total loss)</b>		130,671,694.56	120,915,852.67
Less: Income tax	14	19,584,221.86	34,915,409.39
<b>V. Net profit (or less: net loss)</b>		111,087,472.70	86,000,443.28
(I) Categorized by the continuity of operations			
1. Net profit from continuing operations (or less: net loss)		111,087,472.70	86,000,443.28
2. Net profit from discontinued operations (or less: net loss)			
(II) Categorized by the portion of equity ownership			
1. Net profit attributable to owners of parent company (or less: net loss)		78,063,922.14	51,511,610.84
2. Net profit attributable to non-controlling shareholders (or less: net loss)		33,023,550.56	34,488,832.44
<b>VI. Other comprehensive income after tax</b>			
Items attributable to the owners of the parent company			
(I) Not to be reclassified subsequently to profit or loss			
1. Changes in remeasurement on the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss			
1. Items under equity method that may be reclassified to profit or loss			
2. Changes in fair value of other debt investments			
3. Profit or loss from changes in fair value of available-for-sale financial assets			
4. Profit or loss from reclassification of financial assets into other comprehensive income			
5. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Provision for credit impairment of other debt investments			
7. Cash flow hedging reserve			
8. Balance arising from the translation of foreign currency financial statements			
9. Others			
Items attributable to non-controlling shareholders			
<b>VII. Total comprehensive income</b>		111,087,472.70	86,000,443.28
Items attributable to the owners of the parent company		78,063,922.14	51,511,610.84
Items attributable to non-controlling shareholders		33,023,550.56	34,488,832.44
<b>VIII. Earnings per share (EPS):</b>			
(I) Basic EPS (yuan per share)			
(II) Diluted EPS (yuan per share)			

Legal representative:

Officer in charge of accounting:

Head of accounting department:

# Parent Company Income Statement

2021

Table 02

Unit: RMB

Prepared by: Jinan Rail Transit Group Co., Ltd.

Items	Note No.	Current period cumulative	Preceding period comparative
<b>I. Operating revenue</b>			
Less: Operation cost			
Taxes and surcharges			
Selling expenses			
Administrative expenses			
R&D expenses			
Financial expenses			
Including: Interest expenses			
Interest income			
Add: Other income			
Investment income (or less: losses)			
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets at amortized cost			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)			
Credit impairment loss (or less: losses)			
Assets impairment loss (or less: losses)			
Gains on asset disposal (or less: losses)			
<b>II. Operating profit (or less: losses)</b>			
Add: Non-operating revenue			
Less: Non-operating expenditures			
<b>III. Profit before tax (or less: total loss)</b>			
Less: Income tax			
<b>IV. Net profit (or less: net loss)</b>			
(I) Net profit from continuing operations (or less: net loss)			
(II) Net profit from discontinued operations (or less: net loss)			
<b>V. Other comprehensive income after tax</b>			
(I) Not to be reclassified subsequently to profit or loss			
1. Changes in remeasurement on the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss			
1. Items under equity method that may be reclassified to profit or loss			
2. Changes in fair value of other debt investments			
3. Profit or loss from reclassification of financial assets into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Balance arising from the translation of foreign currency financial statements			
7. Others			
<b>VI. Total comprehensive income</b>			
<b>VII. Earnings per share (EPS):</b>			
(I) Basic EPS (yuan per share)			
(II) Diluted EPS (yuan per share)			

Legal representative:

Officer in charge of accounting:

Head of accounting department:

# Consolidated Cash Flow Statement

2021

Table 03  
Unit: RMB

Prepared by: Jinan Rail Transit Group Co., Ltd.

Items	Note No.	Current period cumulative	Preceding period comparative
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sale of goods or rendering of services		2,458,480,801.33	1,288,948,046.13
Net increase of client deposit and interbank deposit			
Net increase of central bank loans			
Net increase of loans from other financial institutions			
Cash receipts from original insurance contract premium			
Net cash receipts from reinsurance			
Net increase of policy-holder deposit and investment			
Cash receipts from interest, handling charges and commission			
Net increase of loans from others			
Net increase of repurchase			
Net cash receipts from agency security transaction			
Receipts of tax refund		26,351,207.93	1,691,681,359.04
Other cash receipts related to operating activities		728,995,564.04	524,796,147.66
<b>Subtotal of cash inflows from operating activities</b>		<b>3,213,827,573.30</b>	<b>3,505,425,552.83</b>
Cash payments for goods purchased and services received		4,552,259,335.81	1,699,752,164.19
Net increase of loans and advances to clients			
Net increase of central bank deposit and interbank deposit			
Cash payments for insurance indemnities of original insurance contracts			
Net increase of loans to others			
Cash payments for interest, handling charges and commission			
Cash payments for policy bonus			
Cash paid to and on behalf of employees		344,036,452.44	140,786,160.02
Taxes and surcharges cash payments		100,046,519.74	71,391,523.15
Other cash payments related to operating activities		1,543,429,379.98	442,888,173.79
<b>Subtotal of cash outflows from operating activities</b>		<b>6,539,771,687.97</b>	<b>2,354,818,021.15</b>
<b>Net cash flows from operating activities</b>		<b>-3,325,944,114.67</b>	<b>1,150,607,531.68</b>
<b>II. Cash flows from investing activities:</b>			
Cash receipts from withdrawal of investments			
Cash receipts from investment income		6,028,462.62	3,493,312.50
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		32,965,649.89	209,903.03
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities		100,059,034.70	405,253,905.81
<b>Subtotal of cash inflows from investing activities</b>		<b>139,053,147.21</b>	<b>408,957,121.34</b>
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		26,349,315,872.35	33,291,919,345.94
Cash payments for investments		267,585,342.07	752,862,573.00
Net increase of pledged borrowings			
Net cash payments for the acquisition of subsidiaries & other business units		109,335,676.41	126,309,116.30
Other cash payments related to investing activities		30,000,000.00	1,100,000,000.00
<b>Subtotal of cash outflows from investing activities</b>		<b>26,756,236,890.83</b>	<b>35,271,091,035.24</b>
<b>Net cash flows from investing activities</b>		<b>-26,617,183,743.62</b>	<b>-34,862,133,913.90</b>
<b>III. Cash flows from financing activities:</b>			
Cash receipts from absorbing investments		10,891,650,000.00	7,668,301,400.00
Including: Cash received by subsidiaries from non-controlling shareholders as investments		2,171,650,000.00	19,301,400.00
Cash receipts from borrowings		59,650,840,538.81	28,468,414,236.09
Other cash receipts related to financing activities		5,265,392,247.47	16,332,025,600.00
<b>Subtotal of cash inflows from financing activities</b>		<b>75,807,882,786.28</b>	<b>52,468,741,236.09</b>
Cash payments for the repayment of borrowings		34,499,026,948.29	14,598,960,817.10
Cash payments for distribution of dividends or profits and for interest expenses		4,223,080,986.84	3,008,595,293.96
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit			
Other cash payments related to financing activities		5,466,681,194.58	2,981,738,073.26
<b>Subtotal of cash outflows from financing activities</b>		<b>44,188,789,129.71</b>	<b>20,589,294,184.32</b>
<b>Net cash flows from financing activities</b>		<b>31,619,093,656.57</b>	<b>31,879,447,051.77</b>
<b>IV. Effect of foreign exchange rate changes on cash &amp; cash equivalents</b>		<b>1,591,928.86</b>	
<b>V. Net increase in cash and cash equivalents</b>		<b>1,677,557,727.14</b>	<b>-1,832,079,330.45</b>
Add: Opening balance of cash and cash equivalents		6,909,480,995.44	8,741,560,325.89
<b>VI. Closing balance of cash and cash equivalents</b>		<b>8,587,038,722.58</b>	<b>6,909,480,995.44</b>

Legal representative:

Officer in charge of accounting:

Head of accounting department:

# Parent Company Cash Flow Statement

2021

Table 03

Prepared by: Jinan Rail Transit Group Co., Ltd.

Unit: RMB

Item	Note No.	Current period cumulative	Preceding period comparative
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sale of goods and rendering of services			
Receipts of tax refund			5,618.33
Other cash receipts related to operating activities		8,254,740.00	6,423,187.80
<b>Subtotal of cash inflows from operating activities</b>		<b>8,254,740.00</b>	<b>6,428,806.13</b>
Cash payments for goods purchased and services received			
Cash paid to and on behalf of employees			
Taxes and surcharges cash payments			
Other cash payments related to operating activities		4,126,326.34	886,704,853.71
<b>Subtotal of cash outflows from operating activities</b>		<b>4,126,326.34</b>	<b>886,704,853.71</b>
<b>Net cash flows from operating activities</b>		<b>4,128,413.66</b>	<b>-880,276,047.58</b>
<b>II. Cash flows from investing activities:</b>			
Cash receipts from withdrawal of investments			
Cash receipts from investment income			
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets			
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities		50,000,000.00	
<b>Subtotal of cash inflows from investing activities</b>		<b>50,000,000.00</b>	
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		163,739.40	
Cash payments for investments		1,543,700,000.00	4,010,000,000.00
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments relating to investing activities		16,926,104,332.99	22,061,601,718.97
<b>Subtotal of cash outflows from investing activities</b>		<b>18,469,968,072.39</b>	<b>26,071,601,718.97</b>
<b>Net cash flows from investing activities</b>		<b>-18,419,968,072.39</b>	<b>-26,071,601,718.97</b>
<b>III. Cash flows from financing activities:</b>			
Cash receipts from absorbing investments		8,720,000,000.00	7,649,000,000.00
Cash received from borrowings		22,643,125,000.00	12,869,375,000.00
Other cash receipts related to financing activities		6,330,000,000.00	12,330,000,000.00
<b>Subtotal of cash inflows from financing activities</b>		<b>37,693,125,000.00</b>	<b>32,848,375,000.00</b>
Cash payments for the repayment of borrowings		12,928,650,000.00	5,319,000,000.00
Cash payments for distribution of dividends or profits and for interest expenses		1,685,588,541.39	856,431,873.08
Other cash payments related to financing activities		3,605,960,000.00	1,570,607,154.99
<b>Subtotal of cash outflows from financing activities</b>		<b>18,220,198,541.39</b>	<b>7,746,039,028.07</b>
<b>Net cash flows from financing activities</b>		<b>19,472,926,458.61</b>	<b>25,102,335,971.93</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>		<b>1,057,086,799.88</b>	<b>-1,849,541,794.62</b>
Add: Opening balance of cash and cash equivalents		1,540,801,638.36	3,390,343,432.98
<b>VI. Closing balance of cash and cash equivalents</b>		<b>2,597,888,438.24</b>	<b>1,540,801,638.36</b>

Legal representative:

Officer in charge of accounting:

Head of accounting department:

# Consolidated Statement of Changes in Equity

2021

Table 04  
Unit: RMB

Items	Current period cumulative												
	Equity attributable to parent company										Non-controlling interest	Total equity	
	Share capital/ Paid-in capital	Preference shares	Other equity instruments		Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve			Undistributed profit
		Perpetual	Bonds	Others									
<b>I. Balance at the end of prior year</b>	15,000,000,000.00		6,900,000,000.00			2,708,408,082.33				6,981,095.23	50,035,044.79	3,363,597,087.89	28,029,021,310.24
Add: Cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
<b>II. Balance at the beginning of current year</b>	15,000,000,000.00		6,900,000,000.00			2,708,408,082.33				6,981,095.23	50,035,044.79	3,363,597,087.89	28,029,021,310.24
<b>III. Current period increase (or less decrease)</b>			2,000,000,000.00	4,460,000,000.00		2,939,872,953.33			4,193,187.09		37,884,588.81	2,091,728,176.35	11,533,678,905.58
(I) Total comprehensive income			2,000,000,000.00	4,460,000,000.00		2,939,872,953.33					78,063,922.14	33,023,530.56	111,087,472.70
(II) Capital contributed or withdrawn by owners			2,000,000,000.00	4,460,000,000.00		2,939,872,953.33						2,069,237,396.79	11,469,110,350.12
1. Ordinary shares contributed by owners			2,000,000,000.00	4,460,000,000.00		2,939,872,953.33						2,069,237,396.79	5,009,110,350.12
2. Capital contributed by holders of other equity instruments													6,460,000,000.00
3. Amount of share-based payment included in equity													
4. Others													
(III) Profit distribution											-40,179,333.33	-10,850,999.75	-51,030,333.08
1. Appropriation of surplus reserve													
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-40,179,333.33	-10,850,999.75	-51,030,333.08
4. Others													
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Changes in defined benefit plan carried over to retained earnings													
5. Other comprehensive income carried over to retained earnings													
6. Others													
(V) Special reserve									4,193,187.09				4,511,415.84
1. Appropriation of current period									6,324,453.65				6,642,682.40
2. Application of current period									-2,131,266.56				-2,131,266.56
(VI) Others													
<b>IV. Balance at the end of current period</b>	15,000,000,000.00		8,900,000,000.00	4,460,000,000.00		5,648,281,035.66			4,193,187.09	6,981,095.23	87,919,633.60	5,455,325,264.24	39,562,700,215.82

Head of accounting department:

Officer in charge of accounting:

Legal representative:

# Consolidated Statement of Changes in Equity

2021

Table 04  
Unit: RMB

Items	Preceding period comparative												
	Equity attributable to parent company												
	Share capital/ Paid-in capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Non-controlling equity	Total equity
	Preference shares	Perpetual	Bonds	Others									
<b>I. Balance at the end of prior year</b>	9,500,000,000.00		1,400,000,000.00			5,047,497,102.33			6,981,095.23		40,448,000.61	3,088,484,154.24	19,083,410,352.41
Add: Cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
<b>II. Balance at the beginning of current year</b>	9,500,000,000.00		1,400,000,000.00			5,047,497,102.33			6,981,095.23		40,448,000.61	3,088,484,154.24	19,083,410,352.41
<b>III. Current period increase (or less, decrease)</b>	5,500,000,000.00		5,500,000,000.00			-2,339,089,020.00					9,587,044.18	275,112,933.65	8,945,610,957.83
(I) Total comprehensive income											51,511,610.84	34,488,832.44	86,000,443.28
(II) Capital contributed or withdrawn by owners						3,160,910,980.00						240,624,101.21	8,901,535,081.21
1. Ordinary shares contributed by owners						3,160,910,980.00						240,624,101.21	3,401,535,081.21
2. Capital contributed by holders of other equity instruments			5,500,000,000.00										5,500,000,000.00
3. Amount of share-based payment included in equity													
4. Others													
(III) Profit distribution											-41,924,566.66		-41,924,566.66
1. Appropriation of surplus reserve													
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-41,924,566.66		-41,924,566.66
4. Others													
(IV) Internal carry-over within equity	5,500,000,000.00					-5,500,000,000.00							
1. Transfer of capital reserve to capital	5,500,000,000.00					-5,500,000,000.00							
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Changes in defined benefit plan carried over to retained earnings													
5. Other comprehensive income carried over to retained earnings													
6. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others													
<b>IV. Balance at the end of current period</b>	15,000,000,000.00		6,900,000,000.00			2,708,408,082.33			6,981,095.23		50,035,044.79	3,363,597,087.89	28,029,021,310.24

Head of accounting department

Officer in charge of accounting:

# Parent Company Statement of Changes in Equity

2021

Table 04  
Unit: RMB

Prepared by: Jinan Rail Transit Group Co., Ltd.

Items	Current period cumulative										Total equity
	Share capital/ Paid-in capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	
		Preference shares	Perpetual Bonds	Others							
<b>I. Balance at the end of prior year</b>	15,000,000,000.00		6,900,000,000.00		2,619,707,255.00			6,981,095.23	49,749,457.02	24,576,437,807.25	
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
<b>II. Balance at the beginning of current year</b>	15,000,000,000.00		6,900,000,000.00		2,619,707,255.00			6,981,095.23	49,749,457.02	24,576,437,807.25	
<b>III. Current period increase (or less: decrease)</b>			2,000,000,000.00	4,460,000,000.00	3,220,000,000.00				-4,636,000.00	9,675,364,000.00	
(I) Total comprehensive income											
(II) Capital contributed or withdrawn by owners			2,000,000,000.00	4,460,000,000.00	3,220,000,000.00					9,680,000,000.00	
1. Ordinary shares contributed by owners					3,220,000,000.00					3,220,000,000.00	
2. Capital contributed by holders of other equity instruments			2,000,000,000.00							2,000,000,000.00	
3. Amount of share-based payment included in equity											
4. Others				4,460,000,000.00					-4,636,000.00	4,460,000,000.00	
(III) Profit distribution											
1. Appropriation of surplus reserve											
2. Appropriation of profit to owners									-4,636,000.00	-4,636,000.00	
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
<b>IV. Balance at the end of current period</b>	15,000,000,000.00		8,900,000,000.00	4,460,000,000.00	5,839,707,255.00			6,981,095.23	45,113,457.02	34,251,801,807.25	

Officer in charge of accounting:

Head of accounting department:

# Parent Company Statement of Changes in Equity

2021

Table 04  
Unit: RMB

Items	Preceding period comparative										Total equity
	Share capital/ Paid-in capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	
		Preference shares	Perpetual Bonds	Others							
<b>I. Balance at the end of prior year</b>	9,500,000,000.00		1,400,000,000.00		4,959,707,255.00				6,981,095.23	56,123,357.02	15,922,811,707.25
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
<b>II. Balance at the beginning of current year</b>	9,500,000,000.00		1,400,000,000.00		4,959,707,255.00				6,981,095.23	56,123,357.02	15,922,811,707.25
<b>III. Current period increase (or less: decrease)</b>	5,500,000,000.00		5,500,000,000.00		-2,340,000,000.00					-6,373,900.00	8,653,626,100.00
(I) Total comprehensive income											
(II) Capital contributed or withdrawn by owners			5,500,000,000.00		3,160,000,000.00						8,660,000,000.00
1. Ordinary shares contributed by owners			5,500,000,000.00		3,160,000,000.00						3,160,000,000.00
2. Capital contributed by holders of other equity instruments			5,500,000,000.00								5,500,000,000.00
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve										-6,373,900.00	-6,373,900.00
2. Appropriation of profit to owners										-6,373,900.00	-6,373,900.00
3. Others											
(IV) Internal carry-over within equity	5,500,000,000.00				-5,500,000,000.00						
1. Transfer of capital reserve to capital	5,500,000,000.00				-5,500,000,000.00						
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
<b>IV. Balance at the end of current period</b>	15,000,000,000.00		6,900,000,000.00		2,619,707,255.00				6,981,095.23	49,749,457.02	24,576,437,807.25

Legal representative: \_\_\_\_\_ Officer in charge of accounting: \_\_\_\_\_

Head of accounting department: \_\_\_\_\_

## **Jinan Rail Transit Group Co., Ltd.**

### **Notes to Financial Statements**

For the year ended December 31, 2021

Monetary unit: RMB Yuan

#### **I. Company profile**

Jinan Rail Transit Group Co., Ltd. (hereinafter called as “the Company”) was funded by State-owned Assets Supervision and Administration Commission of Jinan People's Government. The Company was registered at Jinan Administration for Industry and Commerce on December 25, 2013 and headquartered in Jinan, Shandong. The Company currently holds a business license with social credit code of 9137010008401939X0, with registered capital of RMB15 billion yuan.

The Company’s business scope: Planning and design, financing, construction, management, operation and property development of rail transit. (Without the approval of the financial supervision and regulation department, the Company shall not be engaged in financial services such as deposit absorption, financing guarantee, and valet financial management).

#### **II. Preparation basis of the financial statements**

##### **(I) Preparation basis**

The financial statements have been prepared on the basis of going concern.

##### **(II) Assessment of the ability to continue as a going concern**

The Company has no events or conditions that may cast significant doubts upon the Company’s ability to continue as a going concern within the 12 months after the balance sheet date.

#### **III. Significant accounting policies and estimates**

##### **(I) Statement of compliance**

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, results of operations and cash flows of the Company.

##### **(II) Accounting period**

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

##### **(III) Operating cycle**

Except for the real estate industry, the Company has a relatively short operating cycle for its business, an asset or a liability is classified as current if it is expected to be realized or due within 12 months. The operating cycle for real estate industry starts from the development of property and ends at sales, which normally extends over 12 months

and is subject to specific projects, therefore, an asset or a liability is classified as current if it is expected to be realized or due within such operating cycle.

#### (IV) Functional currency

The Company's functional currency is Renminbi (RMB) Yuan.

#### (V) Accounting treatments of business combination under and not under common control

##### 1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

##### 2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

#### (VI) Compilation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into its consolidation scope. The consolidated financial statements are compiled by the parent company according to "CASBE 33 - Consolidated Financial Statements", based on relevant information and the financial statements of the parent company and its subsidiaries.

#### (VII) Classification of joint arrangements and accounting treatment of joint operations

##### 1. Joint arrangements include joint operations and joint ventures.

2. When the Company is a joint operator of a joint operation, it recognizes the following items in relation to its interest in a joint operation:

- (1) its assets, including its share of any assets held jointly;
- (2) its liabilities, including its share of any liabilities incurred jointly;
- (3) its revenue from the sale of its share of the output arising from the joint operation;
- (4) its share of the revenue from the sales of the assets by the joint operation;
- (5) its expenses, including its share of any expenses incurred jointly.

#### (VIII) Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

#### (IX) Foreign currency translation

##### 1. Translation of transactions denominated in foreign currency

Transactions denominated in foreign currency are translated into RMB yuan at the spot exchange rate at the transaction date at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are

translated at the spot exchange rate at the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the spot exchange rate at the transaction date, with the RMB amounts unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with difference included in profit or loss or other comprehensive income.

## 2. Translation of financial statements measured in foreign currency

The assets and liabilities in the balance sheet are translated into RMB at the spot rate at the balance sheet date; the equity items, other than undistributed profit, are translated at the spot rate at the transaction date; the revenues and expenses in the income statement are translated into RMB at the spot exchange rate at the transaction date. The difference arising from the aforementioned foreign currency translation is included in other comprehensive income.

### (X) Financial instruments

#### 1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories when initially recognized: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial liabilities are classified into the following four categories when initially recognized: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (3) financial guarantee contracts not fall within the above categories (1) and (2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category (1); (4) financial liabilities at amortized cost.

#### 2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities

##### (1) Recognition criteria and measurement method of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount. However, at initial recognition, for accounts receivable that do not contain a significant financing component or in circumstances where the Company does not consider the financing components in contracts within one year, the Company measures the transaction price in accordance with "CASBE 14 – Revenues".

##### (2) Subsequent measurement of financial assets

###### 1) Financial assets measured at amortized cost

The Company measures its financial assets at the amortized costs using effective interest method. Gains or losses on financial assets that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial assets are derecognized, reclassified, amortized using effective interest method or recognized with impairment loss.

###### 2) Debt instrument investments at fair value through other comprehensive income

The Company measures its debt instrument investments at fair value. Interests, impairment gains or losses, and gains

and losses on foreign exchange that calculated using effective interest method shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into profit or loss when the financial assets are derecognized.

3) Equity instrument investments at fair value through other comprehensive income

The Company measures its equity instrument investments at fair value. Dividends obtained (other than those as part of investment cost recovery) shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into retained earnings when the financial assets are derecognized.

4) Financial assets at fair value through profit or loss

The Company measures its financial assets at fair value. Gains or losses arising from changes in fair value (including interests and dividends) shall be included into profit or loss, except for financial assets that are part of hedging relationships.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities (including derivatives that are liabilities) and financial liabilities designated as at fair value through profit or loss. The Company measures such kind of liabilities at fair value. The amount of changes in the fair value of the financial liabilities that are attributable to changes in the Company's own credit risk shall be included into other comprehensive income, unless such treatment would create or enlarge accounting mismatches in profit or loss. Other gains or losses on those financial liabilities (including interests, changes in fair value that are attributable to reasons other than changes in the Company's own credit risk) shall be included into profit or loss, except for financial liabilities that are part of hedging relationships. Accumulated gains or losses that originally recognized as other comprehensive income should be transferred out into retained earnings when the financial liabilities are derecognized.

2) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies

The Company measures its financial liabilities in accordance with "CASBE 23 – Transfer of Financial Assets".

3) Financial guarantee contracts not fall within the above categories 1) and 2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category 1)

The Company measures its financial liabilities at the higher of: a. the amount of loss allowances in accordance with impairment requirements of financial instruments; b. the amount initially recognized less the amount of accumulated amortization recognized in accordance with "CASBE 14 – Revenues".

4) Financial liabilities at amortized cost

The Company measures its financial liabilities at amortized cost using effective interest method. Gains or losses on financial liabilities that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial liabilities are derecognized and amortized using effective interest method.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

- a. the contractual rights to the cash flows from the financial assets expire; or
- b. the financial assets have been transferred and the transfer qualifies for derecognition in accordance with "CASBE

23 – Transfer of Financial Assets”.

2) Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

### 3. Recognition criteria and measurement method of financial assets transfer

Where the Company has transferred substantially all of the risks and rewards related to the ownership of the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the Company does not retain its control over the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability; (2) if the Company retains its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items is included in profit or loss: (1) the carrying amount of the transferred financial asset as of the date of derecognition; (2) the sum of consideration received from the transfer of the financial asset, and the accumulative amount of the changes of the fair value originally included in other comprehensive income proportionate to the transferred financial asset (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income). If the transfer of financial asset partially satisfies the conditions to derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items is included into profit or loss: (1) the carrying amount of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in other comprehensive income which is corresponding to the portion which is derecognized (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income).

### 4. Fair value determination method of financial assets and liabilities

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data and information are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

- (1) Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date.
- (2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;
- (3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not

observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfill the disposal obligation assumed in business combination, financial forecast developed using the Company's own data, etc.

## 5. Impairment of financial instruments

### (1) Measurement and accounting treatment

The Company, on the basis of expected credit loss, recognizes loss allowances of financial assets at amortized cost, debt instrument investments at fair value through other comprehensive income, contract assets, leases receivable, loan commitments other than financial liabilities at fair value through profit or loss, financial guarantee contracts not belong to financial liabilities at fair value through profit or loss or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Expected credit losses refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Among which, purchased or originated credit-impaired financial assets are discounted at the credit-adjusted effective interest rate.

At the balance sheet date, the Company shall only recognize the cumulative changes in the lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

For leases receivable, and accounts receivable and contract assets resulting from transactions regulated in "CASBE 14 – Revenues", the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For financial assets other than the above, on each balance sheet date, the Company shall assess whether the credit risk on the financial instrument has increased significantly since initial recognition. The Company shall measure the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition; otherwise, the Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

Considering reasonable and supportable forward-looking information, the Company compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition, so as to assess whether the credit risk on the financial instrument has increased significantly since initial recognition.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have relatively low credit risk at the balance sheet date.

The Company shall estimate expected credit risk and measure expected credit losses on an individual or a collective basis. When the Company adopts the collective basis, financial instruments are grouped with similar credit risk features.

The Company shall remeasure expected credit loss on each balance sheet date, and increased or reversed amounts of loss allowance arising therefrom shall be included into profit or loss as impairment losses or gains. For a financial asset measured at amortized cost, the loss allowance reduces the carrying amount of such financial asset presented in the balance sheet; for a debt investment measured at fair value through other comprehensive income, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of such financial asset.

(2) Financial instruments with expected credit risk assessed and expected credit losses measured on a collective basis

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Other receivables – Portfolio grouped with government funds receivable	Nature of receivables	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and 12-month or lifetime expected credit loss rate.
Other receivables – Portfolio grouped with security deposits receivable		
Other receivables – Portfolio grouped with associated transaction combination		
Other receivables – Portfolio grouped with external lending funds		
Other receivables – Portfolio grouped with reserve funds		
Other receivables – Portfolio grouped with ages	Ages	

(3) Accounts receivable and contract assets with expected credit losses measured on a collective basis

1) Specific portfolios and method for measuring expected credit loss

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Accounts receivable – Portfolio grouped with ages of “Shield Tunneling Machine Company Module”	Ages	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of ages and lifetime expected credit loss rate of accounts receivable, so as to calculate expected credit loss.
Accounts receivable – Portfolio grouped with ages of other companies module		
Bank acceptance receivable	Type of notes	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.
Trade acceptance receivable		
Accounts receivable – Portfolio of receivables from subsidiaries of the State Grid	Nature of receivables	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.
Accounts receivable – Portfolio of receivables from customers who also provide services for subway construction		

2) Accounts receivable – comparison table of ages and lifetime expected credit loss rate of portfolio grouped with ages

Ages	Expected credit loss rate of “Shield Tunneling Machine Company Module” accounts receivables (%)	Expected credit loss rate of other companies module accounts receivables (%)
Within 6 months (inclusive, the same hereinafter)	1.00	0.00
6 months to 1 year	1.00	5.00

Ages	Expected credit loss rate of “Shield Tunneling Machine Company Module” accounts receivables (%)	Expected credit loss rate of other companies module accounts receivables (%)
1-2 years	2.00	10.00
2-3 years	3.00	30.00
3-4 years	5.00	50.00
4-5 years	10.00	80.00
Over 5 years	20.00	100.00

#### 6. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, the Company offsets a financial asset and a financial liability and presents the net amount in the balance sheet when, and only when, the Company: (1) currently has a legally enforceable right to set off the recognized amounts; and (2) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

For a transfer of a financial asset that does not qualify for derecognition, the Company does not offset the transferred asset and the associated liability.

#### (XI) Inventories

1. Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, and materials or suppliers etc. to be consumed in the production process or in the rendering of services.

2. Inventories dispatched from storage are accounted for weighted average method.

3. At the balance sheet date, inventories are measured at the lower of cost or net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value.

4. Perpetual inventory method is adopted.

5. Revolving materials are amortized with one-off method.

#### (XII) Contract costs

Assets related to contract costs including costs of obtaining a contract and costs to fulfil a contract.

The Company recognizes as an asset the incremental costs of obtaining a contract if those costs are expected to be recovered. The costs of obtaining a contract shall be included into profit or loss when incurred if the amortization period of the asset is one year or less.

If the costs incurred in fulfilling a contract are not within the scope of standards related to inventories, fixed assets or intangible assets, etc., the Company shall recognize the costs to fulfil a contract as an asset if all the following criteria are satisfied:

1. The costs relate directly to a contract or to an anticipated contract, including direct labor, direct materials, manufacturing overhead cost (or similar cost), cost that are explicitly chargeable to the customer under the contract, and other costs that are only related to the contract;

2. The costs enhance resources of the Company that will be used in satisfying performance obligations in the future;

and

3. The costs are expected to be recovered.

An asset related to contract costs shall be amortized on a systematic basis that is consistent with related goods or services, with amortization included into profit or loss.

The Company shall make provision for impairment and recognize an impairment loss to the extent that the carrying amount of an asset related to contract costs exceeds the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates less the costs expected to be incurred. The Company shall recognize a reversal of an impairment loss previously recognized in profit or loss when the impairment conditions no longer exist or have improved. The carrying amount of the asset after the reversal shall not exceed the amount that would have been determined on the reversal date if no provision for impairment had been made previously.

#### (XIII) Long-term equity investments

##### 1. Judgment of joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

##### 2. Determination of investment cost

(1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investments and the carrying amount of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

(2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

(3) Long-term equity investments obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to "CASBE12 - Debt Restructuring"; and that obtained through non-cash assets exchange is determined according to "CASBE7 - Non-cash Assets Exchange".

##### 3. Subsequent measurement and recognition method of gain or loss

For long-term equity investments with control relationship, it is accounted for with cost method; for long-term equity investments with joint control or significant influence relationship, it is accounted for with equity method.

##### 4. Impairment test and Provision for bad debts

At the balance sheet date, provisions for impairment loss are made at the difference between the carrying amount and the recoverable amount when there is evidence indicating impairment loss.

(XIV) Investment property

1. Investment property includes land use right of leased-out property and of property held for capital appreciation and buildings that have been leased out.
2. The initial measurement of investment property is based on its cost, and subsequent measurement is made using the cost model, the depreciation or amortization method is the same as that of fixed assets and intangible assets. At the balance sheet date, provisions for impairment loss are made at the difference between the carrying amount and the recoverable amount when there is evidence indicating impairment loss.

(XV) Fixed assets

1. Recognition principles of fixed assets

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

2. Depreciation method of different categories of fixed assets

Categories	Depreciation method	Useful life (years)	Estimated residual value proportion (%)	Annual depreciation rate (%)
Buildings and constructions	Straight-line method	20-50	5.00	1.90-4.75
Special equipment	Straight-line method	3-10	5.00	9.50-31.67
Transportation facilities	Straight-line method	4	5.00	23.75
General equipment and others	Straight-line method	3-5	5.00	19.00-31.67

3. Provisions for impairment are made at the excess of carrying amount over the recoverable amount if there is objective evidence indicating impairment loss at the balance sheet date.

(XVI) Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.
2. Construction in progress is transferred into fixed assets at its actual cost when it reaches its designed usable conditions. When the construction completion cost reaches final estimating and auditing of the construction in progress was not finished while it reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.
3. At the balance sheet date, provisions for impairment loss are made at the difference between the carrying amount and the recoverable amount when there is evidence indicating impairment loss.

(XVII) Borrowing costs

1. Recognition principle of borrowing costs capitalization

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

## 2. Borrowing costs capitalization period

(1) The borrowing costs are not capitalized unless they following requirements are all met: 1) the asset disbursements have already incurred; 2) the borrowing costs have already incurred; and 3) the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Suspension of capitalization: where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.

(3) Ceasing of capitalization: when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

## 3. Capitalized amount of borrowing costs

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings at the present period minus the income of interests earned on the unused borrowings as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

## (XVIII) Intangible assets

1. Intangible asset includes land use right, patent right and non-patented technology etc. The initial measurement of intangible asset is based its cost.

2. For intangible assets with finite useful lives, its amortization amount is amortized within its useful life systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Amortization period (years)
Patent right	10
Software	10
Land use right	50

3. At the balance sheet date, provisions for impairment loss on intangible assets with finite useful life are made at the difference between the carrying amount and the recoverable amount when there is evidence indicating impairment loss. Impairment tests are performed on intangible assets with indefinite useful life and intangible assets not yet

reaching the usable conditions, on annual basis, no matter there is evidence indicating impairment loss or not.

4. Expenditures on the research phase of an internal project are recognized as profit or loss when it is incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the following: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

#### (XIX) Long-term Prepayments

Long-term Prepayments are recorded with actual cost, and evenly amortized within its beneficiary period or stipulated period. If items of Long-term Prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

#### (XX) Employee benefits

1. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

#### 2. Short-term employee benefits

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

#### 3. Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

(1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.

(2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:

1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. The Company discounts obligations under the defined benefit plan using the discount rate to determine the present value of the defined benefit plan obligations and the current service cost;

2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by deducting the present value of the defined benefit plan obligation from the fair value of defined benefit plan assets as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;

3) At the end of reporting period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined benefit plan liability (asset); and c. Changes as a result of remeasurement of the net defined benefit liability (asset). Item a and item b are recognized in

profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

#### 4. Termination benefits

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: a. when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or b. when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

#### 5. Other long-term employee benefits

When other long-term employee benefits provided by the Company to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements relating to defined contribution plan. The Company recognizes and measures the net liability or net asset of other long-term employee benefits in accordance with the requirements relation to defined benefit plan. At the end of the reporting period, the Company recognizes the components of cost of employee benefits arising from other long-term employee benefits as the followings: a. service cost; b. net interest on the net liability or net assets of other long-term employee benefits; and c. changes as a result of remeasurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts are recognized in profit or loss or included in the cost of a relevant asset.

#### (XXI) Provisions

1. Provisions are recognized when fulfilling the present obligations arising from contingencies such as providing guarantee for other parties, litigation, products quality guarantee, onerous contract, etc., may cause the outflow of the economic benefit and such obligations can be reliably measured.
2. The initial measurement of provisions is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

#### (XXII) Other financial instrument such as preferred shares and perpetual bonds

Pursuant to CASBEs on financial instruments, “Regulations on Distinguishing Financial Liabilities and Equity Instrument and Related Accounting Treatments” numbered Cai Kuai [2014] 13, and “Regulations on Accounting Treatments of Perpetual Bonds” numbered Cai Kuai [2019] 2 by Ministry of Finance, for financial instrument such as perpetual bonds (for example, long-term rights-containing medium-term notes) etc., the Company classifies a financial instrument or its components at initial recognition as a financial asset or liability or equity instrument, based on contract terms and economic essence it reveals instead of its legal form, combining with the definitions of financial asset, liability and equity instrument.

At the balance sheet date, for a financial instrument classified as an equity instrument, its interest expenditure or dividend distribution is treated as profit distribution, and share repurchase and cancelation are treated as changes in equity; for a financial instrument classified as a financial liability, its interest expenditure or dividend distribution is treated as borrowing expense, and gain or loss on repurchase or redemption is included in profit or loss.

## (XXIII) Revenue

### 1. Revenue recognition principles

At contract inception, the Company shall assess the contracts and shall identify each performance obligation in the contracts, and determine whether the performance obligation should be satisfied over time or at a point in time.

The Company satisfies a performance obligation over time if one of the following criteria is met, otherwise, the performance obligation is satisfied at a point in time: (1) the customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs; (2) the customer can control goods as they are created by the Company's performance; (3) goods created during the Company's performance have irreplaceable uses and the Company has an enforceable right to the payments for performance completed to date during the whole contract period.

For each performance obligation satisfied over time, the Company shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation. In the circumstance that the progress cannot be measured reasonably, but the costs incurred in satisfying the performance obligation are expected to be recovered, the Company shall recognize revenue only to the extent of the costs incurred until it can reasonably measure the progress. For each performance obligation satisfied at a point in time, the Company shall recognize revenue at the time point that the customer obtains control of relevant goods or services. To determine whether the customer has obtained control of goods, the Company shall consider the following indications: (1) the Company has a present right to payment for the goods, i.e., the customer is presently obliged to pay for the goods; (2) the Company has transferred the legal title of the goods to the customer, i.e., the customer has legal title to the goods; (3) the Company has transferred physical possession of the goods to the customer, i.e., the customer has physically possessed the goods; (4) the Company has transferred significant risks and rewards of ownership of the goods to the customer, i.e., the customer has obtained significant risks and rewards of ownership of the goods; (5) the customer has accepted the goods; (6) other evidence indicating the customer has obtained control over the goods.

### 2. Revenue measurement principle

(1) Revenue is measured at the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties and those expected to be refunded to the customer.

(2) If the consideration promised in a contract includes a variable amount, the Company shall confirm the best estimate of variable consideration at expected value or the most likely amount. However, the transaction price that includes the amount of variable consideration only to the extent that it is high probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(3) In the circumstance that the contract contains a significant financing component, the Company shall determine the transaction price based on the price that a customer would have paid for if the customer had paid cash for obtaining control over those goods or services. The difference between the transaction price and the amount of promised consideration is amortized under effective interest method over contractual period. The effects of a significant financing component shall not be considered if the Company expects, at the contract inception, that the period between when the customer obtains control over goods or services and when the customer pays consideration will be one year or less.

(4) For contracts containing two or more performance obligations, the Company shall determine the stand-alone selling price at contract inception of the distinct good underlying each performance obligation and allocate the transaction price to each performance obligation on a relative stand-alone selling price basis.

(XXIV) Government subsidies

1. Government subsidies shall be recognized if, and only if, the following conditions are all met: (1) the Company will comply with the conditions attaching to the grants; (2) the grants will be received. Monetary Government subsidies are measured at the amount received or receivable. Non-monetary Government subsidies are measured at fair value, and can be measured at nominal amount in the circumstance that fair value can't be assessed.

2. Government subsidies related to assets

The amount of government subsidies used to purchase, construct, or form a long-term asset in other ways is regarded as government subsidies related to an asset. If the government document is not clear, the judgment shall be based on the basic conditions that must be met to obtain the subsidy, and the capital-related government subsidies shall be regarded as the basic conditions for the formation of long-term assets through acquisition or construction or other methods. A government subsidy related to an asset shall be recognized as deferred income and amortized to profit or loss over the useful life of the related asset on a reasonable and systematic manner. Government subsidies measured in nominal amounts are directly included in current profits and losses. Where the relevant assets are sold, transferred, scrapped or damaged before the end of their useful lives, the balance of the relevant deferred income that has not been allocated shall be transferred to the profit or loss of the asset disposal period.

3. Government subsidies related to income

Government subsidies related to income are Government subsidies other than those related to assets. For Government subsidies that contain both parts related to assets and parts related to income, in which those two parts are blurred and thus collectively classified as Government subsidies related to income. For Government subsidies related to income used for compensating the related future cost, expenses or losses of the Company are recognized as deferred income and are included in profit or loss or offset relevant cost during the period in which the relevant cost, expenses or losses are recognized; for Government subsidies related to income used for compensating the related cost, expenses or losses incurred to the Company, they are directly included in profit or loss or directly offset relevant cost.

4. Government subsidies related to the ordinary course of business shall be included into other income or offset relevant cost based on business nature, while those not related to the ordinary course of business shall be included into non-operating revenue or expenditures.

5. Policy interest subvention

(1) In the circumstance that government appropriates interest subvention to lending bank, who provides loans for the Company with a policy subsidised interest rate, borrowings are carried at the amount received, with relevant borrowings cost computed based on the principal and the policy subsidised interest rate.

(2) In the circumstance that government directly appropriates interest subvention to the Company, the subsidised interest shall offset relevant borrowing cost.

(XXV) Contract assets, contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance obligations and customers' payments. Contract assets and contract liabilities under the same contract shall offset each other and be presented on a net basis.

The Company presents an unconditional right to consideration (i.e., only the passage of time is required before the consideration is due) as a receivable, and presents a right to consideration in exchange for goods that it has transferred to a customer (which is conditional on something other than the passage of time) as a contract asset.

The Company presents an obligation to transfer goods to a customer for which the Company has received consideration (or the amount is due) from the customer as a contract liability.

#### (XXVI) Deferred tax assets/Deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.

3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (a) business combination; and (b) the transactions or items directly recognized in equity.

#### (XXVII) Leases

##### 1. The Company as lessee

At the commencement date, the Company recognizes a lease that has a lease term of 12 months or less as a short-term lease, which shall not contain a purchase option; the Company recognizes a lease as a lease of a low-value asset if the underlying asset is of low value when it is new. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

For all short-term leases and leases of low-value assets, lease payments are recognized as cost or profit or loss with straight-line method over the lease term.

Apart from the above-mentioned short-term leases and leases of low-value assets with simplified approach, the Company recognizes right-of-use assets and lease liabilities at the commencement date.

##### (1) Right-of-use assets

The right-of-use asset is measured at cost and the cost shall comprise: 1) the amount of the initial measurement of the lease liability; 2) any lease payments made at or before the commencement date, less any lease incentives

received; 3) any initial direct costs incurred by the lessee; and 4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Company depreciates the right-of-use asset using the straight-line method or unit-of-production method. If it is reasonable to be certain that the ownership of the underlying asset can be acquired by the end of the lease term, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

At the balance sheet date, provisions for impairment loss are made at the difference between the carrying amount and the recoverable amount when there is evidence indicating impairment loss.

#### (2) Lease liability

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate shall be used. Unrecognized financing expenses, calculated at the difference between the lease payment and its present value, are recognized as interest expenses over the lease term using the discount rate which has been used to determine the present value of lease payment and included in profit or loss. Variable lease payments not included in the measurement of lease liabilities are included in profit or loss in the periods in which they are incurred.

After the commencement date, if there is a change in the following items: (a) actual fixed payments; (b) amounts expected to be payable under residual value guarantees; (c) an index or a rate used to determine lease payments; (d) assessment result or exercise of purchase option, extension option or termination option., the Company remeasures the lease liability based on the present value of lease payments after changes, and adjusts the carrying amount of the right-of-use asset accordingly. If the carrying amount of the right-of-use asset is reduced to zero but there shall be a further reduction in the lease liability, the remaining amount shall be recognized into profit or loss.

### 2. The Company as lessor

At the commencement date, the Company classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, it is classified as an operating lease.

#### (1) Operating lease

Lease receipts are recognized as lease income with straight-line method over the lease term. Initial direct costs incurred shall be capitalized, amortized on the same basis as the recognition of lease income, and included into profit or loss by installments. Variable lease payments related to operating lease which are not included in the lease payment are charged as profit or loss in the periods in which they are incurred.

#### (2) Finance lease

At the commencement date, the Company recognizes the finance lease payment receivable based on the net investment in the lease (sum of the present value of unguaranteed residual value and lease receipts that are not received at the commencement date, discounted by the interest rate implicit in the lease), and derecognizes assets held under the finance lease. The Company calculates and recognizes interest income using the interest rate implicit in the lease over the lease term.

Variable lease payments not included in the measurement of the net investment in the lease are charged as profit or loss in the periods in which they are incurred.

### 3. Sale and leaseback

#### (1) The Company as the lessee

In accordance with the “CASBE 14 – Revenues”, the Company would assess and determine whether the transfer of an asset in the sale and leaseback transaction is accounted for as a sale of that asset.

If the transfer of an asset is accounted for as a sale of the asset, the Company measures the right-of-use asset arising from the leaseback at the proportion of the original carrying amount of the asset that relates to the right of use retained by the Company. Accordingly, the Company recognizes only the amount of any gain or loss that relates to the rights transferred to the lessor.

Otherwise, the Company continues the recognition of the transferred assets, and recognizes a financial liability equal to the amount of transfer income in accordance with the “CASBE 22 – Financial Instruments: Recognition and Measurement” at the same time.

#### (2) The Company as the lessor

In accordance with the “CASBE 14 - Revenues”, the Company would assess and determine whether the transfer of an asset in the sale and leaseback transaction is accounted for as a sale of that asset.

If the transfer of an asset is accounted for as a sale of the asset, the Company accounts for the purchase of assets in accordance with other applicable standards, and accounts for the lease of assets in accordance with the “CASBE 21 – Leases”.

Otherwise, the Company does not recognize the transferred asset, but recognizes a financial asset equal to the amount of transfer income in accordance with the “CASBE 22 – Financial Instruments: Recognition and Measurement”.

#### (XXVIII) Work safety fund

The Company accrues work safety fund in accordance with the Circular on Management Measures on the Accrual and Use of Work Safety Fund numbered Cai Qi [2012] 16 by Ministry of Finance and State Administration of Work Safety. Standard work safety fund is included in the cost or current profit or loss, meanwhile accounted for under “special reserve”. When work safety fund is used as an expense, it is to offset special reserve directly. When work safety fund is qualified to be included in the cost of fixed assets, it is accounted for under “construction in progress” and transferred to fixed assets when related safety projects reach the designed useful conditions; meanwhile, the cost included in fixed assets is to offset “special reserve”, and accumulated depreciation shall be recognized at the same amount. Such fixed assets shall not be depreciated in future periods.

#### (XXIX) Significant changes in accounting policies

Changes in accounting policies arising from changes in CASBEs

1. Since January 1, 2021, the Company has implemented the “CASBE 22–Recognition and Measurement of Financial Instruments”, “CASBE 23–Transfer of Financial Assets”, “CASBE 24 – Hedging”, “CASBE 37 – Presentation of Financial Instruments” (hereinafter refer to New Standards for Financial Instruments) revised by the Ministry of Finance. According to the relevant provisions on the convergence of the old and new standards, the information of the comparable period shall not be adjusted, and the difference between the new standards and the original standards on the first execution date shall be retroactively adjusted to the retained earnings or other comprehensive income at the beginning of the reporting period.

The New Standards for Financial Instruments change classification and measurement of financial assets and

determines three measurement categories: amortized costs; measurement at fair value through other comprehensive income; and measurement at fair value through profits or loss. The Company considers its business model and the contractual cash flow characteristics of financial assets to make the above classification. Equity investment should be measured at fair value and the changes are recorded in the profits and losses, but non-trading equity investment can be chosen to be initially recognized at fair value through other comprehensive income (gain or loss of disposal cannot recover to profit and loss, but the dividend income is recognized in profits or loss), and the choice is irrevocable.

The New Standards for Financial Instruments require the impairment measurement of financial assets to be changed from the "incurred loss model" to the "expected credit loss model", which is applicable to the financial assets measured at amortized cost, the financial assets measured at fair value through other comprehensive income, and lease receivables.

(1) The main impact of the implementation of the New Standards for Financial Instruments on the Company's financial statements as of January 1, 2021, is as follows:

Items	Balance Sheet		
	December 31, 2020	Impact of adjustments on New Standards for Financial Instruments	January 1, 2021
Notes receivable	27,526,521.00	-6,411,921.00	21,114,600.00
Receivables financing		6,411,921.00	6,411,921.00
Available-for-sale financial assets	623,470,000.00	-623,470,000.00	
Other equity instrument investments		623,470,000.00	623,470,000.00
Short-term borrowings	747,039,236.09	874,938.88	747,914,174.97
Other payables	1,071,649,406.34	-972,389,950.15	99,259,456.19
Non-current liabilities due within one year [Note1]	2,555,088,572.15	579,240,496.40	3,159,306,696.08
Other current liabilities [Note2]	4,080,521,944.44	21,292,076.51	4,105,308,693.94
Long-term borrowings	37,196,300,000.00		37,196,300,000.00
Bonds payable	11,753,976,790.60		11,753,976,790.60
Long-term payables	20,727,400,000.00	370,982,438.36	21,098,382,438.36

[Note1] Non-current liabilities due within one year were affected by the adjustment of the New Standards for Financial Instruments by RMB579,240,496.40 yuan and the adjustment of the New Standards for Leases by RMB24,977,627.53 yuan.

[Note2] Other current liabilities were affected by the adjustment of the New Standards for Financial Instruments by RMB21,292,076.51 yuan and the adjustment of the New Standards for Revenue by RMB3,494,672.99 yuan.

(2) On January 1, 2021, the classification and measurement results of the Company's financial assets and financial liabilities in accordance with the New Standards for Financial Instruments and the Original Standards for Financial Instruments are compared as follows:

Items	Original Standards		New Standards	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Cash and bank balances	Amortized costs (Loans and receivables)	7,109,251,879.26	Amortized costs	7,109,251,879.26

Items	Original Standards		New Standards	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Notes receivable	Amortized costs (Loans and receivables)	27,526,521.00	Amortized costs	21,114,600.00
			Fair value through other comprehensive income	6,411,921.00
Accounts receivable	Amortized costs (Loans and receivables)	1,049,787,424.68	Amortized costs	1,049,787,424.68
Other receivables	Amortized costs (Loans and receivables)	5,050,394,721.32	Amortized costs	5,050,394,721.32
Available-for-sale financial assets	Fair value through other comprehensive income (Assets available for sale)	623,470,000.00	Fair value through other comprehensive income	623,470,000.00
Short-term borrowings	Amortized costs (Other financial liabilities)	747,039,236.09	Amortized costs	747,914,174.97
Notes payable	Amortized costs (Other financial liabilities)	378,375,637.36	Amortized costs	378,375,637.36
Accounts payable	Amortized costs (Other financial liabilities)	1,687,104,423.59	Amortized costs	1,687,104,423.59
Other payables	Amortized costs (Other financial liabilities)	1,071,649,406.34	Amortized costs	99,259,456.19
Other current liabilities [Note2]	Amortized costs (Other financial liabilities)	4,080,521,944.44	Amortized costs	4,105,308,693.94
Non-current liabilities due within one year [Note1]	Amortized costs (Other financial liabilities)	2,555,088,572.15	Amortized costs	3,159,306,696.08
Long-term borrowings	Amortized costs (Other financial liabilities)	37,196,300,000.00	Amortized costs	37,196,300,000.00
Bonds payable	Amortized costs (Other financial liabilities)	11,753,976,790.60	Amortized costs	11,753,976,790.60
Long-term payables	Amortized costs (Other financial liabilities)	20,727,400,000.00	Amortized costs	21,098,382,438.36

[Note1] Non-current liabilities due within one year were affected by the adjustment of the New Standards for Financial Instruments by RMB579,240,496.40 yuan and the adjustment of the New Standards for Leases by RMB24,977,627.53 yuan.

[Note2] Other current liabilities were affected by the adjustment of the New Standards for Financial Instruments by RMB21,292,076.51 yuan and the adjustment of the New Standards for Revenue by RMB3,494,672.99 yuan.

(3) On January 1, 2021, the adjustment statement of the carrying value of the Company's original financial assets and financial liabilities to the carrying value of the new financial assets and financial liabilities classified and measured in accordance with the New Standards for Financial Instruments is as follows:

Items	Carrying amount under Original Standards for Financial Instruments (December 31, 2020)	Reclassification	Remeasurement	Carrying amount under New Standards for Financial Instruments (January 1, 2021)
1) Financial assets				
a. Amortized costs				
Cash and bank balances				

Items	Carrying amount under Original Standards for Financial Instruments (December 31, 2020)	Reclassification	Remeasurement	Carrying amount under New Standards for Financial Instruments (January 1, 2021)
The balance based on the original CAS22 and based on the new CAS22	7,109,251,879.26			7,109,251,879.26
Notes receivable	27,526,521.00			
Less: Transfer out to be measured at fair value through other comprehensive income—equity instrument investments (new CAS22)		-6,411,921.00		
The balance based on the new CAS22				21,114,600.00
Accounts receivable				
The balance based on the original CAS22 and based on the new CAS22	1,049,787,424.68			1,049,787,424.68
Other receivables				
The balance based on the original CAS22 and based on the new CAS22	5,050,394,721.32			5,050,394,721.32
Total financial assets measured at amortized costs	13,236,960,546.26	-6,411,921.00		13,230,548,625.26
<b>b. Fair value through other comprehensive income</b>				
Receivables financing				
The balance based on the original CAS22				
Add: Transfer from amortized costs (original CAS22)		6,411,921.00		
The balance based on the new CAS22				6,411,921.00
Available-for-sale financial assets				
The balance based on the original CAS22	623,470,000.00			

Items	Carrying amount under Original Standards for Financial Instruments (December 31, 2020)	Reclassification	Remeasurement	Carrying amount under New Standards for Financial Instruments (January 1, 2021)
Less: Transfer out to be measured at fair value through other comprehensive income—equity instrument investments (new CAS22)		-623,470,000.00		
The balance based on the new CAS22				
Other equity instrument investments				
The balance based on the original CAS22				
Add: Transfer from available-for-sale (original CAS22) –specified as		623,470,000.00		
The balance based on the new CAS22				623,470,000.00
Total financial assets measures at fair value through other comprehensive income	623,470,000.00	6,411,921.00		629,881,921.00
2) Financial liabilities				
Amortized costs				
Short-term borrowings				
The balance based on the original CAS22	747,039,236.09			
Add: Transfer from other payables (interest payables)		874,938.88		
The balance based on the new CAS22				747,914,174.97
Notes payable				
The balance based on the original CAS22 and based on the new CAS22	378,375,637.36			378,375,637.36
Accounts payable				
The balance based on the original CAS22 and based on the new CAS22	1,687,104,423.59			1,687,104,423.59
Other payables				

Items	Carrying amount under Original Standards for Financial Instruments (December 31, 2020)	Reclassification	Remeasurement	Carrying amount under New Standards for Financial Instruments (January 1, 2021)
The balance based on the original CAS22	1,071,649,406.34			
Less: Transfer to short-term borrowings (interest payables)		-874,938.88		
Less: Transfer to non-current liabilities due within one year (interest payables)		-579,240,496.40		
Less: Transfer to other current liabilities (interest payables)		-21,292,076.51		
Less: Transfer to long-term payables (interest payables)		-370,982,438.36		
The balance based on the new CAS22				99,259,456.19
Non-current liabilities due within one year				
The balance based on the original CAS22	2,555,088,572.15			
Add: Transfer from other payables (interest payables)		579,240,496.40		
Add: The amount affected by the New Standards for Leases			24,977,627.53	
The balance based on the new CAS22				3,159,306,696.08
Other current liabilities				
The balance based on the original CAS22	4,080,521,944.44			
Add: Transfer from other payables (interest payables)		21,292,076.51		
Add: The amount affected by the New Standards for Revenue			3,494,672.99	
The balance based on the new CAS22				4,105,308,693.94
Long-term borrowings				
The balance based on the original CAS22 and based on the new CAS22	37,196,300,000.00			37,196,300,000.00
Bonds payable				

Items	Carrying amount under Original Standards for Financial Instruments (December 31, 2020)	Reclassification	Remeasurement	Carrying amount under New Standards for Financial Instruments (January 1, 2021)
The balance based on the original CAS22 and based on the new CAS22	11,753,976,790.60			11,753,976,790.60
Long-term payables				
The balance based on the original CAS22	20,727,400,000.00			
Add: Transfer from other payables (interest payables)		370,982,438.36		
The balance based on the new CAS22				21,098,382,438.36
Total financial liabilities measured at amortized costs	80,197,456,010.57		28,472,300.52	80,225,928,311.09

(4) On January 1, 2021, the adjustment statement of the closing balance of the Company's original financial assets provision for impairment to the closing balance of the new financial assets provision for impairment classified and measured in accordance with the New Standards for Financial Instruments is as follows:

Items	Provision for loss under Original Standards for Financial Instruments (December 31, 2020)	Reclassification	Remeasurement	Provision for loss under New Standards for Financial Instruments (January 1, 2021)
Accounts receivable	45,502,144.64			45,502,144.64
Other receivables	44,540.14			44,540.14

2. Since January 1, 2021, the Company has implemented the "CASBE 14-Revenue" (hereinafter refer to as New Standards for Revenue) revised by the Ministry of Finance. According to the relevant provisions on the convergence of the old and new standards, the information of the comparable period will not be adjusted, and the cumulative impact of the new standards and the original standards implemented on the first execution date will be retroactively adjusted for the initial retained earnings and other relevant items in the financial statements of the reporting period. The main impacts of the implementation of the New Standards for Revenue on the Company's financial statements as of January 1, 2021, are as follows:

Items	Balance Sheet		
	December 31, 2020	Impact of adjustments on New Standards for Revenue	January 1, 2021
Advances received	44,175,342.55	-32,314,351.80	11,860,990.75
Contract liabilities		28,819,678.81	28,819,678.81
Other current liabilities	4,080,521,944.44	3,494,672.99	4,105,308,693.94

[Note] Other current liabilities were affected by the adjustment of the New Standards for Financial Instruments by RMB21,292,076.51 yuan and the adjustment of the New Standards for Revenue by RMB3,494,672.99 yuan.

3. Since January 1, 2021 (hereinafter refer to as the first execution date), the company has implemented the revised

“CASBE 21–Leases” (hereinafter refer to as New Standards for Leases).

(1) For contracts that already existed before the first execution date, the company elects not to re-evaluate whether it is a lease or an inclusive lease.

(2) For the lease contracts in which the company is the lessee, the company adjusts the amount of retained earnings at the beginning of the reporting period and the amount of other relevant items in the financial statements based on the cumulative impact of the implementation of New Standards for Leases and the Original Standards on the first execution date, and no adjustment is made to the information in the comparable period. Details are as follows:

For the financial leases prior to the first execution date, the company separately measures the right-of-use assets and lease liabilities based on the original carrying amount of the financial leased assets and the financial lease payables on the first execution date.

For the operating leases prior to the first execution date, the company measures the lease liabilities based on the present value of the remaining lease payments discounted at the company’s incremental borrowing interest rate on the first execution date, and make necessary adjustments to the measuring right-of-use assets according to the prepaid rent in an amount equal to the lease liabilities.

On the first execution date, the company conducts impairment test on right-of-use assets and conducts corresponding accounting treatment in accordance with the provisions of Notes III (XXVII) to the financial statements.

1) The main impacts of the implementation of the New Standards for Leases on the Company’s financial statements as of January 1, 2021, are as follows:

Items	Balance Sheet		
	December 31, 2020	Impact of adjustments on New Standards for Leases	January 1, 2021
Right-of-use assets		105,619,612.94	105,619,612.94
Non-current liabilities due within one year [Note]	2,555,088,572.15	24,977,627.53	3,159,306,696.08
Lease liabilities		80,641,985.41	80,641,985.41

[Note] Non-current liabilities due within one year were affected by the adjustment of the New Standards for Financial Instruments by RMB579,240,496.40 yuan and the adjustment of the New Standards for Leases by RMB24,977,627.53 yuan.

2) The weighted average of the company's incremental borrowing rate for lease liabilities included in the balance sheet on the first execution date is 4.68%.

3) For operating lease contracts that existed before the first execution date, the company adopts a simplified method.

a. For lease contracts completed within 12 months after the first execution date, the company adopts a simplified method and does not recognize right-of-use assets and lease liabilities.

b. Measurement of Right-of-use assets excludes initial direct costs.

c. The company determines the lease term according to the actual exercise of the option to renew the lease or the option to terminate the lease and other latest conditions before the first execution date.

d. As an alternative to the impairment test of the Right-of-use assets, the Company evaluates whether a contract containing a lease is a loss contract prior to the first execution date in accordance with Accounting Standards for Business Enterprises No.13-Contingencies and adjusts the Right-of-use assets based on the amount of loss provisions recorded in the balance sheet date prior to the first execution date.

e. If lease change occurs before the first execution date, the company shall make accounting treatment according to

the final arrangement of lease change.

The above simplified treatment has no significant impact on the company's financial statements.

(3) For operating lease contracts for low-value assets that existed before the first execution date, the company adopts a simplified method, does not recognize the right-of-use assets and lease liabilities, and conducts accounting treatment in accordance with the New Standards for Leases from the first execution date.

(4) For the lease contract with the company as the lessor, the accounting treatment shall be carried out in accordance with the New Standards for Leases since the first execution date.

(5) Treatment of sale-and-leaseback transactions that existed prior to the first execution date

For the sale-and-leaseback transactions existing before the first execution date, the company will not re-evaluate whether the asset transfer complies with the "Accounting Standards for Business Enterprises No.14 -Revenue" as the accounting treatment of sales on the first execution date.

For sale-and-leaseback transactions that are accounted for as sales and finance leases prior to the date of first execution, the Company, as seller (lessee), accounts for leasebacks in the same manner as for other finance leases that exist on the date of first execution and continues to amortize the related deferred gains or losses over the lease term.

For sale-and-leaseback transactions that are accounted for as sales and operating leases prior to the date of first execution, the Company, as seller (lessee), accounts for leasebacks in the same manner as for other operating leases that exist on the date of first execution and adjusts the Right-of-use assets according to the relevant deferred income or loss recorded in the balance sheet before the first execution date.

4. The Company conducts the Interpretation of Accounting Standards for Enterprises No. 14 issued by the Ministry of Finance in 2021 from January 26, 2021, and the changes of accounting policy have no impact on the company's financial statements.

5. The Company conducts the Interpretation of Accounting Standards for Enterprises No. 15 (Presentations Related to Centralized Management of Funds) issued by the Ministry of Finance in 2021 from December 31, 2021, and the changes of accounting policy have no impact on the company's financial statements.

#### IV. Taxes and rates

##### (I) Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The output tax calculated based on the revenue from sales of goods or rendering of services in accordance with the tax law, net of the input tax that is allowed to be deducted in the current period.	3%、6%、9%、13%
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of rent revenue.	1.2%、12%
Urban maintenance and construction tax	Actual turnover tax paid	7%

Taxes	Tax bases	Tax rates
Education surcharge	Actual turnover tax paid	3%
Local education surcharge	Actual turnover tax paid	2%
Enterprise income tax	Taxable income	15%、20%、25%

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Income tax rate
Shandong Rail Transit Engineering Consulting Co., Ltd. (hereinafter called as "Engineering Consulting Company")	20%
Jinan Metro Culture Media Co., Ltd. (hereinafter called as "Metro Media Company")	20%
Universal Space Engineering Design Center Co., Ltd. (hereinafter called as "Universal Space Company")	20%
Jinan China Railway Track Green Development Co., Ltd. (hereinafter called as "Green Development Company")	20%
Jinan Rail Transit Industrial Park Investment Co., Ltd. (hereinafter called as "Industrial Park Investment Company")	20%
Shandong Rail Transit Research Institute Co., Ltd. (hereinafter called as "Rail Transit Research Institute")	20%
Shunjie (Shandong) Property Development Co., Ltd. (hereinafter called as "Shunjie Property Company")	20%
Jinan CREG Heavy Machinery and Rail Transit Equipment Co., Ltd. (hereinafter called as "CREG Heavy Machinery and Rail Transit Equipment Company")	15%
Shandong Rail Transit Survey and Design Institute Co., Ltd. (hereinafter called as "Track Survey and Design Company")	15%
Shandong Aipu Electrical Equipment Co., Ltd. (hereinafter called as "Aipu Electric Company")	15%
Jinan Rail Urban Construction Pipe Manufacturing Co., Ltd. (hereinafter called as "Urban Construction Pipeline Company")	15%
Jinan Heavy Industry Co., Ltd. (hereinafter called as "Heavy Industry Company")	15%
Taxpayers other than the above-mentioned	25%

## (II) Tax preferential policies

1. According to Article 1 of the "Notice of the Ministry of Finance and the State Administration of Taxation on the Relevant Tax Policies for the Reconstruction of Shanty Towns" (Caishui [2013]101): "First, the use tax of urban land for the construction of the reconstruction and resettlement housing is exempted. "The company belongs to the operation and management unit of the reconstruction and resettlement housing, and the land use tax and stamp tax involved are exempted.

2. "Announcement of the State Administration of Taxation on Matters Concerning the Implementation of Preferential Income Tax Policies Supporting the Development of Small and Low-profit Enterprises and Individual Industrial and Commercial Households" State Administration of Taxation Announcement No.8 of 2021 stipulates: the portion of the annual taxable income of small and low-profit enterprises not exceeding 1 million yuan shall be included in the taxable income at a reduced rate of 12.5%, and the enterprise income tax shall be paid at a 20% tax rate. Engineering Consulting Company, Metro Media Company, Universal Space Company, Green Development Company, Industrial Park Investment Company, Rail Transit Research Institute and Shunjie Property Company meet the tax preferential

conditions for small and low-profit enterprises.

3. According to Paragraph 2 of Article 28 of the "Enterprise Income Tax Law of the People's Republic of China", a preferential tax rate of 15% shall be applied to the high-tech enterprises that need key support from the state. The headquarters of Aipu Electric Company was recognized as a high-tech enterprise in 2008 and obtained the high-tech enterprise certificate. It has been re-certified in 2020 and the qualification is valid for 3 years; Track Survey and Design Company was recognized as a high-tech enterprise in 2020 and obtained the high-tech enterprise certificate. The qualification is valid for 3 years; Urban Construction Pipeline Company was recognized as a high-tech enterprise in 2020 and obtained the high-tech enterprise certificate. The qualification is valid for 3 years; CREG Heavy Machinery and Rail Transit Equipment Company was recognized as a high-tech enterprise in 2020 and obtained the high-tech enterprise certificate. The qualification is valid for 3 years; Heavy Industry Company was recognized as a high-tech enterprise in 2011 and obtained the high-tech enterprise certificate. It has been re-certified in 2021 and the qualification is valid for 3 years. The headquarters of Aipu Electric Company, Track Survey and Design Company, Urban Construction Pipeline Company, CREG Heavy Machinery and Rail Transit Equipment Company and Heavy Industry Company meet the tax preferential policies and the income tax rate is 15%.

4. "Notice of the Ministry of Finance and the State Administration of Taxation on Continuing the Preferential Policies for Reducing and Exempting Urban Land Use Taxes for Urban Bus Stations, Road Passenger Stations, and Urban Rail Transit Systems" (Caishui [2019] No. 11) stipulates: Urban land use tax is exempted for urban bus stations, road passenger stations and urban rail transit system operation land. The implementation period is from January 1, 2019 to December 31, 2021.

5. "Notice of the Ministry of Finance and the State Administration of Taxation on Extending the Implementation Period of Certain Preferential Tax Policies" (Announcement of the Ministry of Finance and the State Administration of Taxation [2021] No.6) exempts urban land use tax for the land used during the construction of public rental housing and the land occupied after the completion of public rental housing. If the preferential tax policies stipulated in this regulation have expired, the implementation period will be extended to December 31, 2023.

## V. Business combination, consolidated financial statements, and interest in other entities

### (I) Controlled secondary subsidiaries and significant tertiary subsidiaries

Subsidiaries	level	Business nature	Registered capital (in ten thousand yuan)	Business scope
1. Acquired through establishment or investments				
Jinan Rail Transit Group Resource Development Co., Ltd. (hereinafter called as "Resource Development Corporation")	2	Technology promotion and application service industry	458,000.00	Development of urban rail transit resources; Land consolidation and development; Property management etc.

Subsidiaries	level	Business nature	Registered capital (in ten thousand yuan)	Business scope
Jinan Rail Transit Group Construction Investment Co., Ltd. (hereinafter called as "Construction Investment Company")	2	Other financial industry	1,070,000.00	Planning, design, and construction of rail transit engineering, road and bridge engineering, and municipal engineering; Development, management, and operation of rail transit projects; External investment with own assets; Real estate development and operation; Property management, etc.
Jinan Rail Transit Group Asset Management Co., Ltd. (hereinafter called as "Asset Management Corporation")	2	Commercial service industry	200,000.00	Invest with own funds and conduct asset management and investment consulting for investment projects
Jinan Transportation Development Investment Co., Ltd. (hereinafter called as "Transportation Development Investment Corporation")	2	Capital Market Services	600,000.00	Use own funds to invest in railways, airports, rail transit, and municipal road infrastructure and do investment consulting for investment projects
Jinan Rail Transit Group Real Estate Co., Ltd. (hereinafter called as "Rail Real Estate Corporation")	2	Real estate industry	100,000.00	Real estate development and operation; Property management; House leasing (excluding financial leasing); Park management services; General contracting of construction projects, professional contracting of building decoration projects (operating with qualification certificates) and other projects that are not prohibited or do not require business licenses according to laws, regulations and decisions of The State Council
Jinan Rail Transit Group Operation Co., Ltd. (hereinafter called as "Rail Operating Company")	2	Road transport industry	50,000.00	General projects: rail transit construction machinery and parts sales; Rail transit operation management system development; Rail transit special equipment, key systems and components sales; Housing rental; Non-residential real estate leasing; Mechanical equipment leasing; Conference and Exhibition services; Property management; Technical services, technology development, technology consultation, technology exchange, technology transfer, and technology promotion. Licensed projects: Urban public transportation
Jinan Rail Transit Group First Operation Co., Ltd. (hereinafter called as "Rail First Operating Company")	2	Road transport industry	10,000.00	Rail transit operation and management; Rail transit technology development and technical services; Leasing of venues and facilities; Exhibition display services; Equipment rental and maintenance

Subsidiaries	level	Business nature	Registered capital (in ten thousand yuan)	Business scope
Engineering Consulting Company	2	Commercial service industry	2,000.00	General projects: Engineering management services; Bidding agency services; Planning and design management; Government procurement agency services; Enterprise management consulting; Information technology consulting services; Technology intermediary services; Conference and exhibition services; Information consulting services (excluding licensing information consulting services), etc.
Track Survey and Design Company	2	Commercial service industry	16,000.00	Engineering and technical consulting services; Engineering design; Rail transit engineering; Engineering investigation; Engineering design; Planning and design management; Project general contracting services; Construction labor subcontracting; Engineering project management; Engineering supervision; Engineering consulting services; Engineering cost consultation; Engineering technical consultation; Surveying and mapping services; Engineering quality testing; Bidding agency services; Development and sales of building materials and other projects that are not prohibited by laws, regulations and decisions of The State Council and do not require business licenses
Rail Transit Research Institute	2	Research and experimental development	5,000.00	Licensed items: construction engineering design; construction engineering quality inspection. General projects: engineering and technology research and experimental development; engineering management services; technical services, technology development, technology consulting, technology exchange, technology transfer, technology promotion; technology intermediary services, etc.

Subsidiaries	level	Business nature	Registered capital (in ten thousand yuan)	Business scope
Shandong Yingtong Development Co., Ltd. (hereinafter called as "Yingtong Development Company")	2	Commercial service industry	100,000.00	Land consolidation services; Investment activities with self-owned funds; Advertising design and agency; Advertising production; Hotel management; Property management; Various engineering construction activities; Real estate development and operation; Construction labor subcontracting
Jinan Shuntong International Co., Ltd. (hereinafter called as "Shuntong International Company")	2	Commercial service industry	10.00 in ten thousand American Dollars	Engaged in Rail transit planning, Design, Financing and other businesses
Jilai High Speed Railway Co., Ltd. (hereinafter called as "Jilai High Speed Rail Company")	3	Commercial service industry	100,000.00	Construction of railway engineering, road engineering, municipal public works and photovoltaic power generation projects; Passenger transport; Investment in railway and municipal road infrastructure with own funds and consultation on investment projects (without the approval of the financial regulatory authorities, it is not allowed to engage in financial services such as deposit absorption, financing guarantee and financing on behalf of customers); Land consolidation service; Real estate development and sales; House lease; Mineral products, building materials, chemical products (excluding dangerous chemicals) sales; Railway technical consulting services; Domestic advertising design, production, agency, release; Travel agency service; Property management; Car park services; Warehousing services (excluding dangerous chemicals); Catering services; Tourism services; New energy development; Railway transportation; Road transport of goods and other items that are not prohibited or do not require business licenses in accordance with laws, regulations and decisions of The State Council

Subsidiaries	level	Business nature	Registered capital (in ten thousand yuan)	Business scope
Jinan Dongtie Rail Transit Building Materials Co., Ltd. (hereinafter called as "Dongtie Building Materials Company")	3	Non-metallic mineral products industry	5,000.00	Production and sales of rail transit building materials, ready-mixed concrete and admixtures, prefabricated components, and building materials (operated by environmental assessment); Storage services (excluding dangerous goods); dedicated cargo transportation (operated by permit)
Jinan Quantie Rail Transit Building Materials Co., Ltd. (hereinafter called as "Quantie Building Materials Company")	3	Non-metallic mineral products industry	5,000.00	Production and sales of rail transit building materials, ready-mixed concrete and admixtures, prefabricated components, and building materials (operated by environmental assessment); Storage services (excluding dangerous goods); dedicated cargo transportation (operated by permit)
Urban Construction Pipeline Company	3	Non-metallic mineral products industry	1,000.00	Manufacture and sales of concrete segments, concrete precast components, and metal structural parts; Recycling and processing of construction waste; Sales of cement products and commercial concrete
Jinan Rail Transit Group Commercial Factoring Co., Ltd. (hereinafter called as "Commercial Factoring Company")	3	Other financial industry	30,000.00	Licensed project: Commercial factoring business
2. Acquired through business combination not under common control				
Aipu Electric Company	3	Electrical machinery and equipment manufacturing	10,000.00	Installation (repair, trial) and leasing of electric power facilities; Development, design, production and sales of power equipment and accessories, electronic equipment and accessories, transmission and transformation equipment, transmission and distribution equipment, electrical components; Operation and maintenance of electrical equipment; Iron products processing; Economic information consultation; Technical consulting services for power supply and consumption; Wholesale and retail of hardware products; Construction labor subcontracting; Sell electricity; Research and development, design, manufacturing, sales, installation, maintenance and leasing of electric vehicle charging facilities; Electric vehicle rental services, charging and changing services, sales, maintenance services, etc

Subsidiaries	level	Business nature	Registered capital (in ten thousand yuan)	Business scope
Jinan Heavy Industries Group Co., Ltd. (hereinafter called as "Heavy Industries Group Company")	3	General equipment manufacturing	80,000.00	Production, Processing and sales: Shield machine, Tunnel boring machine, Environmental protection desulfurization equipment, Electric power equipment, Metallurgical equipment, mining equipment, Building materials equipment; Mechanical parts, Metal material processing; Mechanical equipment installation and maintenance; Mechanical equipment technology Development and technical services; Measurement and testing services; Shield machine and mechanical equipment leasing; House leasing; Site leasing; Road cargo transportation, etc.
Jinan Wenquan City General Aviation Co., Ltd. (hereinafter called as "General Aviation Company")	3	Air transport industry	15,000.00	Construction and management of general aviation airports; Sales, leasing, maintenance and repair of general aircraft; Sales of daily provisions; Sightseeing tourism; Transportation of goods; Crop pest control; Medical aid

(Continued)

Subsidiaries	Actual investment up to period-end (in ten thousand yuan)	Actual net investment balance in subsidiaries	Holding proportion (%)	Voting right proportion (%)
1. Acquired through establishment or investments				
Resource Development Corporation	777,000.00		96.16 [Note1]	96.16
Construction Investment Company	817,000.00		76.36 [Note1]	76.36
Asset Management Corporation	206,068.11		100.00	100.00
Transportation Development Investment Corporation	100,000.00		100.00	100.00
Rail Real Estate Corporation	100,000.00		100.00	100.00
Rail Operating Company [Note2]			100.00	100.00
Rail First Operating Company [Note2]			100.00	100.00
Engineering Consulting Company	500.00		100.00	100.00
Track Survey and Design Company	5,200.00		70.00	70.00
Rail Transit Research Institute [Note2]			100.00	100.00
Yingtong Development Company	18,000.00		60.00	60.00

Subsidiaries	Actual investment up to period-end (in ten thousand yuan)	Actual net investment balance in subsidiaries	Holding proportion (%)	Voting right proportion (%)
Shuntong International Company [Note2]			100.00	100.00
Jilai High Speed Rail Company [Note2]			100.00	100.00
Dongtie Building Materials Company	2,750.00		55.00	55.00
Quantie Building Materials Company	2,750.00		55.00	55.00
Urban Construction Pipeline Company	6,095.40		51.00	51.00
Commercial Factoring Company	30,000.00		100.00	100.00
2. Acquired through business combination not under common control				
Aipu Electric Company	40,134.06		57.00	57.00
Heavy Industries Group Company	85,700.00		100.00	100.00
General Aviation Company	13,317.00		88.78	88.78

[Note1] The Company has increased the capital of its subsidiary Resource Development Corporation by RMB3.52 billion yuan, and has increased the capital of its subsidiary Construction Investment Company by RMB80.00 million yuan, but has not changed two companies' articles of association and registered for industry and commerce. As a result, the actual shareholding ratios are inconsistent with the voting right ratios.

[Note2] As of December 31, 2021, the Company has not actually invested in the Rail Operating Company, the Rail First Operating Company, the Rail Transit Research Institute, the Shuntong International Company and the Jilai High Speed Rail Company etc.

#### (II) Remarks on unusual situations

Remarks on losing control over subsidiaries of which the parent company has more than half voting right

In November 2018, the company's subsidiary Asset Management Corporation and the joint venture Jinan Shengyue Investment Management Co., Ltd. signed an agreement to jointly establish a Jinan Shengyue Rail Transit Industry Investment Fund Partnership (Limited Partnership): the company as a limited partner subscribed to contribute RMB250 million yuan, Jinan Shengyue Investment Management Co., Ltd. subscribed to capital of RMB10 million yuan, a total of RMB260 million yuan as registered capital, of which Jinan Shengyue Investment Management Co., Ltd. is the executive partner. According to the agreement, the company does not participate in the actual operation, so it failed to form control.

#### (III) Remarks on changes in the consolidation scope during the reporting period

Subsidiaries newly brought into the consolidation scope

##### 1. Remarks on subsidiaries acquired through direct establishment or investments

(1) The Company established Rail Transit Research Institute in the current period. On 18 March 2021, the Rail Transit Research Institute was registered at administration for industry and commerce, and obtained a social credit

code numbered 91370102MA3WE6J56A with registered capital of RMB50 million yuan, of which, RMB50 million yuan is contributed by the Company, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(2) The Company and Jinan Laiwu District Economic Development and Investment Company jointly established Yingtong Development Company in the current period. On 28 May 2021, the Yingtong Development Company was registered at administration for industry and commerce, and obtained a social credit code numbered 91370116MA946YLN41 with registered capital of RMB1 billion yuan, of which, RMB600 million yuan is contributed by the Company, accounting for 60% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(3) The Company established Shuntong International Company in the current period. On 6 October 2021, the Shuntong International Company completed the company registration certificate procedures, and obtained company registration statement No.3091133 with registered capital of 0.1 million American dollars, of which, 0.1 million American dollars are contributed by the Company, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(4) The subsidiary Company Rail Real Estate Corporation and China Tiegong Investment & Construction Group Co., Ltd. jointly established Green Development Company in the current period. On 14 April 2021, the Green Development Company was registered at administration for industry and commerce, and obtained a social credit code numbered 91370112MA3WM06W1Q with registered capital of RMB1 billion yuan, of which, RMB550 million yuan is contributed by the subsidiary Company Rail Real Estate Corporation, accounting for 55% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(5) The subsidiary Company Transportation Development Investment Corporation, Jigang Defense Technology Co., Ltd. and Aerospace Information Research Institute, Chinese Academy of Sciences jointly established Times Low Altitude (Shandong) Industrial Development Co., Ltd. in the current period. On 26 February 2021, the Times Low Altitude (Shandong) Industrial Development Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code numbered 91370126MA3W930U41 with registered capital of RMB250 million yuan, of which, RMB127.5 million yuan is contributed by the subsidiary Company Jinan Transportation Development Investment Co., Ltd., accounting for 51% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(6) The subsidiary Company Transportation Development Investment Corporation and China Aviation Industry General Aircraft Co., Ltd. jointly established Jinan General Airport Management Co., Ltd. in the current period. On 23 September 2021, the Jinan General Airport Management Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code numbered 91370126MA94YP6091 with registered capital of RMB10 million yuan, of which, RMB6 million yuan is contributed by the subsidiary Company Transportation Development Investment Corporation, accounting for 60% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(7) The subsidiary Company Transportation Development Investment Corporation and Shanghe County Industrial Investment Development Group Co., Ltd. jointly established Jinan Shanghe General Aviation Industrial Park Development Co., Ltd. in the current period. On 10 December 2021, the Jinan Shanghe General Aviation Industrial Park Development Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit

code numbered 91370126MA7EAUN567 with registered capital of RMB200 million yuan, of which, RMB180 million yuan is contributed by the subsidiary Company Transportation Development Investment Corporation, accounting for 90% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(8) The subsidiary Company Resource Development Corporation established Jinan Shunyue Construction Development Co., Ltd. in the current period. On 25 May 2021, the Jinan Shunyue Construction Development Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code numbered 91370112MA9460EW06 with registered capital of RMB10 million yuan, of which, RMB10 million yuan is contributed by the subsidiary Company Resource Development Corporation, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(9) The subsidiary Company Resource Development Corporation established Jinan Shunxing Real Estate Co., Ltd. in the current period. On 25 May 2021, the Jinan Shunxing Real Estate Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code numbered 91370104MA9466HM45 with registered capital of RMB10 million yuan, of which, RMB10 million yuan is contributed by the subsidiary Company Resource Development Corporation, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(10) The subsidiary Company Resource Development Corporation established Jinan Shunyue Real Estate Co., Ltd. in the current period. On 25 May 2021, the Jinan Shunyue Real Estate Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code numbered 91370104MA9466J07E with registered capital of RMB10 million yuan, of which, RMB10 million yuan is contributed by the subsidiary Company Resource Development Corporation, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(11) The subsidiary Company Resource Development Corporation established Jinan Shunquan Construction Development Co., Ltd. in the current period. On 17 September 2021, the Jinan Shunquan Construction Development Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code numbered 91370112MA94XYJRIP with registered capital of RMB100 million yuan, of which, RMB100 million yuan is contributed by the subsidiary Company Resource Development Corporation, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(12) The subsidiary Company Resource Development Corporation established Jinan Shunmeng Construction Development Co., Ltd. in the current period. On 15 December 2021, the Jinan Shunmeng Construction Development Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code numbered 91370112MA7EXEG88A with registered capital of RMB50 million yuan, of which, RMB50 million yuan is contributed by the subsidiary Company Resource Development Corporation, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(13) The subsidiary Company Resource Development Corporation established Jinan Shunzhuang Construction Development Co., Ltd. in the current period. On 15 December 2021, the Jinan Shunzhuang Construction Development Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code

numbered 91370102MA7EJT136U with registered capital of RMB50 million yuan, of which, RMB50 million yuan is contributed by the subsidiary Company Resource Development Corporation, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(14) The subsidiary Company Resource Development Corporation established Jinan Shunjing Construction Development Co., Ltd. in the current period. On 15 December 2021, the Jinan Shunjing Construction Development Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code numbered 91370112MA7EXE5P78 with registered capital of RMB50 million yuan, of which, RMB50 million yuan is contributed by the subsidiary Company Resource Development Corporation, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(15) The subsidiary Company Resource Development Corporation established Jinan Shunhan Construction Development Co., Ltd. in the current period. On 15 December 2021, the Jinan Shunhan Construction Development Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code numbered 91370112MA7DF4C78B with registered capital of RMB50 million yuan, of which, RMB50 million yuan is contributed by the subsidiary Company Resource Development Corporation, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(16) The subsidiary Company Resource Development Corporation established Jinan Shunyao Construction Development Co., Ltd. in the current period. On 15 December 2021, the Jinan Shunyao Construction Development Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code numbered 91370112MA7E4TPJ8H with registered capital of RMB10 million yuan, of which, RMB10 million yuan is contributed by the subsidiary Company Resource Development Corporation, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(17) The subsidiary Company Resource Development Corporation established Jinan Shunrui Construction Development Co., Ltd. in the current period. On 15 December 2021, the Jinan Shunrui Construction Development Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code numbered 91370112MA7E4TTG9K with registered capital of RMB10 million yuan, of which, RMB10 million yuan is contributed by the subsidiary Company Resource Development Corporation, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(18) The subsidiary Company Resource Development Corporation established Jinan Shunqing Construction Development Co., Ltd. in the current period. On 15 December 2021, the Jinan Shunqing Construction Development Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code numbered 91370112MA7EJPB045 with registered capital of RMB10 million yuan, of which, RMB10 million yuan is contributed by the subsidiary Company Resource Development Corporation, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(19) The subsidiary Company Resource Development Corporation established Jinan Shunbo Construction

Development Co., Ltd. in the current period. On 15 December 2021, the Jinan Shunbo Construction Development Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code numbered 91370112MA7EXE967D with registered capital of RMB10 million yuan, of which, RMB10 million yuan is contributed by the subsidiary Company Resource Development Corporation, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(20) The subsidiary Company Resource Development Corporation established Jinan Shunqun Construction Development Co., Ltd. in the current period. On 15 December 2021, the Jinan Shunqun Construction Development Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code numbered 91370112MA7EXE2Q65 with registered capital of RMB10 million yuan, of which, RMB10 million yuan is contributed by the subsidiary Company Resource Development Corporation, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(21) The subsidiary Company Resource Development Corporation established Jinan Shunce Construction Development Co., Ltd. in the current period. On 15 December 2021, the Jinan Shunce Construction Development Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code numbered 91370112MA7DF4477T with registered capital of RMB10 million yuan, of which, RMB10 million yuan is contributed by the subsidiary Company Resource Development Corporation, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(22) The subsidiary Company Shunjie Property Company established Shun' an (Shandong) Mechanical and Electrical Engineering Co., Ltd. in the current period. On 5 November 2021, the Shun' an (Shandong) Mechanical and Electrical Engineering Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code numbered 91370112MA7C7R600G with registered capital of RMB3 million yuan, of which, RMB3 million yuan is contributed by the subsidiary Company Shunjie Property Company, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(23) The subsidiary Company Track Survey and Design Company and Jinyun Data Technology Co., Ltd. jointly established Shandong Rail Transit Information Co., Ltd. in the current period. On 18 August 2021, the Shandong Rail Transit Information Co., Ltd. was registered at administration for industry and commerce, and obtained a social credit code numbered 91370112MA94P8YG28 with registered capital of RMB10 million yuan, of which, RMB7.5 million yuan is contributed by the subsidiary Company Track Survey and Design Company, accounting for 75% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(24) On December 6, 2021, the subsidiary Company Asset Management Corporation as the general partner and the executive partner subscribed for RMB1 million yuan, accounting for 0.04%, Shenzhen Qianhailian Yirong Commercial Factoring Co., Ltd. as a Class A limited partner subscribed RMB2 billion yuan, accounting for 79.97%, and the Company as a Class B limited partner subscribed RMB500 million yuan, accounting for 19.99%, jointly established Jinan Shuntong Jiecheng Investment Partnership (Limited Partnership) and signed the partnership agreement of Jinan Shuntong Jiecheng Investment Partnership (Limited Partnership). The agreement stipulates that

the subsidiary Company Asset Management Corporation will act as the executive partner to execute partnership matters, and establish an investment decision-making committee. The investment decision-making committee is composed of three person appointed by each of the three shareholders and each has one vote. Resolutions made by the investment committee on related matters must be approved by half (Not included). The approval of the committee members is considered as approval. Although the Company and the subsidiary Company Asset Management Corporation collectively hold 20.03% of the shares, the subsidiary Company Asset Management Corporation acts as the executive partner to manage the affairs of the partnership and two of the three members of the investment decision-making committee belong to the Company, which indicated that major matters can be decided. It is brought to the consolidation scope since foundation.

## 2. Remarks on subsidiaries acquired through business combination not under common control

(1) The Office of the State-owned Assets Supervision and Administration Commission of the Jinan Municipal People's Government issued the document "Approval for the Plan of Jinan Rail Transit Group Co., Ltd. to Reorganize Jinan Heavy Industries Group Co., Ltd." (Jiguozi Income [2020] No.1), which agreed to 52.63% of the state-owned equity of Heavy Industries Group Company was transferred to the Company free of charge. After the transfer, the Heavy Industries Group Company became the Company's holding subsidiary Company. In February 2021, Jinan State-owned Assets Investment Co., Ltd., CCB Capital Management Co., Ltd. and the Company signed the "Supplementary Agreement for Equity Acquisition" as follows: Before February 3 2021, the Company as the first repo, completed the acquisition of CCB Capital Management Co., Ltd., through the asset management plan to obtain the entire equity amount of Heavy Industries Group Company of 247 million yuan (including the registered capital of 90 million yuan and the capital premium of 157 million yuan), and on April 14 2021, completed and registered the equity. Heavy Industries Group Company became a wholly-owned subsidiary of the Company. In December 2021, the subsidiary Company Jinan Shuntong International Co., Ltd. increased capital and shares of Heavy Industries Group Company, subscribed for a registered capital of 610 million yuan, accounting for 76.25% of the shares, and the Company accounted for 23.75% of the shares. The company officially took over the Heavy Industries Group Company on January 1 2021, so it is brought to the consolidation scope since January 1, 2021.

(2) According to the "Equity Transfer Agreement" signed by the subsidiary Company Track Survey and Design Company and the natural person Miao Xuejun in November 2021, the company acquired the 100.00% equity of Universal Space Company held by Miao Xuejun at a price of RMB5.5 million yuan. The company has completed the industrial and commercial change registration of Universal Space Company on December 3 2021, and has gone through the corresponding property rights transfer procedures, so it is brought to the consolidation scope since December, 2021. As of December 31 2021, the equity transfer payment has not been paid.

### (IV) Subsidiaries newly included into the consolidation scope

Entities	Closing balance of net assets	Net profit of the current period
Rail Transit Research Institute	513,750.05	513,750.05
Yingtong Development Company (consolidation)	300,000,000.00	
Shuntong International Company	-1,030,099.50	-1,030,099.50
Heavy Industries Group Company (consolidation)	631,208,456.47	-32,963,665.14
Times Low Altitude (Shandong) Industrial Development Co., Ltd.	44,584,611.69	-415,388.31

Entities	Closing balance of net assets	Net profit of the current period
Jinan General Airport Management Co., Ltd.		
Jinan Shanghe General Aviation Industrial Park Development Co., Ltd.		
Green Development Company	30,213,633.35	213,633.35
Jinan Shunquan Construction Development Co., Ltd.	100,000,000.00	
Jinan Shunmeng Construction Development Co., Ltd.		
Jinan Shunzhuang Construction Development Co., Ltd.		
Jinan Shunjing Construction Development Co., Ltd.		
Jinan Shunhan Construction Development Co., Ltd.		
Jinan Shunyao Construction Development Co., Ltd.		
Jinan Shunrui Construction Development Co., Ltd.		
Jinan Shunqing Construction Development Co., Ltd.		
Jinan Shunbo Construction Development Co., Ltd.		
Jinan Shunqun Construction Development Co., Ltd.		
Jinan Shunce Construction Development Co., Ltd.		
Jinan Shunyue Real Estate Co., Ltd.	10,000,000.00	
Jinan Shunyue Construction Development Co., Ltd.	10,000,000.00	
Jinan Shunxing Real Estate Co., Ltd.	10,000,000.00	
Shandong Rail Transit Information Co., Ltd.	1,166,716.16	166,716.16
Universal Space Company	2,785,275.76	-30,193.13
Jinan Shuntong Jiecheng Investment Partnership (Limited Partnership)	2,501,000,050.00	50.00

(V) Main financial data of significant associates

Investees	Closing balance of total assets	Closing balance of total liabilities	Closing balance of total net assets	Total operating revenue of the current period	Net profit of the current period
Jinan Railway Zhongtie New Building Materials Co., Ltd.	210,468,696.33	94,951,908.05	115,516,788.28	146,287,312.67	11,650,335.14
Jinan Rail Zhongtie Pipe Manufacturing Co., Ltd.	236,613,671.33	110,272,560.77	126,341,110.56	96,159,974.08	15,699,462.47
Shandong Hi-Speed Engineering Inspection Co., Ltd.	225,587,298.03	100,108,721.41	125,478,576.62	191,327,600.68	40,955,165.85

[Note] The information of Jinan Rail Zhongtie Pipe Manufacturing Co., Ltd. and Shandong Hi-Speed Engineering Inspection Co., Ltd. has not been audited.

## VI. Notes to items of consolidated financial statements

Remarks: "Opening balance" refers to "closing balance of last year" after the adjustment of the New Standards for Financial Instruments, the New Standards for Revenue and the New Standards for Leases balances as at January 1, 2021.

### (I) Notes to items of the consolidated balance sheet

#### 1. Cash and bank balances

##### (1) Details

Items	Closing balance	Opening balance
Cash on hand	38.86	
Cash in bank	8,584,605,961.63	6,924,495,726.41
Other cash and cash equivalents	1,203,242,361.93	184,756,152.85
Total	9,787,848,362.42	7,109,251,879.26
Including: Deposited overseas	27,168,736.68	

##### (2) Details of restricted monetary capital

Items	Closing balance	Opening balance
Bank acceptance margin	1,165,858,100.96	147,592,600.42
Construction labor wage deposit	10,111,913.26	10,000,000.00
Security deposits of Letter of Guarantee	13,291,300.69	26,966,023.20
Others	11,548,324.93	15,212,260.20
Subtotal	1,200,809,639.84	199,770,883.82

[Note] Others are mainly land reclamation deposits, etc.

#### (3) Cash and bank balances-Foreign Currency Monetary Funds

Items	Closing balance		
	Original currency and amount	Exchange rate	Amount in RMB
Cash in bank	USD4,261,294.71	6.3757	27,168,736.68
Subtotal	USD4,261,294.71	--	27,168,736.68

#### 2. Notes receivable

##### (1) Details

##### 1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision for bad debts made on a collective basis	141,257,457.34	100.00	873,620.00	0.62	140,383,837.34
Including: Bank acceptance					
Trade acceptance	141,257,457.34	100.00	873,620.00	0.62	140,383,837.34

Total	141,257,457.34	100.00	873,620.00	0.62	140,383,837.34
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(Continued)

Categories	Opening balance [Note]				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision for bad debts made on a collective basis	21,114,600.00	100.00			21,114,600.00
Including: Bank acceptance					
Trade acceptance	21,114,600.00	100.00			21,114,600.00
Total	21,114,600.00	100.00			21,114,600.00

[Note] For the difference between the opening balance and the closing balance of last year (December 31 2020), please refer to the explanation of Note III(XXIX)1 to the financial statements.

2) Notes receivable with provision for bad debts made on a collective basis

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Trade acceptance portfolio	141,257,457.34	873,620.00	0.62
Subtotal	141,257,457.34	873,620.00	0.62

(2) Changes in provision for bad debts

Items	Opening balance	Increase			Decrease			Closing balance
		Accrual	Recovery	Others	Reversal	Write-off	Others	
Receivables with provision for bad debts made on an individual basis								
Receivables with provision for bad debts made on a collective basis		873,620.00						873,620.00
Total		873,620.00						873,620.00

(3) Pledged notes at the balance sheet date

Items	Closing balance of pledged notes
Trade acceptance	48,521,866.40
Subtotal	48,521,866.40

(4) Endorsed or discounted but undue notes at the balance sheet date

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	148,553,160.49	
Trade acceptance		75,545,091.19
Subtotal	148,553,160.49	75,545,091.19

Due to the fact that the acceptor of bank acceptance is commercial bank, which is of high credit level, there is very little possibility of failure in recoverability when it is due. Based on this fact, the Company derecognized the

endorsed or discounted bank acceptance. However, if any bank acceptance is not recoverable when it is due, the Company still holds joint liability on such acceptance, according to the China Commercial Instrument Law.

(5) Notes receivable transferred to accounts receivable due to non-performance of issuer

Items	Amount transferred
Trade acceptance	5,552,800.00
Subtotal	5,552,800.00

3. Accounts receivable

(1) Details

1) Details on categories

Categories	Closing balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Provision for bad debts	Provision proportion (%)	
Receivables with provision made on an individual basis	7,438,915.60	0.47	7,438,915.60	100.00	
Receivables with provision made on a collective basis	1,586,936,279.70	99.53	64,380,562.13	4.06	1,522,555,717.57
Total	1,594,375,195.30	100.00	71,819,477.73	4.50	1,522,555,717.57

(Continued)

Categories	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Provision for bad debts	Provision proportion (%)	
Receivables with provision made on an individual basis	7,068,915.60	0.65	7,068,915.60	100.00	
Receivables with provision made on a collective basis	1,088,220,653.72	99.35	38,433,229.04	3.53	1,049,787,424.68
Total	1,095,289,569.32	100.00	45,502,144.64	4.15	1,049,787,424.68

2) Accounts receivable with provision made on an individual basis

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons
Shandong Hanlin Biotechnology Co., Ltd.	2,784,000.00	2,784,000.00	100.00	After the court judgment, there is no property to enforce.
Erkai Electric (Zhuhai) Co., Ltd.	3,636,915.60	3,636,915.60	100.00	After the court judgment, there is no property to enforce.
Jinan Licheng District Dongjia Town Welfare Smelter	648,000.00	648,000.00	100.00	The unit has been deregistered.

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons
Jinan Hydropower Engineering Branch of Shandong Jinan Railway Engineering Construction Group Co., Ltd.	370,000.00	370,000.00	100.00	The unit has been deregistered.
Subtotal	7,438,915.60	7,438,915.60	100.00	--

3) Accounts receivable with provision for bad debts made on a collective basis

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with ages	906,740,937.72	64,380,562.13	7.10
Portfolio of receivables from subsidiaries of the State Grid and related parties	367,717,659.99		
Portfolio of receivables from customers who also provide services for subway construction	312,477,681.99		
Subtotal	1,586,936,279.70	64,380,562.13	4.06

4) Accounts receivable with provision made on a collective basis using age analysis method

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	558,463,503.29	5,857,472.99	1.05
1-2 years	191,150,445.12	14,058,460.45	7.35
2-3 years	66,775,561.63	11,070,804.30	16.58
3-4 years	34,634,198.04	8,298,645.07	23.96
4-5 years	3,833,900.80	1,063,720.64	27.75
Over 5 years	51,883,328.84	24,031,458.68	46.32
Subtotal	906,740,937.72	64,380,562.13	7.10

(2) Age analysis

Ages	Closing book balance
Within 1 year	923,750,815.50
1-2 years	408,872,192.78
2-3 years	143,260,797.53
3-4 years	51,069,262.55
4-5 years	7,637,202.50
Over 5 years	59,784,924.44
Total	1,594,375,195.30

(3) Changes in provision for bad debts

Items	Opening balance	Increase			Decrease			Closing balance
		Accrual	Recovery	Others	Reversal	Write-off	Others	
Receivables with provision made on an individual basis	7,068,915.60	370,000.00						7,438,915.60

Items	Opening balance	Increase			Decrease			Closing balance
		Accrual	Recovery	Others	Reversal	Write-off	Others	
Receivables with provision made on a collective basis	38,433,229.04	25,947,333.09						64,380,562.13
Total	45,502,144.64	26,317,333.09						71,819,477.73

(4) Balance due from related parties

No related party accounts receivable at the end of the period.

(5) Details of the debtors with largest balances

Name of Debtors	Book balance	% to total accounts receivable
State Grid E-commerce Technology Co., Ltd.	239,299,955.12	15.01
China Railway No.10 Engineering Group No.1 Engineering Co., Ltd.	150,848,738.25	9.46
China Railway Tunnel Stock Co., Ltd.	59,990,590.70	3.76
Jinan Luyuan Electric Group Co., Ltd.	48,363,974.70	3.03
China Railway No.5 Engineering Group Co., Ltd. Urban Rail Transit Engineering Branch	42,463,591.35	2.66
Subtotal	540,966,850.12	33.92

#### 4. Receivables financing

(1) Details

Items	Closing balance		Opening balance [Note]	
	Carrying amount	Accumulated provision for credit impairment	Carrying amount	Accumulated provision for credit impairment
Bank acceptance	121,777,267.03		6,411,921.00	
Accounts receivable	2,205,000.00			
Total	123,982,267.03		6,411,921.00	

[Note] For the difference between the opening balance and the closing balance of last year (December 31 2020), please refer to the explanation of Note III(XXIX)1 to the financial statements.

(2) Pledged receivables financing at the balance sheet date

Items	Closing balance of pledged receivables financing
Bank acceptance	26,250,000.00
Subtotal	26,250,000.00

#### 5. Advances paid

(1) Age analysis

1) Details

Ages	Closing balance			
	Book balance	% to total	Provision for impairment	Carrying amount
Within 1 year	487,143,282.49	31.54		487,143,282.49
1-2 years	423,531,800.70	27.42		423,531,800.70
2-3 years	159,664,397.66	10.34		159,664,397.66

Ages	Closing balance			
	Book balance	% to total	Provision for impairment	Carrying amount
Over 3 years	474,001,364.65	30.70		474,001,364.65
Total	1,544,340,845.50	100.00		1,544,340,845.50

(Continued)

Ages	Opening balance			
	Book balance	% to total	Provision for impairment	Carrying amount
Within 1 year	1,414,590,284.86	53.03		1,414,590,284.86
1-2 years	421,176,948.26	15.79		421,176,948.26
2-3 years	753,728,752.87	28.25		753,728,752.87
Over 3 years	78,128,548.36	2.93		78,128,548.36
Total	2,667,624,534.35	100.00		2,667,624,534.35

2) Balance due from related parties

No prepayments for related party at the end of the period.

(2) Details of the debtors with largest balances

Debtors	Book balance	Proportion to the total balance of advances paid (%)
China Railway 14th Bureau Group Co., Ltd.	126,044,858.59	8.16
China Railway No.5 Engineering Group Co., Ltd.	125,805,272.28	8.15
China Tiesiju Civil Engineering Group Co., Ltd.	117,262,430.44	7.59
Jinan Yellow River Road and Bridge Construction Group Co., Ltd.	85,027,496.18	5.51
Jinan Tianhong Yonghui Real Estate Development Co., Ltd.	80,135,260.80	5.19
Subtotal	534,275,318.29	34.60

6. Other receivables

(1) Details

Items	Closing balance	Opening balance
Dividend receivable	10,102,938.55	4,739,500.00
Other receivables	6,340,362,759.59	5,045,655,221.32
Total	6,350,465,698.14	5,050,394,721.32

(2) Dividend receivable

Company	Closing balance	Opening balance
Jinan CREG Heavy Machinery and Rail Transit Equipment Co., Ltd.		4,739,500.00
Jinan Rail Zhongtie Pipe Manufacturing Co., Ltd.	4,500,000.00	
Shandong Hi-Speed Engineering Inspection Co., Ltd.	5,602,938.55	
Subtotal	10,102,938.55	4,739,500.00

(3) Other receivables

1) Details

a. Details on categories

Categories	Closing balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Provision for bad debts	Provision proportion (%)	
Receivables with provision made on an individual basis	49,684,480.24	0.78	49,684,480.24	100.00	
Receivables with provision made on a collective basis	6,340,773,394.34	99.22	410,634.75	0.01	6,340,362,759.59
Total	6,390,457,874.58	100.00	50,095,114.99	0.78	6,340,362,759.59

(Continued)

Categories	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Provision for bad debts	Provision proportion (%)	
Receivables with provision made on an individual basis					
Receivables with provision made on a collective basis	5,045,699,761.46	100.00	44,540.14	0.00	5,045,655,221.32
Total	5,045,699,761.46	100.00	44,540.14	0.00	5,045,655,221.32

b. Other receivables with provision made on an individual basis

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons
Shandong Tianmai Pipe Industry Co., Ltd.	31,622,682.13	31,622,682.13	100.00	The payment has not been paid for many years, and the possibility of recovery is low.
Jinan Heavy Machinery Group Company	18,061,798.11	18,061,798.11	100.00	The payment has not been paid for many years, and the possibility of recovery is low.
Subtotal	49,684,480.24	49,684,480.24	100.00	--

c. Other receivables with provision made on a collective basis

Portfolios	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with government funds receivable	130,055,787.83		
Portfolio grouped with security deposits receivable	1,454,457,792.27		
Portfolio grouped with associated transaction combination	35,964,158.99		
Portfolio grouped with external lending funds	4,700,000,000.00		
Portfolio grouped with reserve funds	9,856,820.31		
Portfolio grouped with ages	10,438,834.94	410,634.75	3.93
Including: Within one year	7,106,388.68	28,860.01	0.41

Portfolios	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
1-2 years	334,872.45	13,141.13	3.92
2-3 years	544,642.38	16,339.27	3.00
3-4 years	138,260.87	6,913.04	5.00
4-5 years	1,175,528.16	117,552.82	10.00
Over 5 years	1,139,142.40	227,828.48	20.00
Subtotal	6,340,773,394.34	410,634.75	0.01

#### 2) Age analysis

Ages	Closing book balance
Within 1 year	1,604,250,516.49
1-2 years	1,142,985,348.50
2-3 years	3,630,008,228.03
3-4 years	4,259,036.22
4-5 years	5,378,774.61
Over 5 years	3,575,970.73
Total	6,390,457,874.58

#### 3) Changes in provision for bad debts

Items	Phase I	Phase II	Phase III	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance			44,540.14	44,540.14
Opening balance in the current period	--	--	--	44,540.14
--Transferred to phase II				
--Transferred to phase III				
--Reversed to phase II				
--Reversed to phase I				
Provision made in the current period			50,050,574.85	50,050,574.85
Provision recovered in current period				
Provision reversed in current period				
Provision written off in current period				
Other changes				
Closing balance			50,095,114.99	50,095,114.99

#### 4) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Security deposits	1,457,237,467.45	190,715,859.91
Call loans	4,731,625,182.13	4,700,000,000.00
Temporary advance payment receivable	35,068,536.37	10,816,735.17

Nature of receivables	Closing balance	Opening balance
Payments and collections	90,990,625.90	101,007,789.31
Others	75,536,062.73	43,159,377.07
Subtotal	6,390,457,874.58	5,045,699,761.46

5) Balance due from related parties

Name of related parties	Closing balance
Shandong Yuhan Industry Investment Development Co., Ltd.	1,500,000,000.00
Jinan Shengyue Rail Transit Industry Investment Fund Partnership (Limited Partnership)	32,864,158.99
Shandong Puhui Sharing Economy Technology Development Co., Ltd.	3,000,000.00
Shandong Hualing Cable Co., Ltd.	100,000.00
Subtotal	1,535,964,158.99

6) Details of the debtors with largest balances

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Jinan Public Resources Trading Center	Land Bidding Deposit	1,430,700,000.00	Within 1 year	22.39	
Jinan Finance Bureau	Lending funds	1,000,000,000.00	2-3 years	15.65	
Jinan Tianqiao Urban Development Co., Ltd.	Lending funds	1,000,000,000.00	1-2 years	15.65	
Jinan Industrial Development Investment Group Co., Ltd.	Lending funds	1,000,000,000.00	2-3 years	15.65	
Jinan Public Traffic Group Co., Ltd.	Lending funds	200,000,000.00	2-3 years	3.13	
Subtotal	--	4,630,700,000.00	--	72.47	

7. Inventories

Items	Closing balance		
	Book balance	Provision for write-down	Carrying amount
Materials in transit	13,035,465.61		13,035,465.61
Raw materials	140,085,143.84		140,085,143.84
Work in process	190,730,650.02		190,730,650.02
Development cost (Real Estate Industry)	2,813,557,076.60		2,813,557,076.60
Goods on hand	738,694,461.10		738,694,461.10
Goods dispatched	357,347,499.11		357,347,499.11
Materials on consignment for further processing	3,718,458.22		3,718,458.22
Low-value consumables	2,263,244.55		2,263,244.55
Other revolving materials	3,974,326.83		3,974,326.83
Total	4,263,406,325.88		4,263,406,325.88

(Continued)

Items	Opening balance		
	Book balance	Provision for write-down	Carrying amount
Materials in transit			
Raw materials	106,092,305.64		106,092,305.64
Work in process	126,938,843.13		126,938,843.13
Development cost (Real Estate Industry)	543,192,295.56		543,192,295.56
Goods on hand	151,109,475.18		151,109,475.18
Goods dispatched	98,571,419.31		98,571,419.31
Materials on consignment for further processing	3,310,483.25		3,310,483.25
Low-value consumables	475,524.69		475,524.69
Other revolving materials	10,065,319.95		10,065,319.95
Total	1,039,755,666.71		1,039,755,666.71

#### 8. Other current assets

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Pending deduct VAT on purchase	3,650,892,269.19		3,650,892,269.19	1,946,020,119.53		1,946,020,119.53
Prepaid income tax	179,288.89		179,288.89	118,628.61		118,628.61
Others	85,380.87		85,380.87	21,771.72		21,771.72
Total	3,651,156,938.95		3,651,156,938.95	1,946,160,519.86		1,946,160,519.86

#### 9. Available-for-sale financial assets

Items	Closing balance	Opening balance [Note]
Available-for-sale equity instruments		
Total		

[Note] For the difference between the opening balance and the closing balance of last year (December 31 2020), please refer to the explanation of Note III(XXIX)1 to the financial statements.

#### 10. Long-term equity investments

##### (1) Categories

Items	Closing balance		
	Book balance	Provision for impairment	Carrying amount
Investments in joint ventures and associates	892,474,648.75	240,000.00	892,234,648.75
Total	892,474,648.75	240,000.00	892,234,648.75

(Continued)

Items	Opening balance		
	Book balance	Provision for impairment	Carrying amount
Investments in joint ventures and associates	349,997,893.74		349,997,893.74

Items	Opening balance		
	Book balance	Provision for impairment	Carrying amount
Total	349,997,893.74		349,997,893.74

(2) Details

Investees	Opening balance	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Shandong Puhui Sharing Economy Technology Development Co., Ltd.		1,625,000.00		-232,706.95	
Jinan Railway Zhongtie New Building Materials Co., Ltd.	40,956,099.98			4,776,637.41	
Jinan Rail Zhongtie Pipe Manufacturing Co., Ltd.	27,902,192.68			3,509,221.94	
Shandong Shengquan Rail Transit Equipment Co., Ltd.		49,000,000.00			
Shandong Decai Construction Co., Ltd.		49,000,000.00		6,471,784.35	
Jinan CRRC Sifang Rail Transit Equipment Co., Ltd.		24,500,000.00		-1,103,160.52	
Jinan Metro TV Culture Media Co., Ltd.	1,417,654.52			358,984.38	
Jinan Sirui Rail Transit Equipment Technology Co., Ltd.	12,001,476.72			202,059.43	
Shandong Traffic Control Technology Co., Ltd.		20,000,000.00			
Shandong Rishun New Building Materials Co., Ltd.		20,000,000.00		-1,268,602.54	
Shandong Traffic Engineering Supervision & Consultation Co., Ltd.		119,260,342.07		6,112,919.54	
Shandong SRCC Rail Transit Technology Co., Ltd.	3,036,352.16			-655,055.20	
Jinan Rail Transit New Material Co., Ltd.	8,035,738.44			1,521,216.69	
Shandong Hi-Speed Engineering Inspection Co., Ltd.	108,507,452.12			10,767,487.61	
Shandong Zhongankaijie Equity Investment and Fund Management Co., Ltd.	15,000,000.00				
Shandong Yuhan Industry Investment Development Co., Ltd.	13,924,382.32			-1,618,522.67	
Shandong Miaohui Intelligent Technology Co., Ltd.	9,293,727.51			1,882,132.32	
Jinan Shengyue Investment Management Co., Ltd.	4,000,000.00				
Jinan Jiayue Asset Management Co., Ltd.	1,841,860.00				
Shandong Jiayuan Resources Development Co., Ltd.	39,880,601.64			3,194,315.31	
Jinan CREG Heavy Machinery and Rail Transit Equipment Co., Ltd.	64,200,355.65				
Shandong Urban Traffic Art Design Co., Ltd.		1,000,000.00		4,496.32	

Investees	Opening balance	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Jinan Hongli Electric Control Equipment Co., Ltd.		240,000.00			
Shandong Hualing Cable Co., Ltd.		236,666,700.00			
Jinan Jinkong International Financial Leasing Co., Ltd.		49,211,861.17			
Zhongxin Measurement and Control Technology (Jinan) Co., Ltd.		2,250,000.00			
Total	349,997,893.74	572,753,903.24		33,923,207.42	

(Continued)

Investees	Increase/Decrease				Closing balance	Closing balance of provision for impairment
	Changes in other equity	Cash dividend/Profit declared for distribution	Provision for impairment	Others		
Shandong Puhui Sharing Economy Technology Development Co., Ltd.					1,392,293.05	
Jinan Railway Zhongtie New Building Materials Co., Ltd.					45,732,737.39	
Jinan Rail Zhongtie Pipe Manufacturing Co., Ltd.					31,411,414.62	
Shandong Shengquan Rail Transit Equipment Co., Ltd.					49,000,000.00	
Shandong Decai Construction Co., Ltd.					55,471,784.35	
Jinan CRRC Sifang Rail Transit Equipment Co., Ltd.					23,396,839.48	
Jinan Metro TV Culture Media Co., Ltd.					1,776,638.90	
Jinan Sirui Rail Transit Equipment Technology Co., Ltd.					12,203,536.15	
Shandong Traffic Control Technology Co., Ltd.					20,000,000.00	
Shandong Rishun New Building Materials Co., Ltd.					18,731,397.46	
Shandong Traffic Engineering Supervision & Consultation Co., Ltd.					125,373,261.61	
Shandong SRCC Rail Transit Technology Co., Ltd.					2,381,296.96	
Jinan Rail Transit New Material Co., Ltd.					9,556,955.13	
Shandong Hi-Speed Engineering Inspection Co., Ltd.					119,274,939.73	
Shandong Zhongankaijie Equity Investment and Fund Management Co., Ltd.					15,000,000.00	
Shandong Yuhan Industry Investment Development Co., Ltd.					12,305,859.65	

Investees	Increase/Decrease				Closing balance	Closing balance of provision for impairment
	Changes in other equity	Cash dividend/Profit declared for distribution	Provision for impairment	Others		
Shandong Miaohui Intelligent Technology Co., Ltd.					11,175,859.83	
Jinan Shengyue Investment Management Co., Ltd.					4,000,000.00	
Jinan Jiayue Asset Management Co., Ltd.					1,841,860.00	
Shandong Jiayuan Resources Development Co., Ltd.					43,074,916.95	
Jinan CREG Heavy Machinery and Rail Transit Equipment Co., Ltd.				-64,200,355.65		
Shandong Urban Traffic Art Design Co., Ltd.					1,004,496.32	
Jinan Hongli Electric Control Equipment Co., Ltd.			240,000.00			240,000.00
Shandong Hualing Cable Co., Ltd.					236,666,700.00	
Jinan Jinkong International Financial Leasing Co., Ltd.					49,211,861.17	
Zhongxin Measurement and Control Technology (Jinan) Co., Ltd.					2,250,000.00	
Total			240,000.00	-64,200,355.65	892,234,648.75	240,000.00

## 11. Other equity instrument investments

### (1) Details

Items	Closing balance	Opening balance [Note]	Dividend income	Accumulated amount of gains or losses transferred from other comprehensive income to retained earnings	
				Amount	Reasons
Shandong Jigang Security Service Co., Ltd.	1,000,000.00	300,000.00			
Jinan Shengyue Rail Transit Industry Investment Fund Partnership (Limited Partnership)	50,000,000.00	50,000,000.00			
Jinan Jixin Industry Development Investment Partnership (Limited Partnership)	500,000,000.00	500,000,000.00			
Jinan new and old kinetic energy conversion investment promotion merges and acquisitions fund partnership (Limited Partnership)	73,170,000.00	73,170,000.00			
Jinan Urban Rail Transit Association	10,000.00				
QILU BANK Co., Ltd.	1,806,390.00				

Items	Closing balance	Opening balance [Note]	Dividend income	Accumulated amount of gains or losses transferred from other comprehensive income to retained earnings	
				Amount	Reasons
Total	625,986,390.00	623,470,000.00			

[Note] For the difference between the opening balance and the closing balance of last year (December 31 2020), please refer to the explanation of Note III(XXIX)1 to the financial statements.

(2) Reasons for equity instrument investments designated as at fair value through other comprehensive income

The Company has neither control nor significant influence on Shandong Jigang Security Service Co., Ltd., Jinan Shengyue Rail Transit Industry Investment Fund Partnership (Limited Partnership), Jinan Jixin Industry Development Investment Partnership (Limited Partnership), Jinan new and old kinetic energy conversion investment promotion merges and acquisitions fund partnership (Limited Partnership), Jinan Urban Rail Transit Association and QILU BANK Co., Ltd. The Company holds the equity for non-trading purposes, and the Company designates the investment as at fair value through other comprehensive income.

12. Other non-current financial assets

Items	Closing balance	Opening balance
Financial assets classified as at fair value through profit or loss	26,000,000.00	
Including: Debt instrument investments	26,000,000.00	
Total	26,000,000.00	

13. Investment property

Cost

Items	Opening balance	Increase	Decrease	Closing balance
Buildings and structures		102,849,929.38		102,849,929.38
Total		102,849,929.38		102,849,929.38

Accumulated depreciation & Accumulated amortization

Items	Opening balance	Increase	Decrease	Closing balance
Buildings and structures		116,318.35		116,318.35
Total		116,318.35		116,318.35

Carrying amount

Items	Opening balance	Closing balance
Buildings and structures		102,733,611.03
Total		102,733,611.03

14. Fixed assets

(1) Details

Items	Opening balance	Closing balance
Fixed assets	532,979,113.47	242,651,591.88

Items	Opening balance	Closing balance
Disposal of fixed assets	6,779,251.52	
Total	539,758,364.99	242,651,591.88

(2) Fixed assets

1) Details

Cost

Items	Opening balance	Increase	Decrease	Closing balance
Buildings and structures	170,906,097.98	253,497,773.14	9,000.00	424,394,871.12
Special equipment	73,714,046.42	295,852,766.58	70,317,664.64	299,249,148.36
Transportation facilities	42,035,396.48	13,232,593.09	2,097,389.20	53,170,600.37
General equipment and others	56,684,614.97	40,721,032.21	2,879,779.62	94,525,867.56
Subtotal	343,340,155.85	603,304,165.02	75,303,833.46	871,340,487.41

Accumulated depreciation

Items	Opening balance	Increase	Decrease	Closing balance
Buildings and structures	22,039,426.17	74,302,172.40	8,550.00	96,333,048.57
Special equipment	28,575,210.62	173,112,526.21	39,930,003.82	161,757,733.01
Transportation facilities	25,197,971.68	14,463,235.36	1,990,620.53	37,670,586.51
General equipment and others	24,875,955.50	20,298,263.46	2,574,213.11	42,600,005.85
Subtotal	100,688,563.97	282,176,197.43	44,503,387.46	338,361,373.94

Carrying amount

Items	Opening balance	Closing balance
Buildings and structures	148,866,671.81	328,061,822.55
Special equipment	45,138,835.80	137,491,415.35
Transportation facilities	16,837,424.80	15,500,013.86
General equipment and others	31,808,659.47	51,925,861.71
Total	242,651,591.88	532,979,113.47

2) Fixed assets with certificate of titles being unsettled

Items	Cost	Accumulated depreciation	Closing balance	Reasons for unsettlement
Commercial and subway transfer hall supporting facilities building, T9 Zone, East Square South Complex, Jinan West Railway	36,697,247.71	3,123,088.69	33,574,159.02	In process
The office buildings and workshops of Aipu Electric Company	26,361,215.79	15,828,665.34	10,532,550.45	The right holders of the land in the factory area are Jinan Luyuan Electric Group Co., Ltd. and State Grid Shandong Electric Power Company. Aipu Electric Company uses the land under the authorization of the above two companies.

Items	Cost	Accumulated depreciation	Closing balance	Reasons for unsettlement
The office buildings and workshops of Quantie Building Materials Company	51,501,392.70	4,892,632.26	46,608,760.44	The land occupied by the buildings is temporary land, which cannot be obtained property right certificate
Subtotal	114,559,856.20	23,844,386.29	90,715,469.91	--

(3) Disposal of fixed assets

Items	Closing balance	Opening balance
Disposal of fixed assets	6,779,251.52	
Subtotal	6,779,251.52	

15. Construction in progress

(1) Details

Items	Closing balance		
	Book balance	Provision for impairment	Carrying amount
Construction projects in progress	90,477,673,261.61		90,477,673,261.61
Total	90,477,673,261.61		90,477,673,261.61

(Continued)

Items	Opening balance		
	Book balance	Provision for impairment	Carrying amount
Construction projects in progress	62,953,828,697.02		62,953,828,697.02
Total	62,953,828,697.02		62,953,828,697.02

(2) Changes of construction in progress

Projects	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance
The Jilai High-Speed Rail Project	1,187,822,692.21	8,006,156,399.95			9,193,979,092.16
Shanghe Airport Project	142,247,414.08	100,875,756.65			243,123,170.73
Qianfo Mountain North Square		2,665,509.56			2,665,509.56
Pengjiazuang Station Rental Housing Project		258,098,144.68			258,098,144.68
Laiwu District Chinese Enterprise Forum Environmental Improvement Project		174,493,097.73			174,493,097.73
New East Railway Station Area	1,729,974,003.14	621,407,779.67			2,351,381,782.81
Cheung Ma District	656,957,622.59	306,888,304.48		404,505,156.98	559,340,770.09
Huashan North Area	5,757,376,712.55	282,899,302.84			6,040,276,015.39
New East Railway Station Resettlement District 3(Phase II)	43,676,868.45	144,503,752.56			188,180,621.01
New East Railway Station Resettlement District 3(Phase I)	3,109,528,344.73	316,790,536.12			3,426,318,880.85

Projects	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance
Metro R1 Line Integrated Base and R3 Line Parking Lot Projects	26,240,014.44	1,679,972.17			27,919,986.61
Huashan North Resettlement District 1	1,148,457,899.49	90,622,414.11			1,239,080,313.60
Huashan North Resettlement District 2	837,073,103.38	44,759,671.73			881,832,775.11
New East Railway Station Resettlement District 1	2,655,610,120.67	212,321,893.68			2,867,932,014.35
Metro Building Project	429,907,723.33	12,600.00			429,920,323.33
New East Railway Station Resettlement District 4	1,848,535,380.44	170,981,032.96			2,019,516,413.40
New East Railway Station Resettlement District 2	2,387,713,377.80	136,973,729.40			2,524,687,107.20
New East Railway Station Resettlement District 3 Supporting Municipal Road Project	56,425,846.44	762,422.68		1,982,641.52	55,205,627.60
Zhaoying District	2,531,440.40	2,868,615.50			5,400,055.90
Jinan Railway Station North Square Underground Passage Project	138,355,156.03	38,706,091.44			177,061,247.47
Headquarter City of Provincial Enterprises Project	470,038,836.32	309,759,493.94			779,798,330.26
Wangfu Shuitun Area	18,369,182.49	17,496,841.46			35,866,023.95
Wangfu Shuitun Resettlement Area	4,585,254.84	486,723,851.19			491,309,106.03
Covered Property Development of Line 2 Wangfu Rolling Stock Depot	18,213,525.87	586,727.20			18,800,253.07
Covered Property Development of Line 2 Lashan Station	21,678,411.76	12,675,004.78			34,353,416.54
Covered Property Development of Line 2 Jiangjiazhuang Station	5,018,445.15	2,528,700.96			7,547,146.11
East Railway Station North and South Square	245,816.84	989,251.21			1,235,068.05
Yangjia Street Road Project in Jinan New East Railway Station Zhangma District	3,275,692.25				3,275,692.25
Huashan North Area Phase I B-1 Plot Rental Housing Project		51,280,100.00			51,280,100.00
Huashan North Area Phase I C-1 Plot Rental Housing Project		53,040,100.00			53,040,100.00
Security Housing New East Railway Station Resettlement District 1	10,000,000.00				10,000,000.00
Plot C-4 in Zhangmatun Area		355,349,894.00			355,349,894.00
Plot C-5 in Zhangmatun Area		43,382,432.40			43,382,432.40
Metro Line R1 Project	9,105,039,046.79	2,521,986,979.53			11,627,026,026.32
Metro Line R2 Phase I	11,078,605,171.33	5,760,288,892.73			16,838,894,064.06

Projects	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance
Metro Line R2 Phase II	31,732,188.39			173,560.35	31,558,628.04
Metro Line R3 Phase I	11,588,831,959.47	1,978,213,158.88			13,567,045,118.35
Metro Line R3 Phase II	165,433,846.95	571,314,084.83			736,747,931.78
Metro Line 6	190,884,214.30	598,932,883.99			789,817,098.29
Metro Line 4 Phase I	93,048,768.67	957,060,025.50			1,050,108,794.17
Da Xiaofan Urban Village Reconstruction Project	768,540,617.31	13,002,984.52		781,543,601.83	
Municipal Supporting Projects	851,217,361.65	295,188,075.88			1,146,405,437.53
East Station Traffic Hub	721,443,912.47	312,322,317.27			1,033,766,229.74
East Station Traffic Hub Reserved Project	575,854,764.20	165,568,935.30			741,423,699.50
East Station Traffic Hub North-South Square Project	1,438,749,810.63	128,339,783.28			1,567,089,593.91
Entry and Exit Road of East Station Traffic Hub	1,764,041,349.94	235,611,550.95			1,999,652,900.89
Municipal Roads of East Station Traffic Hub Phase II	399,731,840.43	207,351,522.81			607,083,363.24
East Station Traffic Hub Station South Road Underground Project	83,417,797.45	3,601,818.06			87,019,615.51
Tianyuan Avenue and Ganghua North Road Comprehensive Pipe Gallery	253,824,326.15	12,763,584.60			266,587,910.75
Road Power Pipe Trench in East Railway Station Area Phase I	1,558,905.60	9,238,238.74			10,797,144.34
Municipal Roads of Huashan North Area	55,255,886.44	179,667,598.37			234,923,484.81
Guihua Xihuan Road Construction Project in Wangfu District	5,555,529.56	72,459,985.26			78,015,514.82
Inlet and Outlet Water Pipe Network of Sewage Treatment Plant in East Station Area	1,420,430.43	18,611,925.81			20,032,356.24
Control Center	831,834,054.72	37,550,966.03			869,385,020.75
Longji River and Xiaohan Valley Ditch Project	62,703,670.83	10,180,810.52			72,884,481.35
Tram Line 1	1,448,838.27			59,643.37	1,389,194.90
Baiquan Water Plant	9,254,146.69	7,115,336.97			16,369,483.66
Metro Line M2	43,901,142.59			240,127.52	43,661,015.07
Zhaowang River (Huashan North Section) Comprehensive Improvement Project		19,006,144.01			19,006,144.01
Two Bridges and One Tunnel (Jiluo Tunnel Agency Construction Project)		1,105,238,830.66			1,105,238,830.66

Projects	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance
Two Bridges and One Tunnel (Qilu Bridge Agency Construction Project)		313,803,552.60			313,803,552.60
East Station Guanbao Street (Bawang Road to Longji River East Road) Road Project		14,952,140.78			14,952,140.78
East Station Longji River West Road (Wanghua South Street to Guanbao Street) Road Project		9,214,590.34			9,214,590.34
10KV Substation	1,415,427.12	139,491.86	139,491.86		1,415,427.12
Shandong Yonyou Software Technology Co., Ltd. (Software to be Debugged)		636,792.44			636,792.44
Industrial Park Intelligent Assembly Plant Project	2,987,698.12				2,987,698.12
Jiyang Tram Project	1,028.81	1,601,527.72			1,602,556.53
The Zhengji High-Speed Rail Project	39,174,556.92	71,415,863.23			110,590,420.15
Huangtai Station Contact Line Project (Jinan Hub Jiaoji Railway to Jiqing High-Speed Railway Connecting Line)	10,320,488.05	13,709,396.58			24,029,884.63
Two Bridges and One Tunnel (Phoenix Bridge Agency Construction Project)		646,665,192.16			646,665,192.16
Others	66,741,031.05	176,928,735.25	5,474,354.49		238,195,411.81
Total	62,953,828,697.02	28,717,963,142.51	5,613,846.35	1,188,504,731.57	90,477,673,261.61

#### 16. Productive biological assets

Items	Forestry	Total
<b>Cost</b>		
Opening balance		
Increase	330,000.00	330,000.00
Decrease		
Closing balance	330,000.00	330,000.00
<b>Accumulated depreciation</b>		
Opening balance		
Increase		
Decrease		
Closing balance		
<b>Carrying amount</b>		
Closing balance	330,000.00	330,000.00
Opening balance		

17. Right-of-use assets

Cost

Items	Opening balance	Increase	Decrease	Closing balance
Buildings and structures	105,619,612.94	872,838.29		106,492,451.23
Special equipment		1,337,057,279.73	113,055,265.49	1,224,002,014.24
Subtotal	105,619,612.94	1,337,930,118.02	113,055,265.49	1,330,494,465.47

Accumulated depreciation

Items	Opening balance	Increase	Decrease	Closing balance
Buildings and structures		25,601,562.11		25,601,562.11
Special equipment		228,283,504.73	41,549,047.22	186,734,457.51
Subtotal		253,885,066.84	41,549,047.22	212,336,019.62

Carrying amount

Items	Opening balance	Closing balance
Buildings and structures	105,619,612.94	80,890,889.12
Special equipment		1,037,267,556.73
Total	105,619,612.94	1,118,158,445.85

[Note] For the difference between the opening balance and the closing balance of last year (December 31 2020), please refer to the explanation of Note III(XXIX)3 to the financial statements.

18. Intangible assets

Cost

Items	Opening balance	Increase	Decrease	Closing balance
Patent right		13,000.00		13,000.00
Software	3,261,838.32	35,153,660.57	346,194.70	38,069,304.19
Land use right	131,043,922.60	3,430,656.33		134,474,578.93
Subtotal	134,305,760.92	38,597,316.90	346,194.70	172,556,883.12

Accumulated amortization

Items	Opening balance	Increase	Decrease	Closing balance
Patent right		974.97		974.97
Software	788,533.75	11,810,089.09		12,598,622.84
Land use right	2,165,562.18	2,658,067.57		4,823,629.75
Subtotal	2,954,095.93	14,469,131.63		17,423,227.56

Carrying amount

Items	Opening balance	Closing balance
Patent right		12,025.03
Software	2,473,304.57	25,470,681.35
Land use right	128,878,360.42	129,650,949.18
Total	131,351,664.99	155,133,655.56

19. Development expenditures

Items	Opening balance	Increase		Decrease			Closing balance
		Internal development expenditures	Others	Recognized as intangible assets	Transferred to profit or loss	Others	
Low-altitude Test Verification Project			2,604,162.38				2,604,162.38
Total			2,604,162.38				2,604,162.38

## 20. Goodwill

### (1) Details

Investees or events resulting in goodwill	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Aipu Electric Company	75,308,738.93		75,308,738.93	75,308,738.93		75,308,738.93
Universal Space Company	2,591,087.19		2,591,087.19			
Total	77,899,826.12		77,899,826.12	75,308,738.93		75,308,738.93

### (2) Provision for impairment of goodwill

Investees	Opening balance	Formed by the merger of enterprises in current period	Decrease	Closing balance
Aipu Electric Company				
Universal Space Company				
Total				

### (3) Other remarks

1) According to the evaluation report CEA [2019] No. 3228 issued by China Enterprise Appraisals Co., Ltd., with December 31, 2018 as the base date, the book value of net assets of Aipu Electric Company is RMB548.96 million yuan (RMB in millions, the same below), and the total shareholder equity value assessed by the income method is RMB636.08 million yuan. The asset-based method evaluates the net asset value of RMB604.05 million yuan, and the final evaluation result of external transaction is income method. According to the income method, the appraised value of 57% net asset of Aipu Electric Company is RMB362.57 million yuan. The company paid a total consideration of RMB401.34 million yuan for the purchase of 57% equity of Aipu Electric Company. The 57% net asset value of Aipu Electric Company on January 1, 2020 was RMB272.28 million yuan. Under the consolidated financial statements, the value of assets was adjusted according to the fair value of identifiable assets of RMB53.75 million yuan, and the premium was RMB75.31 million yuan as goodwill. Compared with 2018, 2019 and 2020, the operating condition of Aipu Electric Company in 2021 did not deteriorate, and there was no provision for impairment of goodwill.

2) According to the evaluation report Zhongheng Lu [2021] No. 85 issued by Shandong Zhongping Hengxin Assets Appraisal Co., Ltd., with May 31, 2021 as the base date, the book value of net assets of Universal Space Company is RMB165.13 ten thousand yuan (RMB in ten thousands, the same below), and the total shareholder equity value assessed by the income method is RMB723.97 ten thousand yuan. The asset-based method evaluates the net asset value of RMB174.48 ten thousand yuan, and the final evaluation result of external transaction is income method.

The company paid a total consideration of RMB550.00 ten thousand yuan for the purchase of 100% equity of Universal Space Company. The net assets value of Universal Space Company on November 30, 2021 was RMB281.55 ten thousand yuan. Under the consolidated financial statements, the value of assets was adjusted according to the fair value of identifiable assets of RMB9.34 ten thousand yuan, and the premium was RMB259.11 ten thousand yuan as goodwill. The operating condition of Universal Space Company in 2021 did not deteriorate, and there was no provision for impairment of goodwill.

#### 21. Long-term prepayments

Items	Opening balance	Increase	Amount of current amortization	Other decrease	Closing balance
House decoration and renovation expenses	2,893,284.05	5,916,078.23	877,901.22		7,931,461.06
Other prepayments	314,231.33	560,996.56	272,871.03		602,356.86
Total	3,207,515.38	6,477,074.79	1,150,772.25		8,533,817.92

#### 22. Deferred tax assets and deferred tax liabilities

Items	Closing balance		Opening balance	
	Deferred tax assets/liabilities	Deductible/Taxable temporary difference	Deferred tax assets/liabilities	Deductible/Taxable temporary difference
Deferred tax assets	14,796,190.38	87,295,746.19	10,966,516.59	68,797,794.72
Provision for impairment of assets	10,569,900.93	60,580,665.24	7,473,563.14	45,546,684.78
Deductible loss	4,107,777.14	25,960,245.22	3,373,337.36	22,488,915.72
Party construction funds	118,512.31	754,835.73	119,616.09	762,194.22
Deferred tax liabilities	2,492,399.20	10,040,216.95	2,921,043.12	11,789,317.50
One-off pre-tax deduction for fixed assets	2,492,399.20	10,040,216.95	2,921,043.12	11,789,317.50

#### 23. Other non-current assets

Items	Closing balance	Opening balance
Purchase of long-term assets	1,959,995,796.96	1,222,250,000.00
Prepayment of land expropriation compensation, relocation fees and construction costs	29,391,442,647.83	23,913,529,991.25
Total	31,351,438,444.79	25,135,779,991.25

#### 24. Short-term borrowings

Items	Closing balance	Opening balance [Note]
Credit borrowings	382,349,833.33	147,208,341.64
Guaranteed borrowings	705,810,496.81	600,705,833.33
Total	1,088,160,330.14	747,914,174.97

[Note] For the difference between the opening balance and the closing balance of last year (December 31 2020), please refer to the explanation of Note III(XXIX)1 to the financial statements.

25. Notes payable

(1) Details

Items	Closing balance	Opening balance
Trade acceptance	2,391,623,286.29	147,592,600.42
Bank acceptance	278,745,274.20	230,783,036.94
Total	2,670,368,560.49	378,375,637.36

(2) Balance due from related parties

No related party notes payable at the end of the period.

26. Accounts payables

(1) Details

Items	Closing balance	Opening balance
Payable for engineering equipment	1,787,227,005.21	398,052,287.09
Payable for materials and other goods	2,065,599,115.96	1,134,963,210.70
Payable for demolition compensation	525,828,540.28	137,017,830.95
Payable for equipment of Heavy Industries Group Company	299,159,049.93	
Supply Chain Finance Platform-Shuntong E Letter	101,280,900.00	
Others	79,355,031.74	17,071,094.85
Total	4,858,449,643.12	1,687,104,423.59

(2) Balance due from related parties

Name of related parties	Closing balance
Shandong Jiayuan Resources Development Co., Ltd.	107,065,953.82
Shandong Hualing Cable Co., Ltd.	19,120,938.62
Jinan Rail Transit New Material Co., Ltd	8,533,861.70
Subtotal	134,720,754.14

(3) Details of principal creditors

Name of Creditors	Closing balance
Licheng District Key Project Construction Headquarters	520,250,000.00
CRRC Qingdao Sifang Co., Ltd.	415,140,700.86
Traffic Control Technology Co., Ltd.	197,258,368.35
China Railway No.10 Enggineering Group Co., Ltd.	161,383,647.77
CRRC Qingdao Sifang Rolling Stock Research Institute Co., Ltd.	123,072,812.61
Subtotal	1,417,105,529.59

27. Advances received

(1) Details

Items	Closing balance	Opening balance [Note]
Advance receipts of leasing	21,744,267.96	11,860,990.75
Total	21,744,267.96	11,860,990.75

[Note] For the difference between the opening balance and the closing balance of last year (December 31 2020), please refer to the explanation of Note III(XXIX)2 to the financial statements.

(2) Balance due from related parties

No related party advances received at the end of the period.

(3) Details of principal creditors

Name of Creditors	Closing balance
China Railway No.10 Engineering Group Urban Rail Transit Engineering Co., Ltd.	8,309,734.52
China Railway No.10 Engineering Group No.1 Engineering Co., Ltd.	4,234,905.52
China Railway 11th Bureau Group City Rail Engineering Co., Ltd.	2,654,867.26
Guangzhou Metro Design & Research Institute Co., Ltd.	885,985.84
China Railway Siyuan Survey and Design Group Co., Ltd.	705,682.60
Subtotal	16,791,175.74

28. Contract liabilities

(1) Details

Items	Closing balance	Opening balance [Note]
Advances on sales	177,814,378.36	24,842,207.40
Advance receipts of design fee	9,555,904.86	
Advance receipts of subway tickets	4,512,746.77	3,977,471.41
Advance receipts of advertising expense	29,028.30	
Total	191,912,058.29	28,819,678.81

[Note] For the difference between the opening balance and the closing balance of last year (December 31 2020), please refer to the explanation of Note III(XXIX)2 to the financial statements.

(2) Balance due from related parties

No related party contract liabilities at the end of the period.

29. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	108,969,094.23	1,180,761,983.87	991,785,747.10	297,945,331.00
Post-employment benefits-defined contribution plan		142,454,524.13	142,429,913.33	24,610.80
Total	108,969,094.23	1,323,216,508.00	1,134,215,660.43	297,969,941.80

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
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Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	98,094,367.89	935,457,401.63	759,708,207.20	273,843,562.32
Employee welfare fund		68,533,478.97	68,303,478.97	230,000.00
Social insurance premium	43,923.87	75,520,196.29	75,564,120.16	
Inc.: Medicare premium	43,923.87	49,630,714.21	49,674,638.08	
Occupational injuries premium		4,154,729.21	4,154,729.21	
Supplementary medical insurance		21,734,752.87	21,734,752.87	
Housing provident fund	132,574.80	70,267,023.55	70,399,598.35	
Trade union fund and employee education fund	10,698,227.67	30,983,883.43	17,810,342.42	23,871,768.68
Subtotal	108,969,094.23	1,180,761,983.87	991,785,747.10	297,945,331.00

(3) Details of defined contribution plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium		99,188,820.07	99,187,209.27	1,610.80
Unemployment insurance premium		4,330,180.71	4,330,180.71	
Company annuity payment		38,935,523.35	38,912,523.35	23,000.00
Subtotal		142,454,524.13	142,429,913.33	24,610.80

30. Taxes and surcharges payable

Items	Closing balance	Opening balance
VAT	22,574,593.78	7,957,014.16
Enterprise income tax	16,412,905.51	11,493,426.85
Individual income tax withheld for tax authorities	2,073,023.52	555,259.40
Urban maintenance and construction tax	1,247,738.31	645,322.11
Housing property tax	2,999,888.19	2,050,413.36
Land use tax	890,855.42	791,692.00
Resources tax	218,145.32	37,063.50
Education surcharge	617,010.53	276,568.38
Local education surcharge	229,638.31	184,378.91
Local water conservancy construction fund	6,093.54	46,289.50
Others	475,413.53	27,521.70
Total	47,745,305.96	24,064,949.87

31. Other payables

(1) Details

Items	Closing balance	Opening balance [Note]
Dividend payable	11,599,500.00	
Other payables	490,680,966.08	99,259,456.19
Total	502,280,466.08	99,259,456.19

[Note] For the difference between the opening balance and the closing balance of last year (December 31 2020),

please refer to the explanation of Note III(XXIX)1 to the financial statements.

(2) Dividend payable

Items	Closing balance	Opening balance
Jinan Urban Construction Group Co., Ltd.	6,860,000.00	
China Railway Engineering Equipment Group Co., Ltd.	4,739,500.00	
Subtotal	11,599,500.00	

(3) Other payables

1) Details

Items	Closing balance	Opening balance
Collection trusted	24,300,094.87	3,673,783.85
Security deposits	16,123,087.45	8,933,222.05
Call loans	30,600,000.00	20,600,000.00
Special funds for the railway from Jinan to Shijiazhuang	50,000,000.00	50,000,000.00
Investments payable	285,666,700.00	
Others	83,991,083.76	16,052,450.29
Subtotal	490,680,966.08	99,259,456.19

2) Balance due to related parties

Name of related parties	Closing balance
Shandong Hualing Cable Co., Ltd.	186,666,700.00
Shandong Shengquan Rail Transit Equipment Co., Ltd.	49,000,000.00
Shandong Decai Construction Co., Ltd.	24,574,128.94
Shandong Traffic Control Technology Co., Ltd.	20,000,000.00
Shandong Jiayuan Resources Development Co., Ltd.	77,700.07
Jinan CRRC Sifang Rail Transit Equipment Co., Ltd.	73,621.16
Subtotal	280,392,150.17

3) Details of principal creditors

Name of Creditors	Closing balance
Jinan Licheng Shi-Ji Railway Passenger Dedicated Line Engineering Construction Leading Group Office	50,000,000.00
Jinan Urban Construction Group Co., Ltd. Second Branch	30,000,000.00
Shandong Yingtai Cultural Tourism Group Co., Ltd.	18,990,638.52
Miao Xuejun	5,500,000.00
Zhang Jian	4,408,815.39
Subtotal	108,899,453.91

32. Non-current liabilities due within one year

Items	Closing balance	Opening balance [Note]
Principal of long-term borrowings due within one year	2,203,200,000.00	1,968,100,000.00

Items	Closing balance	Opening balance [Note]
Interests of long-term borrowings due within one year	100,567,682.18	72,176,844.56
Principal of long-term payable due within one year	1,177,645,000.00	586,988,572.15
Interests of long-term payable due within one year	615,889,730.40	319,716,110.86
Bonds payable due within one year	404,813,835.62	187,347,540.98
Lease liabilities due within one year	338,777,042.24	24,977,627.53
Total	4,840,893,290.44	3,159,306,696.08

[Note] For the difference between the opening balance and the closing balance of last year (December 31 2020), please refer to the explanation of Note III(XXIX)1 to the financial statements.

### 33. Other current liabilities

#### (1) Details

Items	Closing balance	Opening balance [Note]
Short-term bonds payable	4,158,983,281.96	3,519,324,020.95
Output VAT to be recognized	22,513,825.48	3,494,672.99
Endorsement transfer unmatured Trade acceptance	75,545,091.19	
Fund of supporting facilities for agent construction	177,984,843.02	582,490,000.00
Total	4,435,027,041.65	4,105,308,693.94

[Note] For the difference between the opening balance and the closing balance of last year (December 31 2020), please refer to the explanation of Note III(XXIX)1 to the financial statements.

#### (2) Current period movements

Bonds	Par value	Issuing date	Maturity	Amount outstanding	Opening balance
20 Jinan Rail transit SCP002	1,500,000,000.00	2020/9/1	270 days	1,500,000,000.00	1,515,465,095.63
20 Jinan Rail transit SCP003	2,000,000,000.00	2020/12/1	270 days	2,000,000,000.00	2,003,858,925.32
21 Jinan Rail transit SCP001	1,500,000,000.00	2021/1/22	270 days	1,500,000,000.00	
21 Jinan Rail transit SCP002	1,000,000,000.00	2021/1/28	270 days	1,000,000,000.00	
21 Jinan Rail transit SCP003	2,000,000,000.00	2021/8/13	270 days	2,000,000,000.00	
21 Jinan Rail transit SCP004	2,500,000,000.00	2021/11/4	40 days	2,500,000,000.00	
21 Jinan Rail transit SCP005	1,500,000,000.00	2021/12/13	270 days	1,500,000,000.00	
Subtotal	12,000,000,000.00	--	--	12,000,000,000.00	3,519,324,020.95
JNRWVE 2 12/2022 [Note]	100,000,000.00	2021/12/14	364 days	100,000,000.00	

(Continued)

Bonds	Current period issuance	Par value interest	Premium/Discount amortization	Current period repayment	Closing balance
20 Jinan Rail transit SCP002		20,522,176.06	629,166.67	1,536,616,438.36	
20 Jinan Rail transit SCP003		43,328,213.19	1,338,888.89	2,048,526,027.40	
21 Jinan Rail transit SCP001	1,500,000,000.00	34,286,301.37		1,534,286,301.37	
21 Jinan Rail transit SCP002	1,000,000,000.00	22,857,534.25		1,022,857,534.25	
21 Jinan Rail transit SCP003	2,000,000,000.00	20,568,767.12	-728,741.48		2,019,840,025.64
21 Jinan Rail transit SCP004	2,500,000,000.00	6,904,109.59		2,506,904,109.59	
21 Jinan Rail transit SCP005	1,500,000,000.00	1,984,109.59	-1,039,689.45		1,500,944,420.14
Subtotal	8,500,000,000.00	150,451,211.17	199,624.63	8,649,190,410.97	3,520,784,445.78
JNRWVE 2 12/2022 [Note]	100,000,000.00	98,630.14			100,098,630.14

[Note] Bond JNRWVE 2 12/2022 listed in US dollars.

#### 34. Long-term borrowings

##### (1) Details

Borrowing conditions	Closing balance	Opening balance
Credit borrowings	2,887,850,000.00	2,333,000,000.00
Guaranteed borrowings	26,622,000,000.00	14,188,000,000.00
Pledged borrowings	27,339,440,000.00	22,643,400,000.00
Less: Long-term borrowings due within one year	2,203,200,000.00	1,968,100,000.00
Total	54,646,090,000.00	37,196,300,000.00

##### (2) Other remarks

1) The amount of pledged loan by Resource Development Corporation is RMB2,154.04 million yuan, and the pledged objects are all the rights and benefits that the company enjoys as agreed in the "Government Procurement Contract" signed by the company with Jinan Finance Bureau and Jinan Urban Renewal Bureau on August 26 2016; all the rights and benefits that the company enjoys as agreed in the "Government Purchase Service Agreement" signed by the Company with Jinan Finance Bureau and Jinan Housing Security and Real Estate Administration (Jinan Urban Renewal Bureau) on April 2018.

2) The amount of pledged loan by Resource Development Corporation is RMB25,185.40 million yuan, and the pledged objects are the accounts receivable formed by the equity and profitability under the "Jinan Rail Transit Line R1 Project Investment Construction and Operation Agreement" signed by the company and the Jinan Municipal Government; accounts receivable arising from equity and profitability under the "Jinan Rail Transit Line R3 Project Investment Construction and Operation Agreement" signed with Jinan Municipal Government; accounts receivable arising from equity and profitability under the "Jinan Rail Transit Line R2 Project Investment Construction and Operation Agreement" signed with Jinan Municipal Government; accounts receivable arising from equity and profitability under the "Jinan Rail Transit Line R4 Project Phase IV Investment Construction and Operation

Agreement" signed with Jinan Municipal Government; all the rights and benefits that the company enjoys as agreed in the "Government Procurement Contract for Changqing Dafan and Xiaofan Urban Village Reconstruction Village Resettlement House Project " signed by the company with Jinan Finance Bureau and Jinan Urban Renewal Bureau on August 26 2016.

### 35. Bonds payable

#### (1) Details

Items	Closing balance	Opening balance
18 Jinan Rail transit MTN001	832,198,788.00	1,407,640,183.83
18 Jigui 01	1,501,316,677.03	3,011,544,093.85
G19 Jigui 1	2,034,413,185.22	2,031,383,903.44
19 Lu Rail Transit ZR001	403,591,780.82	403,581,967.21
20 Jigui 01	2,058,792,466.91	2,056,837,963.93
20 Jigui 02	3,055,793,819.84	3,030,336,219.32
21 Jigui Green Corporate Bonds	3,111,180,346.68	
21 Jinan Rail transit MTN001	2,046,558,744.11	
21 Jinan Rail transit MTN002	1,010,698,057.75	
21 Jigui 01	3,015,840,123.89	
Less: Bonds payable due within one year	404,813,835.62	187,347,540.98
Total	18,665,570,154.63	11,753,976,790.60

(2) Current period movements (not including other financial instruments such as preferred shares/perpetual bonds classified as financial liabilities)

Bonds	Par value	Issuing date	Maturity	Amount outstanding	Opening balance
18 Jinan Rail transit MTN001	830,000,000.00	2018/10/17	3+2	830,000,000.00	1,407,640,183.83
18 Jigui 01	3,000,000,000.00	2018/11/13	3+2	3,000,000,000.00	3,011,544,093.85
G19 Jigui 1	2,000,000,000.00	2019/7/22	5	2,000,000,000.00	2,031,383,903.44
19 Lu Rail Transit ZR001	400,000,000.00	2019/10/24	1+1+1	400,000,000.00	403,581,967.21
20 Jigui 01	2,000,000,000.00	2020/3/18	5	2,000,000,000.00	2,056,837,963.93
20 Jigui 02	3,000,000,000.00	2020/6/18	5	3,000,000,000.00	3,030,336,219.32
21 Jigui Green Corporate Bonds	3,000,000,000.00	2021/1/28	3+3+3	3,000,000,000.00	
21 Jinan Rail transit MTN001	2,000,000,000.00	2021/4/26	5	2,000,000,000.00	
21 Jinan Rail transit MTN002	1,000,000,000.00	2021/7/27	5	1,000,000,000.00	
21 Jigui 01	3,000,000,000.00	2021/10/12	3+2	3,000,000,000.00	
Less: Bonds payable due within one year					187,347,540.98
Subtotal	20,230,000,000.00	--	--	20,230,000,000.00	11,753,976,790.60

(Continued)

Bonds	Current period issuance	Par value interest	Premium/Discount amortization	Current period repayment	Closing balance
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Bonds	Current period issuance	Par value interest	Premium/Discount amortization	Current period repayment	Closing balance
18 Jinan Rail transit MTN001		55,172,729.25	1,685,874.92	632,300,000.00	832,198,788.00
18 Jigui 01		137,052,898.66	2,719,684.52	1,650,000,000.00	1,501,316,677.03
G19 Jigui 1		95,920,963.37	2,913,108.41	95,804,790.00	2,034,413,185.22
19 Lu Rail Transit ZR001		19,009,813.61		19,000,000.00	403,591,780.82
20 Jigui 01		83,110,061.17	1,848,591.81	83,004,150.00	2,058,792,466.91
20 Jigui 02		146,581,197.06	2,782,598.46	123,906,195.00	3,055,793,819.84
21 Jigui Green Corporate Bonds	3,000,000,000.00	119,416,438.36	-8,236,091.68		3,111,180,346.68
21 Jinan Rail transit MTN001	2,000,000,000.00	55,307,397.26	-8,748,653.15		2,046,558,744.11
21 Jinan Rail transit MTN002	1,000,000,000.00	15,300,821.92	-4,602,764.17		1,010,698,057.75
21 Jigui 01	3,000,000,000.00	24,479,178.08	-8,639,054.19		3,015,840,123.89
Less: Bonds payable due within one year					404,813,835.62
Subtotal	9,000,000,000.00	751,351,498.74	-18,276,705.07	2,604,015,135.00	18,665,570,154.63

### 36. Lease liabilities

Items	Closing balance	Opening balance [Note]
Lease of buildings and structures	71,654,371.35	80,641,985.41
Lease of shield Tunneling Machine	457,112,943.83	
Total	528,767,315.18	80,641,985.41

[Note] For the difference between the opening balance and the closing balance of last year (December 31 2020), please refer to the explanation of Note III(XXIX)3 to the financial statements.

### 37. Long-term payables

#### (1) Details

Items	Closing balance	Opening balance [Note]
Long-term payables	19,819,198,253.43	20,748,382,438.36
Special payables	570,770,185.24	350,000,000.00
Total	20,389,968,438.67	21,098,382,438.36

[Note] For the difference between the opening balance and the closing balance of last year (December 31 2020), please refer to the explanation of Note III(XXIX)1 to the financial statements.

#### (2) Long-term payables

Items	Closing balance	Opening balance
Land reserve special debt funds	2,960,000,000.00	2,960,000,000.00
Government special bonds	10,520,000,000.00	10,280,000,000.00
Special bond for shantytown reconstruction	3,285,740,000.00	3,155,740,000.00
Finance lease (sale-leaseback)	4,105,617,500.00	4,568,648,572.15
Interest payable	125,485,753.43	370,982,438.36

Items	Closing balance	Opening balance
Less: Long-term payable due within one year	1,177,645,000.00	586,988,572.15
Subtotal	19,819,198,253.43	20,748,382,438.36

(3) Special payables

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Special Incentive Funds for Rental Housing Pilot Projects	250,000,000.00		243,170,814.76	6,829,185.24	
Special Funds for Government-Subsidized Housing Projects from Rail Real Estate Corporation	100,000,000.00	319,011,000.00		419,011,000.00	
Investment in New East Railway Station Resettlement District 4 within the Central Budget		12,900,000.00	12,900,000.00		
Special Funds from the Central Government for the Urban Government-subsidized Housing Project of New East Railway Station Resettlement District 3 (Phase I)		31,000,000.00	31,000,000.00		
Special Incentive Funds for Rental Housing Pilot Projects (The eighth batch)-Huashan North Area Phase I		64,260,000.00		64,260,000.00	
2021 The third Batch of Investment in Special Funds for Government-Subsidized Housing Projects-Covered Property Development in Fan Village		80,670,000.00		80,670,000.00	
Subtotal	350,000,000.00	507,841,000.00	287,070,814.76	570,770,185.24	

38. Deferred income

Items	Opening balance	Increase	Decrease	Closing balance
Government grants	10,456,126.38	88,182,259.80	71,357,003.40	27,281,382.78
Total	10,456,126.38	88,182,259.80	71,357,003.40	27,281,382.78

[Note] Please refer to section VI (IV) of notes to financial statements for details on grants offsetting relevant cost.

39. Paid-in capital

Investors	Opening balance	Increase	Decrease	Closing balance
State-owned Assets Supervision and Administration Commission of Jinan People's Government	15,000,000,000.00			15,000,000,000.00
Total	15,000,000,000.00			15,000,000,000.00

40. Other equity instruments

(1) Basic information of other financial instruments such as preferred shares or perpetual bonds outstanding as of the balance sheet date

Other equity instruments are perpetual medium-term notes with redeemable rights and corporate bonds with renewable rights and issued by Jinan Rail Transit Group Co., Ltd., and project capital allocated by Jinan Municipal Bureau of Finance for the Zhengji High-Speed Rail Project and the Huangtai Contact Line Project. As of December

31, 2021, the Company's other equity instruments totaled RMB13.36 billion yuan, of which perpetual bonds were RMB8.9 billion yuan, and the others RMB4.46 billion yuan. The specific basic situation is as follows:

1) Perpetual bonds

Name of Perpetual bonds	Par value	Issuing date	Maturity	Amount outstanding
19 Jinan Rail transit MTN001	1,400,000,000.00	2019/8/7	5+N (5)	1,400,000,000.00
20 Jinan Rail transit MTN001	1,000,000,000.00	2020/8/24	5+N (5)	1,000,000,000.00
20 Jinan Rail transit MTN002	2,000,000,000.00	2020/9/24	5+N (5)	2,000,000,000.00
21 Jigui Y1	500,000,000.00	2021/7/2	3+N (3)	500,000,000.00
21 Jigui Y2	600,000,000.00	2021/9/27	2+N (2)	600,000,000.00
21 Jigui Y3	400,000,000.00	2021/9/27	3+N (3)	400,000,000.00
21 Jigui Y5	1,000,000,000.00	2021/11/30	3+N (3)	1,000,000,000.00
21 Jigui Y6	1,500,000,000.00	2021/12/9	2+N (2)	1,500,000,000.00
21 Jigui Y7	500,000,000.00	2021/12/9	3+N (3)	500,000,000.00
Total	8,900,000,000.00	--	--	8,900,000,000.00

2) Others

Others are mainly the project capital allocated by Jinan Municipal Bureau of Finance for the Zhengji High-Speed Rail Project and the Huangtai Contact Line Project, with a total balance of RMB4.46 billion yuan as at the end of December 31, 2021.

(2) Current period movements of financial instruments such as preferred shares or perpetual bonds outstanding at the balance sheet date

Items	Opening balance		Increase	
	Quantity	Carrying amount	Quantity	Carrying amount
Perpetual bonds		6,900,000,000.00		4,500,000,000.00
Others				4,460,000,000.00
Total		6,900,000,000.00		8,960,000,000.00

(Continued)

Items	Decrease		Closing balance	
	Quantity	Carrying amount	Quantity	Carrying amount
Perpetual bonds		2,500,000,000.00		8,900,000,000.00
Others				4,460,000,000.00
Total		2,500,000,000.00		13,360,000,000.00

(3) Other remarks

The current decrease is mainly due to the repayment of perpetual bonds of RMB2.5 billion yuan.

41. Capital reserve

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Other capital reserve	2,708,408,082.33	3,189,000,000.00	249,127,046.67	5,648,281,035.66

Items	Opening balance	Increase	Decrease	Closing balance
Total	2,708,408,082.33	3,189,000,000.00	249,127,046.67	5,648,281,035.66

(2) Reasons and basis for movement in capital reserve

1) Details of increase in the current period

The company has received RMB3,169 million yuan of special financial funds for land expropriation and demolition compensation from Jinan Finance Bureau as government capital investment funds.

The company has received RMB20 million yuan of state-owned enterprise capital from Jinan Finance Bureau as government capital investment funds.

2) Details of decrease in the current period

Due to the business combination, the Company was transferred to the Heavy Industries Group Company without compensation, reducing the capital reserve of RMB249,127,046.67 yuan.

42. Special reserve

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Work safety fund		6,324,453.65	2,131,266.56	4,193,187.09
Total		6,324,453.65	2,131,266.56	4,193,187.09

(2) Other remarks

The increase of special reserve in this period is caused by the withdrawal of special reserve by the merged Heavy Industries Group Company and the business combination of Heavy Industries Group Company. The withdrawal of special reserve is based on the actual operating income of the previous year and in accordance with the general withdrawal standard of machinery manufacturing enterprises. The decrease in current period is due to actual use.

43. Surplus reserve

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	6,981,095.23			6,981,095.23
Total	6,981,095.23			6,981,095.23

44. Undistributed profit

Items	Current period cumulative	Preceding period comparative
Opening balance	50,035,044.79	40,448,000.61
Add: Net profit attributable to owners of the parent company	78,063,922.14	51,511,610.84
Less: Turn over state capital gains	4,636,000.00	6,373,900.00
Less: Dividend payable on non-controlling shareholders	35,543,333.33	35,550,666.66
Closing balance	87,919,633.60	50,035,044.79

(II) Notes to items of the consolidated income statement

### 1. Operating revenue/Operating cost

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	2,478,731,691.77	1,934,149,731.33	1,594,323,522.70	1,269,063,831.48
Other operations	61,217,720.00	18,639,643.73	10,507,886.26	915,373.46
Total	2,539,949,411.77	1,952,789,375.06	1,604,831,408.96	1,269,979,204.94

### 2. Taxes and surcharges

Items	Current period cumulative	Preceding period comparative
Housing property tax	11,003,282.88	6,455,246.56
Urban maintenance and construction tax	4,077,700.50	2,709,211.99
Stamp duty	2,514,415.12	1,196,518.70
Land use tax	2,339,446.92	3,134,942.24
Education surcharge	1,747,537.87	1,161,090.82
Local education surcharge	1,164,941.39	774,060.53
Resources tax	495,344.63	110,477.2
Vehicle and vessel use tax	26,670.81	15,572.52
Others	8,008.72	
Local water conservancy construction fund		193,709.90
Total	23,377,348.84	15,750,830.46

### 3. Selling expenses

Items	Current period cumulative	Preceding period comparative
Employee compensation	29,183,387.87	10,711,284.72
Bidding service fees	8,217,517.06	3,911,279.22
Labor fees	5,396,242.50	3,921,635.22
Travel expenses	2,740,790.55	173,677.16
Service fees of Intermediaries	2,460,720.05	2,652,288.89
Advertising and business publicity expenses	1,670,286.44	539,157.18
Lease expenses	438,060.54	159,904.76
Depreciation and amortization expenses	370,310.75	305,206.55
Transportation costs	2,344.90	34,973,183.10
Others	3,216,788.40	304,449.26
Total	53,696,449.06	57,652,066.06

### 4. Administrative expenses

Items	Current period cumulative	Preceding period comparative
Employee compensation	114,293,837.70	67,976,206.70
Depreciation and amortization expenses	26,734,268.16	9,866,807.06
Service fees of Intermediaries	11,992,218.94	7,060,768.74

Items	Current period cumulative	Preceding period comparative
Office, water and electricity property expenses	10,804,967.96	7,835,471.98
Labor fees	7,017,966.81	3,203,004.66
Lease expenses	3,549,088.11	4,608,646.21
Vehicle transportation costs	2,089,075.00	2,270,949.47
Advertising and business publicity expenses	2,016,839.21	1,191,750.02
Others	24,506,914.60	8,783,291.79
Total	203,005,176.49	112,796,896.63

#### 5. R&D expenses

Items	Current period cumulative	Preceding period comparative
Employee compensation	61,858,968.32	9,737,081.50
R&D materials	67,934,641.45	13,335,060.66
Technical consulting fees and agency fees, etc	2,518,974.82	747,278.73
Depreciation expenses	1,088,171.34	639,059.37
Others	6,527,401.74	367,518.80
Total	139,928,157.67	24,825,999.06

#### 6. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest expenses	123,379,047.78	3,404,631.22
Less: Interest income	24,845,852.84	2,211,001.28
Exchange losses	417,071.14	
Bank charges	5,678,239.57	55,250.72
Others	219,641.00	965,354.32
Total	104,848,146.65	2,214,234.98

#### 7. Other income

Items	Current period cumulative	Preceding period comparative
Government grants related to income [Note]	11,532,360.37	2,670,620.06
Refund of handling fees for withholding individual income tax	44,595.28	31,918.47
Others	386,158.41	115,104.02
Total	11,963,114.06	2,817,642.55

[Note] Please refer to section VI (IV) of notes to financial statements for details on grants included into other income.

#### 8. Investment income

Items	Current period cumulative	Preceding period comparative
-------	---------------------------	------------------------------

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	50,024,608.59	3,481,134.89
Investment income from disposal of long-term equity investments	30,000.00	
Total	50,054,608.59	3,481,134.89

#### 9. Credit impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debt loss	-25,542,068.04	
Total	-25,542,068.04	

#### 10. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debt loss		-13,236,167.99
Total		-13,236,167.99

#### 11. Gains on asset disposal

Items	Current period cumulative	Preceding period comparative
Gains on disposal of fixed assets	32,774,406.82	-111,352.76
Total	32,774,406.82	-111,352.76

#### 12. Non-operating revenue

Items	Current period cumulative	Preceding period comparative
Default fine revenue	661,516.39	25,948.93
Fund with no access to pay	325,330.26	6,672,570.01
Government grants [Note]		1,000.00
Gains on damage or retirement of non-current assets	17,040.71	
Others	116,237.17	10,003.15
Total	1,120,124.53	6,709,522.09

[Note] Please refer to section VI (IV) 3 of notes to financial statements for details on grants included into non-operating revenue.

#### 13. Non-operating expenditures

Items	Current period cumulative	Preceding period comparative
Losses on damage or retirement of non-current assets	718,644.80	
Default fine expenditure	475,110.62	14,000.13
Donation expenditures	460,000.00	212,000.00
Litigation compensation	83,700.00	

Items	Current period cumulative	Preceding period comparative
Overdue fine	3,235.95	115,441.81
Others	262,558.03	15,661.00
Total	2,003,249.40	357,102.94

#### 14. Income tax expenses

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	22,984,432.82	25,299,199.27
Deferred income tax expenses	-3,400,210.96	9,616,210.12
Total	19,584,221.86	34,915,409.39

### (III) Notes to items of the consolidated cash flow statement

#### 1. Supplement information to the cash flow statement

Supplement information	Current period cumulative	Preceding period comparative
(1) Reconciliation of net profit to cash flow from operating activities:		
Net profit	111,087,472.70	86,000,443.28
Add: Provision for assets impairment loss	25,542,068.04	13,236,167.99
Depreciation of fixed assets, oil and gas assets, productive biological assets	51,070,366.16	20,322,649.08
Depreciation of right-of-use assets	93,316,152.33	
Amortization of intangible assets	6,621,431.36	2,012,481.35
Amortization of long-term prepayments	1,150,772.25	1,016,809.13
Loss on disposal of fixed assets, intangible assets and other non-current assets (Less: gains)	-32,774,406.82	111,352.76
Fixed assets retirement loss (Less: gains)	701,604.09	
Losses on changes in fair value (Less: gains)		
Financial expenses (Less: gains)	123,796,118.92	3,404,631.22
Investments losses (Less: gains)	-50,054,608.59	-3,481,134.89
Decrease of deferred tax assets (Less: increase)	-2,971,567.05	9,961,106.46
Increase of deferred tax liabilities (Less: decrease)	-428,643.92	-344,896.34
Decrease in inventories (Less: increase)	-2,447,918,955.60	-582,365,717.08
Decrease in operating receivables (Less: increase)	-2,941,411,993.93	-19,297,289,221.09
Increase of operating payables (Less: decrease)	1,638,460,201.32	20,882,700,371.85
Others	97,869,874.08	15,322,487.96
Net cash flow from operating activities	-3,325,944,114.67	1,150,607,531.68
(2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets leased in under finance leases		
(3) Net changes in cash and cash equivalents:		

Supplement information	Current period cumulative	Preceding period comparative
Cash at the end of the period	8,587,038,722.58	6,909,480,995.44
Less: Cash at the beginning of the period	6,909,480,995.44	8,741,560,325.89
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	1,677,557,727.14	-1,832,079,330.45

## 2. Acquisition or disposal of subsidiaries and other business units during the reporting period

Items	Current period cumulative	Preceding period comparative
(1) Information about obtaining subsidiaries and other business units		
1) Price of obtaining subsidiaries and other business units	252,500,000.00	133,170,000.00
2) Cash and cash equivalents paid for obtaining subsidiaries and other business units	247,000,000.00	133,170,000.00
Less: Cash and cash equivalents held by subsidiaries and other business units	137,664,323.59	212,114,789.51
3) Net cash payment for acquisition of subsidiaries and other business units	109,335,676.41	-78,944,789.51

## 3. Cash and cash equivalents

Items	Closing balance	Opening balance
(1) Cash	8,587,038,722.58	6,909,480,995.44
Including: Cash on hand	38.86	
Cash in bank on demand for payment	8,584,605,961.63	6,909,283,466.21
Other cash and bank balances on demand for payment	2,432,722.09	197,529.23
(2) Cash equivalents		
Including: Bond investments maturing within three months		
(3) Cash and cash equivalents at the end of the period	8,587,038,722.58	6,909,480,995.44
Including: Cash and cash equivalents of parent company or subsidiaries with use restrictions		

Cash and bank balances that are not cash and cash equivalents:

The monetary funds held by the parent company or subsidiaries of the group that are not cash and cash equivalents are mainly restricted bank acceptance margin, restricted construction labor wage deposit and restricted security deposits of Letter of Guarantee, etc.

## (IV) Government grants

### 1. Government grants related to assets

Net method

Items	Opening balance of accumulated grants received	Increase	Closing balance of accumulated grants received	Closing balance of accumulated carrying amount offset in assets
2021 Shandong Provincial Key R&D Plan(Major Scientific and Technological Innovation Project)		4,300,000.00	4,300,000.00	

Items	Opening balance of accumulated grants received	Increase	Closing balance of accumulated grants received	Closing balance of accumulated carrying amount offset in assets
2021 National Vehicle Purchase Tax Revenue Subsidizes Local Funds		60,000,000.00	60,000,000.00	
Subtotal		64,300,000.00	64,300,000.00	

(Continued)

Items	Carrying amount of grants offset and presented under	Carrying amount of grants not yet offset and presented under	Effects of grants on current profit before tax	Corresponding depreciation and amortization of assets presented under	Remarks
2021 Shandong Provincial Key R&D Plan(Major Scientific and Technological Innovation Project)		Deferred income			
2021 National Vehicle Purchase Tax Revenue Subsidizes Local Funds	Construction in progress				
Subtotal	--	--		--	--

2. Government grants related to income and used to compensate future relevant costs, expenses or losses

Items	Opening balance of deferred income	Increase	Amounts carried forward	Closing balance of deferred income	Amounts carried forward presented under	Remarks
Digital Twin City Four-dimensional Visualization Information System and its Application in Jinan Urban Area	463,598.74	1,120,000.00	646,981.35	936,617.39	R&D expenses	
2020 Jinan Science and Technology Innovation Development Fund	1,000,000.00		110,501.18	889,498.82	R&D expenses	Jicai Jiaozhi (2020) No.69
R&D and Industrialization of Complex Groundwater Protection Technology for Spring Area Rail Transit		400,000.00	2,696.00	397,304.00	R&D expenses	Lugong Xinji (2020) No.37
5150 Talent Multiplication Plan	1,078,456.68		238,313.25	840,143.43	R&D expenses	
Key Technology and Equipment Industrialization of Intelligent Integrated Shield Tunneling Machine for Super Large Section Tunnel	1,079,708.15	1,260,000.00	1,016,278.04	1,323,430.11	R&D expenses	
Haiyou Talent Plan High-level Innovation Platform	500,000.00			500,000.00		
Guiding Funds for Financial Innovation and Development in Shandong Province		1,670,000.00		1,670,000.00		
Natural Science Foundation of Shandong Province	869,601.92	350,000.00	147,439.70	1,072,162.22	R&D expenses	Luke Zi (2020) No.127, 128
R&D of Hob Cutter Ring for Tunnel Boring Machine and Key Technologies of Intelligent Excavation		3,040,000.00		3,040,000.00		
"Enterprise Cloud" Special Fund	200,000.00	200,000.00		400,000.00		

Items	Opening balance of deferred income	Increase	Amounts carried forward	Closing balance of deferred income	Amounts carried forward presented under	Remarks
Funds for the Construction of the Underground Engineering Robot Coordination Center		700,000.00		700,000.00		
Intelligent Integrated Shield Tunneling Machine for Super Large Section Tunnel		3,116,000.00		3,116,000.00		
Innovative Team Projects		700,000.00		700,000.00		
Industrialization of Full-section Tunnel Equipment		2,976,000.00		2,976,000.00		
Others	5,264,760.89	8,350,259.80	9,194,793.88	4,420,226.81	R&D expenses and other income	
Subtotal	10,456,126.38	23,882,259.80	11,357,003.40	22,981,382.78	--	--

### 3. Government grants related to income and used to compensate incurred relevant costs, expenses or losses

Items	Amounts	Presented under	Remarks
Steady post subsidies	512,827.96	Other income	
Work-for-training subsidies	677,500.00	Other income	
Jinan Licheng District Science and Technology Bureau Innovation Voucher Funds	960,000.00	Other income	
Licheng District 2020 Key Industry Talent Support Funds	600,000.00	Other income	
Shandong Province Enterprise Research and Development Financial Subsidies	709,600.00	Other income	Luke Zi (2019) No.91
Subsidies for High-tech Enterprises	200,000.00	Other income	
Others	572,432.41	Other income	
Subtotal	4,232,360.37	--	--

4. In the current period, government grants included into profit or loss totaled RMB15,589,363.77 yuan.

## VII. Related party relationships and transactions

### (I) Related party relationships

Related parties	Relationships with the Company
Shandong Jiayuan Resources Development Co., Ltd.	Associate
Jinan Rail Zhongtie Pipe Manufacturing Co., Ltd.	Associate
Shandong Hi-Speed Engineering Inspection Co., Ltd.	Associate
Shandong Yuhan Industry Investment Development Co., Ltd.	Associate
Shandong Hualing Cable Co., Ltd.	Associate
Shandong Shengquan Rail Transit Equipment Co., Ltd.	Associate
Shandong Decai Construction Co., Ltd.	Associate
Shandong Traffic Control Technology Co., Ltd.	Associate
Jinan CRRC Sifang Rail Transit Equipment Co., Ltd.	Associate
Jinan Rail Transit New Material Co., Ltd.	Associate
Jinan Jinkong International Financial Leasing Co., Ltd.	Associate

Related parties	Relationships with the Company
Shandong Puhui Sharing Economy Technology Development Co., Ltd.	Associate
Jinan Shengyue Rail Transit Industry Investment Fund Partnership (Limited Partnership)	Established fund company

(II) Related party transactions

1. Purchase of goods

Name of related parties	Amount
Jinan Rail Zhongtie Pipe Manufacturing Co., Ltd.	6,160,604.81
Shandong Hualing Cable Co., Ltd.	31,554,982.77
Jinan Rail Transit New Material Co., Ltd	6,272,090.00
Subtotal	43,987,677.58

2. Please refer to notes to items of financial statements for balances due from or to related parties.

3. Receiving of services

Name of related parties	Amount
Shandong Jiayuan Resources Development Co., Ltd.	98,225,645.71
Shandong Hi-Speed Engineering Inspection Co., Ltd.	597,133.07
Subtotal	98,822,778.78

4. Rendering of services

Name of related parties	Amount
Shandong Jiayuan Resources Development Co., Ltd.	57,246.99
Jinan CRRC Sifang Rail Transit Equipment Co., Ltd.	18,652.36
Shandong Decai Construction Co., Ltd.	30,404.75
Subtotal	106,304.10

5. Related party leases

(1) The Company as the lessor

Lessees	Lease income for the current period	Lease income for the preceding period
Shandong Jiayuan Resources Development Co., Ltd.	356,422.34	
Jinan CRRC Sifang Rail Transit Equipment Co., Ltd.	111,647.87	
Shandong Decai Construction Co., Ltd.	184,967.37	
Subtotal	653,037.58	

(2) The Company as the lessee

Lessors	Types of assets leased	Expenses for short-term leases and leases of low-value assets with simplified approach and variable lease payments not included in the measurement of lease liabilities	Lease expenses paid (excluding expenses for short-term leases and leases of low-value assets with simplified approach and variable lease payments not included in the measurement of lease liabilities)	Right-of-use assets increased	Lease interests expenses for the current period

Lessors	Types of assets leased	Expenses for short-term leases and leases of low-value assets with simplified approach and variable lease payments not included in the measurement of lease liabilities	Lease expenses paid (excluding expenses for short-term leases and leases of low-value assets with simplified approach and variable lease payments not included in the measurement of lease liabilities)	Right-of-use assets increased	Lease interests expenses for the current period
Jinan Jinkong International Financial Leasing Co., Ltd.	Shield Tunneling Machine		11,786,124.30	224,656,030.37	

#### 6. Loan funds

Name of related parties	Opening balance	Lending out in current period	Taking back in current period	Closing balance
Shandong Jiayuan Resources Development Co., Ltd.	101,006,289.31		101,006,289.31	
Shandong Yuhan Industry Investment Development Co., Ltd.	1,500,000,000.00			1,500,000,000.00
Subtotal	1,601,006,289.31		101,006,289.31	1,500,000,000.00

#### VIII. Other significant events

##### (I) Contingencies

As of the balance sheet date, the company has no material contingencies to be disclosed.

##### (II) Commitments

As of the balance sheet date, the company has no material commitments to be disclosed.

##### (III) Non-adjusting events after the balance sheet date

As of the reporting date of the financial statements, the company has issued RMB2.5 billion yuan of ultra-short financing bonds. The basic conditions of the bonds are as follows:

- On January 5 2022, the Company issued Jinan Rail Transit Group Co., Ltd.'s first phase of 2022 ultra-short financing bonds, referred to as 22 Jinan Rail Transit SCP001, with an issue amount of RMB1.5 billion yuan, an issue interest rate of 2.80%, and a maturity of 270 days.
- On January 6 2022, the Company issued Jinan Rail Transit Group Co., Ltd.'s second phase of 2022 ultra-short financing bonds, referred to as 22 Jinan Rail Transit SCP002, with an issue amount of RMB1 billion yuan, an issue interest rate of 2.78%, and a maturity of 270 days.

##### (IV) Leases

###### 1. The Company as lessee

(1) Please refer to section VI (I) 17 of notes to financial statements for details on right-of-use assets.

###### (2) Short-term leases and low-value asset leases

Please refer to section III (XXVII) of notes to financial statements for details on the Company's accounting policies on short-term leases and leases for which the underlying asset is of low value. The amounts of short-term leases and low-value asset leases included into profit or loss are as follows:

Items	Current period cumulative
Expense relating to short-term leases	577,098.39

Items	Current period cumulative
Expense relating to leases of low-value assets (excluding short-term leases)	1,288,909.27
Total	1,866,007.66

(3) Current period profit or loss and cash flows related to leases

Items	Current period cumulative
Interest expenses on lease liabilities	12,871,283.74
Total cash outflows related to leases	308,395,858.07

(4) Maturity analysis of lease payments and related liquidity risk management

1) Maturity analysis of lease payments

Remaining years	Contract amount not yet discounted
Within 1 year	364,829,502.18
1-2 years	349,379,894.61
2-3 years	187,292,369.68
3-4 years	19,514,065.99
4-5 years	1,448,574.16
Total	922,464,406.62

2) Liquidity risk management

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement. Liquidity risk associated with lease liabilities arises from the company's inability to repay due lease payments.

In order to control such risk, the Company comprehensively utilized financing tools such as notes settlement, bank borrowings, etc. and adopts long-term and short-term financing methods to optimize financing structures, and finally maintains a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

(5) Nature of leasing activities

Nature of underlying assets	Quantity	Lease term	Whether the lease contains extension option or not
Aipu Electric Company leases buildings and structures	2	3 years	No
Track Survey and Design Company leases buildings and structures	5	2-5 years	Yes
Urban Construction Pipeline Company leases buildings and structures	2	5 years	Yes
Heavy Industries Group Company leases special equipment	11	3 years	No
Heavy Industries Group Company leases special equipment	6	November-December 2021	No

2. The Company as lessor

Operating lease

(1) Lease income

Items	Current period cumulative
Lease income	156,127,146.64

Items	Current period cumulative
Including: Income relating to variable lease payments not included in the measurement of the lease liability	
(2) Assets leased out under operating leases	
Items	Closing balance
Right-of-use assets	1,037,267,556.73
Subtotal	1,037,267,556.73

Please refer to section VI (I) 17 of notes to financial statements for details on right-of-use assets leased out under operating leases

(3) Undiscounted lease payments to be received arising from non-cancellable leases based on the lease contract signed with lessee

Remaining years	Amount
Within 1 year	191,993,522.10
1-2 years	85,287,794.80
2-3 years	10,806,019.22
3-4 years	8,200,000.00
4-5 years	8,200,000.00
Over 5 years	8,200,000.00
Total	312,687,336.12

## IX. Notes to items of parent company financial statements

(I) Notes to items of the parent company balance sheet

1. Long-term equity investments

(1) Detail

Items	Closing balance		
	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	20,984,681,056.59		20,984,681,056.59
Total	20,984,681,056.59		20,984,681,056.59

(2) Investments in subsidiaries

Investees	Holding proportion (%)	Voting right proportion (%)	Closing balance
Jinan Rail Transit Group Resource Development Co., Ltd. [Note1]	96.16	96.16	7,770,000,000.00
Jinan Rail Transit Group Construction Investment Co., Ltd. [Note1]	76.36	76.36	8,170,000,000.00
Shandong Rail Transit Survey and Design Institute Co., Ltd.	70.00	70.00	52,000,000.00
Shandong Rail Transit Engineering Consulting Co., Ltd.	100.00	100.00	5,000,000.00
Jinan Rail Transit Group Asset Management Co., Ltd.	100.00	100.00	2,060,681,056.59

Investees	Holding proportion (%)	Voting right proportion (%)	Closing balance
Jinan Transportation Development Investment Co., Ltd.	100.00	100.00	1,000,000,000.00
Jinan Rail Transit Group Real Estate Co., Ltd.	100.00	100.00	1,000,000,000.00
Shandong Yingtong Development Co., Ltd.	60.00	60.00	180,000,000.00
Jinan Heavy Industries Group Co., Ltd.	100.00	100.00	247,000,000.00
Jinan Shuntong Jiecheng Investment Partnership (Limited Partnership) [Note2]	20.03	66.67	500,000,000.00
Jinan Rail Transit Group Operation Co., Ltd.	100.00	100.00	
Jinan Rail Transit Group First Operation Co., Ltd.	100.00	100.00	
Jinan Shuntong International Co., Ltd.	100.00	100.00	
Shandong Rail Transit Research Institute Co., Ltd.	100.00	100.00	
Subtotal	--	--	20,984,681,056.59

[Note1] The Company has increased the capital of its subsidiary Resource Development Corporation by RMB3.52 billion yuan, and has increased the capital of its subsidiary Construction Investment Company by RMB80.00 million yuan, but has not changed two companies' articles of association and registered for industry and commerce.

[Note2] The Company, the subsidiary Company Asset Management Corporation and Shenzhen Qianhailian Yirong Commercial Factoring Co., Ltd. jointly established Jinan Shuntong Jiecheng Investment Partnership (Limited Partnership). Each of the three shareholders has one vote.

Jinan Rail Transit Group Co., Ltd.

March 7, 2022

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Jinan Rail Transit Group Co., Ltd.  
Auditor' s Report for the year 2020

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## Auditor's Report

PCCPAAR SHANDONG [2021] No. 975

To the Shareholders of Jinan Rail Transit Group Co., Ltd.:

### I. Audit Opinion

We have audited the accompanying financial statements of Jinan Rail Transit Group Co., Ltd. (the "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2020, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

### II. Basis for Audit Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Certified Public Accountant's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### III. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Company's management (the "Management") is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are

free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and use the going concern basis of accounting unless the Management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **IV. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit performed in accordance with China Standards on Auditing. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(IV) Conclude on the appropriateness of the Management's use of the going concern

basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(V) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain sufficient 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 sole responsibility for our audit opinion.

We communicate with those charged with governance regarding the planned audit scope, time schedule and significant audit findings, including any deficiencies in internal control of concern that we identify during our audit.

Pan-China Certified Public Accountants LLP



Shandong Branch

Jinan · China

Chinese Certified Public Accountant  
(Engagement Partner)



Chinese Certified Public Accountant



Date of Report: March 10, 2021

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

# Consolidated Balance Sheet

31-Dec-20

Table 01

Unit: RMB

Prepared by: Jinan Rail Transit Group Co., Ltd.

Assets	Note No.	Closing balance	Closing balance of last year	Liabilities & Equity	Note No.	Closing balance	Closing balance of last year
<b>Current Assets:</b>				<b>Current liabilities :</b>			
Cash and bank balances	1	7,109,251,879.26	8,811,402,144.32	Short-term borrowings	17	747,039,236.09	3,089,960,817.10
Settlement funds				Central bank loans			
Loans to other banks				Absorbing deposit and interbank deposit			
Financial assets at fair value through profit or loss				Loans from other banks			
Derivative financial assets				Financial liabilities at fair value through profit or loss			
Notes receivable	2	27,526,521.00	9,100,000.00	Derivative financial liabilities			
Accounts receivable	3	1,049,787,424.68	408,735,468.40	Notes payable	18	378,375,637.36	576,092,790.07
Advances paid	4	2,667,624,534.35	2,951,444,723.90	Accounts payable	19	1,687,104,423.59	734,184,374.42
Premiums receivable				Advances received	20	44,175,342.55	2,125,096.67
Reinsurance accounts receivable				Financial liabilities under repo			
Reinsurance reserve receivable				Handling fee and commission payable			
Other receivables	5	5,050,394,721.32	3,930,997,891.99	Employee benefits payable	21	108,969,094.23	6,028,229.83
Financial assets under reverse repo				Taxes and surcharges payable	22	24,064,949.87	11,665,386.22
Inventories	6	1,039,755,666.71	183,035,148.35	Other payables	23	1,071,649,406.34	1,738,740,394.22
Assets classified as held for sale				Reinsurance accounts payable			
Non-current assets due within one year				Insurance contract reserve			
Other current assets	7	1,946,160,519.86	2,438,171,988.30	Deposit for agency security transaction			
<b>Total current assets</b>		<b>18,890,501,267.18</b>	<b>18,732,887,365.26</b>	Deposit for agency security underwriting			
				Liabilities classified as held for sale			
				Non-current liabilities due within one year	24	2,555,088,572.15	4,552,761,904.78
				Other current liabilities	25	4,080,521,944.44	3,572,820,000.00
				<b>Total current liabilities</b>		<b>10,696,988,606.62</b>	<b>14,284,378,993.31</b>
				<b>Non-current liabilities</b>			
				Long-term borrowings	26	37,196,300,000.00	25,273,400,000.00
				Bonds payable	27	11,753,976,790.60	6,768,924,937.27
				Including: Preferred shares			
				Perpetual bonds			
				Long-term payables	28	20,727,400,000.00	9,484,269,106.90
				Long-term employee benefits payable			
				Estimated liabilities			
				Deferred income	29	10,456,126.38	7,472,771.17
				Deferred tax liabilities	30	2,921,043.12	3,256,216.31
				Other non-current liabilities			
				<b>Total non-current liabilities</b>		<b>69,691,053,960.10</b>	<b>41,537,323,031.65</b>
				<b>Total liabilities</b>		<b>80,388,042,566.72</b>	<b>55,821,702,024.96</b>
<b>Non-current assets:</b>				<b>Equity:</b>			
Loans and advances paid				Share capital/Paid-in capital	31	15,000,000,000.00	9,500,000,000.00
Available-for-sale financial	8	623,470,000.00	399,855,591.54	Other equity instruments	32	6,900,000,000.00	1,400,000,000.00
Held-to-maturity investments				Including: Preferred shares			
Long-term receivable				Perpetual bonds		6,900,000,000.00	1,400,000,000.00
Long-term equity investments	9	349,997,893.74	256,225,689.62	Capital reserve	33	2,708,408,082.33	5,047,497,102.33
Investment property				Less: Treasury shares			
Fixed assets	10	242,651,591.88	177,658,178.63	Other comprehensive income			
Construction in progress	11	62,953,828,697.02	41,261,613,847.85	Special reserve			
Productive biological assets				Surplus reserves	34	6,981,095.23	6,981,095.23
Oil & gas assets				General risk reserve			
Intangible assets	12	131,351,664.99	275,501.79	Undistributed profit	35	50,035,044.79	40,448,000.61
Development expenditures				Total equity attributable to the parent company		24,665,424,222.35	15,994,926,198.17
Goodwill	13	75,308,738.93	431,285.50	Non-controlling interest		3,363,597,087.89	3,088,484,154.24
Long-term prepayments	14	3,207,515.38	1,772,714.08	<b>Total equity</b>		<b>28,029,021,310.24</b>	<b>19,083,410,352.41</b>
Deferred tax assets	15	10,966,516.59	14,074,392,203.10				
Other non-current assets	16	25,135,779,991.25	56,172,225,012.11				
<b>Total non-current assets</b>		<b>89,526,562,609.78</b>	<b>56,172,225,012.11</b>				
<b>Total assets</b>		<b>108,417,063,876.96</b>	<b>74,905,112,377.37</b>	<b>Total liabilities &amp; equity</b>		<b>108,417,063,876.96</b>	<b>74,905,112,377.37</b>

Legal representative:

Officer in charge of accounting:

Head of accounting department:

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# Parent Company Balance Sheet

31-Dec-20

Table 01

Unit: RMB

Prepared by: Jinan Rail Transit Group Co., Ltd.

Assets	Note No.	Closing balance	Closing balance of last year	Liabilities and Equity	Note No.	Closing balance	Closing balance of last year
<b>Current Assets:</b>				<b>Current liabilities:</b>			
Cash and bank balances		1,550,801,638.36	3,400,343,432.98	Short-term borrowings		100,000,000.00	300,000,000.00
Financial assets at fair value through profit or loss				Financial liabilities at fair value through profit or loss			
Derivative financial assets				Derivative financial liabilities			
Notes receivable				Notes payable			
Accounts receivable				Accounts payable			
Advances paid				Advances received			
Other receivables		42,494,565,511.53	22,354,810,705.00	Employees benefits payable			21,200.00
Inventories				Taxes and surcharges payable		5,200.00	2,375.00
Assets classified as held for sale				Other payables		808,148,381.54	2,249,841,137.54
Non-current assets due within one year			5,618.33	Liabilities classified as held for sale			
Other current assets				Non-current liabilities due within one year		1,108,100,000.00	8,000,000.00
<b>Total current assets</b>		<b>44,045,367,149.89</b>	<b>25,755,159,756.31</b>	Other current liabilities		3,498,031,944.44	2,499,800,000.00
				<b>Total current liabilities</b>		<b>5,514,285,525.98</b>	<b>5,057,664,712.54</b>
<b>Non-current assets:</b>				<b>Non-current liabilities:</b>			
Available-for-sale financial assets		300,000.00	300,000.00	Long-term borrowings		2,262,900,000.00	1,582,000,000.00
Held-to-maturity investment				Bonds payable		11,753,976,790.60	6,768,924,937.27
Long-term receivable				Including: Preferred shares			
Long-term equity investments		16,467,681,056.59	12,457,681,056.59	Perpetual bonds			
Investment property				Long-term payables		16,395,740,000.00	8,874,730,000.00
Fixed assets		32,437.12	51,994.57	Long-term employee benefits payable			
Construction in progress				Estimated liabilities			
Productive biological assets				Deferred Income		10,040,519.77	7,061,450.41
Oil & gas assets				Deferred tax liabilities			
Intangible assets				Other non-current liabilities			
Development expenditures				<b>Total non-current liabilities</b>		<b>30,422,657,310.37</b>	<b>17,232,716,387.68</b>
Goodwill				<b>Total liabilities</b>		<b>35,936,942,836.35</b>	<b>22,290,381,100.22</b>
Long-term prepayments				<b>Equity:</b>			
Deferred tax assets				Share capital/Paid-in capital		15,000,000,000.00	9,500,000,000.00
Other non-current assets				Other equity instruments		6,900,000,000.00	1,400,000,000.00
<b>Total non-current assets</b>		<b>16,468,013,493.71</b>	<b>12,458,033,051.16</b>	Including: Preferred shares			
				Perpetual bonds		6,900,000,000.00	1,400,000,000.00
				Capital reserve		2,619,707,255.00	4,959,707,255.00
				Less: treasury shares			
				Other comprehensive income			
				Special reserve			
				Surplus reserve		6,981,095.23	6,981,095.23
				Undistributed profit		49,749,457.02	56,123,357.02
				<b>Total equity</b>		<b>24,576,437,807.25</b>	<b>15,922,811,707.25</b>
<b>Total assets</b>		<b>60,513,380,643.60</b>	<b>38,213,192,807.47</b>	<b>Total liabilities &amp; equity</b>		<b>60,513,380,643.60</b>	<b>38,213,192,807.47</b>

Legal representative:

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Officer in charge of accounting:

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Head of accounting department:

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# Consolidated Income Statement

2020

Table 02

Prepared by: Jinan Rail Transit Group Co., Ltd.

Unit: RMB

Items	Note No.	Current period cumulative	Preceding period comparative
<b>I. Total operating revenue</b>	1	1,604,831,408.96	532,164,457.44
Including: Operating revenue	1	1,604,831,408.96	532,164,457.44
Interest income			
Premium earned			
Revenue from handling charges and commission			
<b>II. Total operating cost</b>		1,483,219,232.13	464,107,277.02
Including: Operating cost	1	1,269,979,204.94	401,492,357.67
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Commissions on insurance policies			
Reinsurance expenses			
Taxes and surcharges	2	15,750,830.46	3,477,876.69
Selling expenses	3	57,652,066.06	29,712,513.11
Administrative expenses	4	112,796,896.63	25,849,051.47
R&D expenses	5	24,825,999.06	3,732,953.69
Financial expenses	6	2,214,234.98	-157,475.61
Including: Interest expenses		3,404,631.22	1,982,038.97
Interest income		2,211,001.28	2,152,035.26
Add: Other income	7	2,817,642.55	451,190.03
Investment income (or less: losses)	8	3,481,134.89	44,772,684.67
Including: Investment income from associates and joint ventures		3,481,134.89	44,772,684.67
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)			
Assets impairment loss (or less: losses)	9	-13,236,167.99	-1,148,955.34
Gains on asset disposal (or less: losses)	10	-111,352.76	
Gains on foreign exchange (or less: losses)			
<b>III. Operating profit (or less: losses)</b>		114,563,433.52	112,132,099.78
Add: Non-operating revenue	11	6,709,522.09	39,560.04
Less: Non-operating expenditures	12	357,102.94	610,003.78
<b>IV. Profit before tax (or less: total loss)</b>		120,915,852.67	111,561,656.04
Less: Income tax	13	34,915,409.39	16,806,697.27
<b>V. Net profit (or less: net loss)</b>		86,000,443.28	94,754,958.77
(I) Categorized by the continuity of operations			
1. Net profit from continuing operations (or less: net loss)		86,000,443.28	94,754,958.77
2. Net profit from discontinued operations (or less: net loss)			
(II) Categorized by the portion of equity ownership			
1. Net profit attributable to owners of parent company (or less: net loss)		51,511,610.84	70,821,032.66
2. Net profit attributable to non-controlling shareholders (or less: net loss)		34,488,832.44	23,933,926.11
<b>VI. Other comprehensive income after tax</b>			
Items attributable to the owners of the parent company			
(I) Not to be reclassified subsequently to profit or loss			
1. Changes in remeasurement on the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss			
3. Others			
(II) To be reclassified subsequently to profit or loss			
1. Items under equity method that may be reclassified to profit or loss			
2. Profit or loss from changes in fair value of available-for-sale financial assets			
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
4. Cash flow hedging reserve (profit or loss on cash flow hedging)			
5. Balance arising from the translation of foreign currency financial statements			
6. Others			
Items attributable to non-controlling shareholders			
<b>VII. Total comprehensive income</b>		86,000,443.28	94,754,958.77
Items attributable to the owners of the parent company		51,511,610.84	70,821,032.66
Items attributable to non-controlling shareholders		34,488,832.44	23,933,926.11
<b>VIII. Earnings per share (EPS):</b>			
(I) Basic EPS (yuan per share)			
(II) Diluted EPS (yuan per share)			

Legal representative:

Officer in charge of accounting:

Head of accounting department:

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# Parent Company Income Statement

2020

Table 02  
Unit: RMB

Prepared by: Jinan Rail Transit Group Co., Ltd.

Items	Note No.	Current period cumulative	Preceding period comparative
<b>I. Operating revenue</b>			
Less: Operation cost			
Taxes and surcharges			
Selling expenses			
Administrative expenses			
R&D expenses			
Financial expenses			
Including: Interest expenses			
Interest income			
Add: Other income			
Investment income (or less: losses)			
Including: Investment income from associates and joint ventures			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)			
Assets impairment loss (or less: losses)			
Gains on asset disposal (or less: losses)			
<b>II. Operating profit (or less: losses)</b>			
Add: Non-operating revenue			
Less: Non-operating expenditures			
<b>III. Profit before tax (or less: total loss)</b>			
Less: Income tax			
<b>IV. Net profit (or less: net loss)</b>			
(I) Net profit from continuing operations (or less: net loss)			
(II) Net profit from discontinued operations (or less: net loss)			
<b>V. Other comprehensive income after tax</b>			
(I) Not to be reclassified subsequently to profit or loss			
1. Changes in remeasurement on the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss			
3. Others			
(II) To be reclassified subsequently to profit or loss			
1. Items under equity method that may be reclassified to profit or loss			
2. Profit or loss from changes in fair value of available-for-sale financial assets			
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
4. Cash flow hedging reserve (profit or loss on cash flow hedging)			
5. Balance arising from the translation of foreign currency financial statements			
6. Others			
<b>VI. Total comprehensive income</b>			
<b>VII. Earnings per share (EPS):</b>			
(I) Basic EPS (yuan per share)			
(II) Diluted EPS (yuan per share)			

Legal representative:

 陈 文 思 印

Officer in charge of accounting:

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Head of accounting department:

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# Consolidated Cash Flow Statement

2020

Table 03  
Unit: RMB

Prepared by: Jinan Rail Transit Group Co., Ltd.

Items	Note No.	Current period cumulative	Preceding period comparative
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sale of goods or rendering of services		1,288,948,046.13	326,639,069.91
Net increase of client deposit and interbank deposit			
Net increase of central bank loans			
Net increase of loans from other financial institutions			
Cash receipts from original insurance contract premium			
Net cash receipts from reinsurance			
Net increase of policy-holder deposit and investment			
Net increase of financial assets disposal measured as fair value and the variation included in current profit and loss			
Cash receipts from interest, handling charges and commission			
Net increase of loans from others			
Net increase of repurchase			
Receipts of tax refund		1,691,681,359.04	
Other cash receipts related to operating activities		506,588,302.74	413,075,926.51
<b>Subtotal of cash inflows from operating activities</b>		<b>3,487,217,707.91</b>	<b>739,714,996.42</b>
Cash payments for goods purchased and services received		1,699,752,164.19	309,186,148.31
Net increase of loans and advances to clients			
Net increase of central bank deposit and interbank deposit			
Cash payments for insurance indemnities of original insurance contracts			
Cash payments for interest, handling charges and commission			
Cash payments for policy bonus			
Cash paid to and on behalf of employees		140,786,160.02	45,670,046.06
Taxes and surcharges cash payments		71,391,523.15	37,164,915.25
Other cash payments related to operating activities		294,751,263.48	4,020,456,087.72
<b>Subtotal of cash outflows from operating activities</b>		<b>2,206,681,110.84</b>	<b>4,412,477,197.34</b>
<b>Net cash flows from operating activities</b>		<b>1,280,536,597.07</b>	<b>-3,672,762,200.92</b>
<b>II. Cash flows from investing activities:</b>			
Cash receipts from withdrawal of investments			8,767,188.81
Cash receipts from investment income		3,493,312.50	14,630,587.58
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		209,903.03	
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities		405,253,905.81	36,920,687.39
<b>Subtotal of cash inflows from investing activities</b>		<b>408,957,121.34</b>	<b>60,318,463.78</b>
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		33,291,919,345.94	17,342,254,508.25
Cash payments for investments		752,862,573.00	479,020,417.00
Net increase of pledged borrowings			
Net cash payments for the acquisition of subsidiaries & other business units		126,309,116.30	
Other cash payments related to investing activities		1,100,000,000.00	3,900,000,000.00
<b>Subtotal of cash outflows from investing activities</b>		<b>35,271,091,035.24</b>	<b>21,721,274,925.25</b>
<b>Net cash flows from investing activities</b>		<b>-34,862,133,913.90</b>	<b>-21,660,956,461.47</b>
<b>III. Cash flows from financing activities:</b>			
Cash receipts from absorbing investments		7,668,301,400.00	5,173,505,892.00
Including: Cash received by subsidiaries from non-controlling shareholders as investments		19,301,400.00	49,940,000.00
Cash receipts from borrowings		17,499,039,236.09	14,567,960,817.10
Proceeds from issuance of bonds		10,969,375,000.00	4,900,000,000.00
Other cash receipts related to financing activities		16,332,025,600.00	3,633,910,912.00
<b>Subtotal of cash inflows from financing activities</b>		<b>52,468,741,236.09</b>	<b>28,275,377,621.10</b>
Cash payments for the repayment of borrowings		14,598,960,817.10	1,936,000,000.00
Cash payments for distribution of dividends or profits and for interest expenses		3,008,595,293.96	1,400,518,757.93
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit			
Other cash payments related to financing activities		2,981,738,073.26	3,737,545,237.80
<b>Subtotal of cash outflows from financing activities</b>		<b>20,589,294,184.32</b>	<b>7,074,063,995.73</b>
<b>Net cash flows from financing activities</b>		<b>31,879,447,051.77</b>	<b>21,201,313,625.37</b>
<b>IV. Effect of foreign exchange rate changes on cash &amp; cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>			
Add: Opening balance of cash and cash equivalents		8,801,402,144.32	12,933,807,181.34
<b>VI. Closing balance of cash and cash equivalents</b>			
		7,099,251,879.26	8,801,402,144.32

Legal representative:

Officer in charge of accounting:

Head of accounting department:



# Parent Company Cash Flow Statement

2020

Table 03

Prepared by: Jinan Rail Transit Group Co., Ltd.

Unit: RMB

Item	Note No.	Current period cumulative	Preceding period comparative
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sale of goods and rendering of services			
Receipts of tax refund		5,618.33	
Other cash receipts related to operating activities		6,423,187.80	916,310,223.52
<b>Subtotal of cash inflows from operating activities</b>		<b>6,428,806.13</b>	<b>916,310,223.52</b>
Cash payments for goods purchased and services received			
Cash paid to and on behalf of employees			
Taxes and surcharges cash payments			
Other cash payments related to operating activities		886,704,853.71	8,763,845,616.29
<b>Subtotal of cash outflows from operating activities</b>		<b>886,704,853.71</b>	<b>8,763,845,616.29</b>
<b>Net cash flows from operating activities</b>		<b>-880,276,047.58</b>	<b>-7,847,535,392.77</b>
<b>II. Cash flows from investing activities:</b>			
Cash receipts from withdrawal of investments			
Cash receipts from investment income			
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets			
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities			
<b>Subtotal of cash inflows from investing activities</b>			<b>24,900.00</b>
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets			
Cash payments for investments		4,010,000,000.00	
Net cash payments for the acquisition of subsidiaries & other business units			1,832,000,000.00
Other cash payments relating to investing activities		22,061,601,718.97	1,100,000,000.00
<b>Subtotal of cash outflows from investing activities</b>		<b>26,071,601,718.97</b>	<b>2,932,024,900.00</b>
<b>Net cash flows from investing activities</b>		<b>-26,071,601,718.97</b>	<b>-2,932,024,900.00</b>
<b>III. Cash flows from financing activities:</b>			
Cash receipts from absorbing investments		7,649,000,000.00	5,123,565,892.00
Cash received from borrowings		12,869,375,000.00	6,300,000,000.00
Other cash receipts related to financing activities		12,330,000,000.00	1,000,000,000.00
<b>Subtotal of cash inflows from financing activities</b>		<b>32,848,375,000.00</b>	<b>12,423,565,892.00</b>
Cash payments for the repayment of borrowings		5,319,000,000.00	6,000,000.00
Cash payments for distribution of dividends or profits and for interest expenses		856,431,873.08	201,432,723.33
Other cash payments related to financing activities		1,570,607,154.99	2,490,450,000.00
<b>Subtotal of cash outflows from financing activities</b>		<b>7,746,039,028.07</b>	<b>2,697,882,723.33</b>
<b>Net cash flows from financing activities</b>		<b>25,102,335,971.93</b>	<b>9,725,683,168.67</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>		<b>-1,849,541,794.62</b>	<b>-1,053,877,124.10</b>
Add: Opening balance of cash and cash equivalents		3,390,343,432.98	4,444,220,557.08
<b>VI. Closing balance of cash and cash equivalents</b>		<b>1,540,801,638.36</b>	<b>3,390,343,432.98</b>

Legal representative:

**陈思印**

Officer in charge of accounting:

**丁强**

Head of accounting department:

**于磊**

# Consolidated Statement of Changes in Equity

2020

Table 04  
Unit: RMB

Prepared by: Jinan Rail Transit Group Co., Ltd.

Items	Current period cumulative											
	Equity attributable to parent company										Total equity	
	Share capital/ Paid-in capital	Other equity instruments		Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		Non-controlling interest
	Preference shares	Perpetual Bonds	Others									
I. Balance at the end of prior year	9,500,000,000.00		1,400,000,000.00		5,047,497,102.33				6,981,095.23		3,088,484,154.24	19,083,410,352.41
Add: Cumulative changes of accounting policies												
Error correction of prior period												
Business combination under common control												
Others												
II. Balance at the beginning of current year	9,500,000,000.00		1,400,000,000.00		5,047,497,102.33				6,981,095.23		3,088,484,154.24	19,083,410,352.41
III. Current period increase (or less: decrease)	5,500,000,000.00		5,500,000,000.00		-2,339,089,020.00						275,112,933.65	8,945,610,937.83
(I) Total comprehensive income											34,488,832.44	86,000,443.28
(II) Capital contributed or withdrawn by owners			5,500,000,000.00		3,160,910,980.00						240,624,101.21	8,901,535,081.21
1. Ordinary shares contributed by owners					3,160,910,980.00						240,624,101.21	3,401,535,081.21
2. Capital contributed by holders of other equity instruments			5,500,000,000.00									5,500,000,000.00
3. Amount of share-based payment included in equity												
4. Others												
(III) Profit distribution												
1. Appropriation of surplus reserve												
2. Appropriation of general risk reserve												
3. Appropriation of profit to owners												
4. Others												
(IV) Internal carry-over within equity	5,500,000,000.00				-5,500,000,000.00							
1. Transfer of capital reserve to capital	5,500,000,000.00				-5,500,000,000.00							
2. Transfer of surplus reserve to capital												
3. Surplus reserve to cover losses												
4. Changes in defined benefit plan carried over to retained earnings												
5. Others												
(V) Special reserve												
1. Appropriation of current period												
2. Application of current period												
(VI) Others												
IV. Balance at the end of current period	15,000,000,000.00		6,900,000,000.00		2,708,408,082.33				6,981,095.23		3,363,597,087.89	28,029,021,310.24

Legal representative: \_\_\_\_\_ Officer in charge of accounting: \_\_\_\_\_ Head of accounting department: \_\_\_\_\_



# Consolidated Statement of Changes in Equity

2020

Table 04  
Unit: RMB

Items	Preceding period comparative													
	Equity attributable to parent company										Total equity			
	Share capital/ Paid-in capital	Other equity instruments		Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		Non-controlling equity		
	Preference shares	Perpetual Bonds	Others											
I. Balance at the end of prior year	9,500,000,000.00				1,118,752,363.00					6,981,095.23		9,030,601.28	2,966,046,550.75	13,600,810,610.26
Add: Cumulative changes of accounting policies														
Error correction of prior period														
Business combination under common control														
Others														
II. Balance at the beginning of current year	9,500,000,000.00				1,118,752,363.00					6,981,095.23		9,030,601.28	2,966,046,550.75	13,600,810,610.26
III. Current period increase (or less: decrease)				1,400,000,000.00	3,928,744,739.33							31,417,399.33	122,437,603.49	5,482,599,742.15
(I) Total comprehensive income												70,821,032.66	23,933,926.11	94,754,958.77
(II) Capital contributed or withdrawn by owners				1,400,000,000.00	3,928,744,739.33								98,503,677.38	5,427,248,416.71
1. Ordinary shares contributed by owners														
2. Capital contributed by holders of other equity instruments				1,400,000,000.00	3,928,744,739.33								98,503,677.38	4,027,248,416.71
3. Amount of share-based payment included in equity														
4. Others														1,400,000,000.00
(III) Profit distribution														
1. Appropriation of surplus reserve												-39,403,633.33		-39,403,633.33
2. Appropriation of general risk reserve														
3. Appropriation of profit to owners												-39,403,633.33		-39,403,633.33
4. Others														
(IV) Internal carry-over within equity														
1. Transfer of capital reserve to capital														
2. Transfer of surplus reserve to capital														
3. Surplus reserve to cover losses														
4. Changes in defined benefit plan carried over to retained earnings														
5. Others														
(V) Special reserve														
1. Appropriation of current period														
2. Application of current period														
(VI) Others														
IV. Balance at the end of current period	9,500,000,000.00			1,400,000,000.00	5,047,497,102.33					6,981,095.23		40,448,000.61	3,088,484,154.24	19,083,410,352.41

Legal representative: 于磊 Officer in charge of accounting: 丁 Head of accounting department: 于磊

# Parent Company Statement of Changes in Equity

2020

Table 04  
Unit: RMB

Prepared by: Jinnan Rail Transit Group Co., Ltd.

Items	Current period cumulative										
	Share capital/ Paid-in capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preference shares	Perpetual Bonds	Others							
<b>I. Balance at the end of prior year</b>	9,500,000,000.00		1,400,000,000.00		4,959,707,255.00			6,981,095.23	56,123,357.02	15,922,811,707.25	
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
<b>II. Balance at the beginning of current year</b>	9,500,000,000.00		1,400,000,000.00		4,959,707,255.00			6,981,095.23	56,123,357.02	15,922,811,707.25	
<b>III. Current period increase (or less: decrease)</b>	5,500,000,000.00		5,500,000,000.00		-2,340,000,000.00				-6,373,900.00	8,653,626,100.00	
(I) Total comprehensive income											
(II) Capital contributed or withdrawn by owners					3,160,000,000.00					8,660,000,000.00	
1. Ordinary shares contributed by owners					3,160,000,000.00					3,160,000,000.00	
2. Capital contributed by holders of other equity instruments			5,500,000,000.00							5,500,000,000.00	
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve									-6,373,900.00	-6,373,900.00	
2. Appropriation of profit to owners									-6,373,900.00	-6,373,900.00	
3. Others											
(IV) Internal carry-over within equity	5,500,000,000.00				-5,500,000,000.00						
1. Transfer of capital reserve to capital	5,500,000,000.00				-5,500,000,000.00						
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
<b>IV. Balance at the end of current period</b>	15,000,000,000.00		6,900,000,000.00		2,619,707,255.00			6,981,095.23	49,749,457.02	24,576,437,807.25	

Legal representative:  Officer in charge of accounting: 

Head of accounting department: 

# Parent Company Statement of Changes in Equity

2020

Table 04  
Unit: RMB

Items	Preceding period comparative									
	Share capital/ Paid-in capital	Other equity instruments		Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preference shares	Perpetual Bonds							
<b>I. Balance at the end of prior year</b>	9,500,000,000.00			1,076,752,363.00				6,981,095.23	59,573,657.02	10,643,307,115.25
Add: Cumulative changes of accounting policies										
Error correction of prior period										
Others										
<b>II. Balance at the beginning of current year</b>	9,500,000,000.00			1,076,752,363.00				6,981,095.23	59,573,657.02	10,643,307,115.25
<b>III. Current period increase (or less: decrease)</b>			1,400,000,000.00	3,882,954,892.00				-3,450,300.00		5,279,504,592.00
(I) Total comprehensive income										
(II) Capital contributed or withdrawn by owners			1,400,000,000.00	3,882,954,892.00						5,282,954,892.00
1. Ordinary shares contributed by owners				3,882,954,892.00						3,882,954,892.00
2. Capital contributed by holders of other equity instruments			1,400,000,000.00							1,400,000,000.00
3. Amount of share-based payment included in equity										
4. Others										
(III) Profit distribution								-3,450,300.00		-3,450,300.00
1. Appropriation of surplus reserve										
2. Appropriation of profit to owners								-3,450,300.00		-3,450,300.00
3. Others										
(IV) Internal carry-over within equity										
1. Transfer of capital reserve to capital										
2. Transfer of surplus reserve to capital										
3. Surplus reserve to cover losses										
4. Changes in defined benefit plan carried over to retained earnings										
5. Others										
(V) Special reserve										
1. Appropriation of current period										
2. Application of current period										
(VI) Others										
<b>IV. Balance at the end of current period</b>	9,500,000,000.00		1,400,000,000.00	4,959,707,255.00				6,981,095.23	56,123,357.02	15,922,811,707.25

Prepared by: Jinan Rail Transit Group Co., Ltd.

Legal representative: 陈思斌印

Head of accounting department: 于磊

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## **Jinan Rail Transit Group Co., Ltd.**

### **Notes to Financial Statements**

For the year ended December 31, 2020

Monetary unit: RMB Yuan

#### **I. Company profile**

Jinan Rail Transit Group Co., Ltd. (hereinafter called as “the Company”) was funded by State-owned Assets Supervision and Administration Commission of Jinan People's Government. The Company was registered at Jinan Administration for Industry and Commerce on December 25, 2013 and headquartered in Jinan, Shandong. The Company currently holds a business license with social credit code of 9137010008401939X0, with registered capital of RMB15 billion yuan.

The Company's business scope: Planning and design, financing, construction, management, operation and property development of rail transit. (Without the approval of the financial supervision and regulation department, the Company shall not be engaged in financial services such as deposit absorption, financing guarantee, and valet financial management).

The financial statements were approved and authorized for issue by the Board of Directors dated March 10, 2021.

#### **II. Preparation basis of the financial statements**

##### **(I) Preparation basis**

The financial statements have been prepared on the basis of going concern.

##### **(II) Assessment of the ability to continue as a going concern**

The Company has no events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern within the 12 months after the balance sheet date.

#### **III. Significant accounting policies and estimates**

##### **(I) Statement of compliance**

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, results of operations and cash flows of the Company.

##### **(II) Accounting period**

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

##### **(III) Operating cycle**

Except for the real estate industry, the Company has a relatively short operating cycle for its business, an asset or a liability is classified as current if it is expected to be realized or due within 12 months. The operating cycle for real estate industry starts from the development of property and ends at sales, which normally extends over 12 months and is subject to specific projects, therefore, an asset or a liability is classified as current if it is expected to be realized or due within such operating cycle.

(IV) Functional currency

The Company's functional currency is Renminbi (RMB) Yuan.

(V) Accounting treatments of business combination under and not under common control

1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

(VI) Compilation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into its consolidation scope. The consolidated financial statements are compiled by the parent company according to "CASBE 33 - Consolidated Financial Statements", based on relevant information and the financial statements of the parent company and its subsidiaries.

(VII) Classification of joint arrangements and accounting treatment of joint operations

1. Joint arrangements include joint operations and joint ventures.

2. When the Company is a joint operator of a joint operation, it recognizes the following items in relation to its interest in a joint operation:

- (1) its assets, including its share of any assets held jointly;
- (2) its liabilities, including its share of any liabilities incurred jointly;
- (3) its revenue from the sale of its share of the output arising from the joint operation;
- (4) its share of the revenue from the sales of the assets by the joint operation;
- (5) its expenses, including its share of any expenses incurred jointly.

(VIII) Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

(IX) Financial instruments

### 1. Classification of financial assets and financial liabilities

Financial assets are classified into the following four categories when initially recognized: financial assets at fair value through profit or loss (including held-for-trading financial assets and financial assets designated at initial recognition as at fair value through profit or loss), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

Financial liabilities are classified into the following two categories when initially recognized: financial liabilities at fair value through profit or loss (including held-for-trading financial liabilities and financial liabilities designated at initial recognition as at fair value through profit or loss), and other financial liabilities.

### 2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount.

The Company measures its financial assets at fair value subsequent to initial recognition, and does not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances are excluded: (1) the held-to-maturity investments, loans and receivables are measured at amortized costs using effective interest method; (2) the equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by the delivery of the said equity instrument are measured at their costs.

The Company measures its financial liabilities at the amortized costs using effective interest method, with the exception of those under the following circumstances: (1) for the financial liabilities at fair value through profit or loss, they are measured at fair value, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) for the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by the delivery of the equity instrument, they are measured at their costs; (3) for the financial guarantee contracts which are not designated as a financial liability at fair value through profit or loss, and for the commitments to grant loans which are not designated as at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, they are measured subsequent to initial recognition at the higher of the following two items 1) The amount as determined according to "CASBE13 - Contingencies"; 2) the surplus after accumulative amortization as determined according to "CASBE14 - Revenues".

Financial assets are derecognized when the contractual rights for collecting the cash flow of the said financial assets expire or substantially all risks and rewards related to the said financial assets have been transferred. Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

### 3. Fair value determination method of financial assets and liabilities

The Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the

following hierarchy and used accordingly:

- (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- (2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (3) Level 3 inputs are unobservable inputs for the asset or liability.

#### 4. Impairment test and Provision for bad debts loss of financial assets

(1) An impairment test is carried out at the balance sheet date on the financial assets other than those at fair value through profit or loss, and provisions for impairment loss should be made if there is objective evidence indicating impairment loss.

(2) For held-to-maturity investments, borrowings, and receivables, an impairment test is made on an individual basis on financial assets of individually significant amount; with regard to the financial assets of individually insignificant amount, they may be included in a portfolio of financial assets with similar credit risk features so as to carry out an impairment-related test; where, upon the impairment test on an individual basis, the financial asset (including those financial assets of individually significant amount and of individually insignificant amount) is not impaired, it is included in a portfolio of financial assets with similar credit risk features so as to conduct further impairment test. Where a financial asset is impaired, the carrying amount of the said financial asset is written down to the present value of the predicted future cash flow.

#### (3) Available-for-sale financial assets

When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value that has been recognized directly in other comprehensive income is reclassified to impairment loss. If, after an impairment loss has been recognized on available-for-sale debt instrument investment, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. Subsequent fair value increase in available-for-sale debt instrument investment whose impairment loss has been recognized is directly recognized in other comprehensive income.

When an available-for-sale equity instrument at cost is impaired, impairment loss on such equity instrument investment is recognized at any excess of its carrying amount over the present value of future cash flows, and such impairment loss is not reversed upon recognition.

#### (X) Receivables

##### 1. For receivables of individually significant amount making provisions for bad debts separately

The judgment basis or amount standard of individually significant amount	The amount of more than 1 million yuan (inclusive) or accounting for more than 10% of the book balance of receivables.
The method of individually significant amount making provisions for bad debts separately	Based on impairment testing, provisions for bad debts are made on the difference between the lower of present value of future cash flow and their carrying amount.

##### 2. Receivable of bad debt provision based on combination of credit risk features

###### (1) Specific combination and bad debt provision methods

Receivables grouped with ages	Aging analysis method
Government receivables portfolio	No provision for bad debts shall be made if there is no impairment after the test.
Associated transaction combination	No provision for bad debts shall be made if there is no impairment after the test.
Portfolio of receivables from subsidiaries of the State Grid	No provision for bad debts shall be made if there is no impairment after the test.
Security deposits, deposits and reserve funds	No provision for bad debts shall be made if there is no impairment after the test.
External lending funds	No provision for bad debts shall be made if there is no impairment after the test.

(2) Aging analysis method

Ages	Proportion of commercial acceptance bills receivables (%)	Proportion of accounts receivables (%)	Proportion of other accounts receivables (%)
Within 6 months (inclusive, the same below)	0.00	0.00	5.00
7 months to 1 year	5.00	5.00	
1-2 years	10.00	10.00	10.00
2-3 years	30.00	30.00	30.00
3-4 years	50.00	50.00	50.00
4-5 years	80.00	80.00	80.00
Over 5 years	100.00	100.00	100.00

3. For receivables of individually insignificant amount but make provisions for bad debts separately

Reasons for making provisions for bad debts separately	There is objective evidence indicating that impairment may have occurred, such as the debtor's cancellation, bankruptcy, or death, and the debtor cannot be recovered after the bankruptcy property or inheritance is paid off, or the cash flow is severely insufficient, etc.
The method of accruing bad debt provision	For receivables that have objective evidence that may have been impaired, separate them from the related portfolio and conduct a separate impairment test, and confirm the impairment loss based on the difference between the present value of its future cash flow and its book value.

For bank acceptance receivables, interest receivables and long-term receivables, provisions for bad debts are made on the difference between the lower of present value of future cash flow and their carrying amount

(XI) Inventories

- Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, and materials or suppliers etc. to be consumed in the production process or in the rendering of services.
- Inventories dispatched from storage are accounted for weighted average method.
- At the balance sheet date, inventories are measured at the lower of cost or net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value.

4. Perpetual inventory method is adopted.
5. Revolving materials are amortized with one-off method.

#### (XII) Long-term equity investments

##### 1. Judgment of joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

##### 2. Determination of investment cost

(1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investments and the carrying amount of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

(2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

(3) Long-term equity investments obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to "CASBE12 - Debt Restructuring"; and that obtained through non-cash assets exchange is determined according to "CASBE7 - Non-cash Assets Exchange".

##### 3. Subsequent measurement and recognition method of gain or loss

For long-term equity investments with control relationship, it is accounted for with cost method; for long-term equity investments with joint control or significant influence relationship, it is accounted for with equity method.

##### 4. Impairment test and Provision for bad debts

At the balance sheet date, provisions for impairment loss are made at the difference between the carrying amount and the recoverable amount when there is evidence indicating impairment loss.

#### (XIII) Fixed assets

##### 1. Recognition principles of fixed assets

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

##### 2. Depreciation method of different categories of fixed assets

Categories	Depreciation method	Useful life (years)	Estimated residual value proportion (%)	Annual depreciation rate (%)
Buildings and constructions	Straight-line method	20-50	5.00	1.90-4.75
Special equipment	Straight-line method	3-10	5.00	9.50-31.67
General equipment	Straight-line method	3-5	5.00	19.00-31.67
Transportation facilities	Straight-line method	4	5.00	23.75
Office equipment and others	Straight-line method	3-5	5.00	19.00-31.67

3. Provisions for impairment are made at the excess of carrying amount over the recoverable amount if there is objective evidence indicating impairment loss at the balance sheet date.

#### (XIV) Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.

2. Construction in progress is transferred into fixed assets at its actual cost when it reaches its designed usable conditions. When the construction completion cost reaches final estimating and auditing of the construction in progress was not finished while it reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

3. At the balance sheet date, provisions for impairment loss are made at the difference between the carrying amount and the recoverable amount when there is evidence indicating impairment loss.

#### (XV) Borrowing costs

##### 1. Recognition principle of borrowing costs capitalization

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

##### 2. Borrowing costs capitalization period

(1) The borrowing costs are not capitalized unless they following requirements are all met: 1) the asset disbursements have already incurred; 2) the borrowing costs have already incurred; and 3) the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Suspension of capitalization: where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.

(3) Ceasing of capitalization: when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

### 3. Capitalized amount of borrowing costs

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings at the present period minus the income of interests earned on the unused borrowings as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

### (XVI) Intangible assets

1. Intangible asset includes land use right, patent right and non-patented technology etc. The initial measurement of intangible asset is based its cost.

2. For intangible assets with finite useful lives, its amortization amount is amortized within its useful life systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Amortization period (years)
Software	10
Land use right	Within 50 years

Intangible assets with indefinite useful lives are not amortized, but their useful life is reviewed annually.

3. At the balance sheet date, provisions for impairment loss on intangible assets with finite useful life are made at the difference between the carrying amount and the recoverable amount when there is evidence indicating impairment loss. Impairment tests are performed on intangible assets with indefinite useful life and intangible assets not yet reaching the usable conditions, on annual basis, no matter there is evidence indicating impairment loss or not.

4. Expenditures on the research phase of an internal project are recognized as profit or loss when it is incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the following: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

### (XVII) Long-term Prepayments

Long-term Prepayments are recorded with actual cost, and evenly amortized within its beneficiary period or

stipulated period. If items of Long-term Prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

#### (XVIII) Employee benefits

1. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

#### 2. Short-term employee benefits

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

#### 3. Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

(1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.

(2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:

1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. The Company discounts obligations under the defined benefit plan using the discount rate to determine the present value of the defined benefit plan obligations and the current service cost;

2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by deducting the present value of the defined benefit plan obligation from the fair value of defined benefit plan assets as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;

3) At the end of reporting period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined benefit plan liability (asset); and c. Changes as a result of remeasurement of the net defined benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

#### 4. Termination benefits

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: a. when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or b. when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

#### 5. Other long-term employee benefits

When other long-term employee benefits provided by the Company to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements

relating to defined contribution plan. The Company recognizes and measures the net liability or net asset of other long-term employee benefits in accordance with the requirements relation to defined benefit plan. At the end of the reporting period, the Company recognizes the components of cost of employee benefits arising from other long-term employee benefits as the followings: a. service cost; b. net interest on the net liability or net assets of other long-term employee benefits; and c. changes as a result of remeasurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts are recognized in profit or loss or included in the cost of a relevant asset.

(XIX) Other financial instrument such as preferred shares and perpetual bonds

Pursuant to CASBEs on financial instruments, “Regulations on Distinguishing Financial Liabilities and Equity Instrument and Related Accounting Treatments” numbered Cai Kuai [2014] 13, and “Regulations on Accounting Treatments of Perpetual Bonds” numbered Cai Kuai [2019] 2 by Ministry of Finance, for financial instrument such as perpetual bonds (for example, long-term rights-containing medium-term notes) etc., the Company classifies a financial instrument or its components at initial recognition as a financial asset or liability or equity instrument, based on contract terms and economic essence it reveals instead of its legal form, combining with the definitions of financial asset, liability and equity instrument.

At the balance sheet date, for a financial instrument classified as an equity instrument, its interest expenditure or dividend distribution is treated as profit distribution, and share repurchase and cancelation are treated as changes in equity; for a financial instrument classified as a financial liability, its interest expenditure or dividend distribution is treated as borrowing expense, and gain or loss on repurchase or redemption is included in profit or loss.

(XX) Revenue

1. Sale of goods

Revenue from sale of goods is recognized if, and only if, the following conditions are all satisfied: (1) significant risks and rewards of ownership of the goods is transferred to the buyer; (2) the Company retains neither continuing managerial involvement of ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the economic benefits of the transaction will flow to the Company; and (5) the costs of the transaction incurred and to be incurred can be measured reliably.

2. Rendering of services

When the outcome of the transaction can be estimated reliably (the amount of revenue can be measured reliably, it is probable that the economic benefits will flow to the Company, the percentage of completion of the transaction can be determined reliably, and the costs of the transaction incurred and to be incurred can be measured reliably), revenue from rendering of services is recognized using the percentage of completion method, and the stage of completion is determined at measurement of completed work. When the outcome of the transaction cannot be estimated reliably at the balance sheet date, revenue is recognized based on the amount of the costs incurred and the costs incurred are charged off at the same amount when the costs incurred are expected to be recoverable; and no revenue is recognized and the costs incurred are charged off as an expense of the period when the costs incurred are not expected to be recovered.

3. Revenue arising from use by others of assets

Revenue arising from use by others of assets is recognized if, and only if, it is probable that economic benefits

associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Interest income is recognized based on the length of time for which the Company's cash is used by others and the effective interest rate; and royalties are recognized according to the period and method of charging as specified in relevant contract or agreement.

#### (XXI) Government subsidies

1. Government subsidies shall be recognized if, and only if, the following conditions are all met: (1) the Company will comply with the conditions attaching to the grants; (2) the grants will be received. Monetary Government subsidies are measured at the amount received or receivable. Non-monetary Government subsidies are measured at fair value, and can be measured at nominal amount in the circumstance that fair value can't be assessed.

#### 2. Government subsidies related to assets

The amount of government subsidies used to purchase, construct, or form a long-term asset in other ways is regarded as government subsidies related to an asset. If the government document is not clear, the judgment shall be based on the basic conditions that must be met to obtain the subsidy, and the capital-related government subsidies shall be regarded as the basic conditions for the formation of long-term assets through acquisition or construction or other methods. A government subsidy related to an asset shall be recognized as deferred income and amortized to profit or loss over the useful life of the related asset on a reasonable and systematic manner. Government subsidies measured in nominal amounts are directly included in current profits and losses. Where the relevant assets are sold, transferred, scrapped or damaged before the end of their useful lives, the balance of the relevant deferred income that has not been allocated shall be transferred to the profit or loss of the asset disposal period.

#### 3. Government subsidies related to income

Government subsidies related to income are Government subsidies other than those related to assets. For Government subsidies that contain both parts related to assets and parts related to income, in which those two parts are blurred and thus collectively classified as Government subsidies related to income. For Government subsidies related to income used for compensating the related future cost, expenses or losses of the Company are recognized as deferred income and are included in profit or loss or offset relevant cost during the period in which the relevant cost, expenses or losses are recognized; for Government subsidies related to income used for compensating the related cost, expenses or losses incurred to the Company, they are directly included in profit or loss or directly offset relevant cost.

4. Government subsidies related to the ordinary course of business shall be included into other income or offset relevant cost based on business nature, while those not related to the ordinary course of business shall be included into non-operating revenue or expenditures.

#### 5. Policy interest subvention

(1) In the circumstance that government appropriates interest subvention to lending bank, who provides loans for the Company with a policy subsidised interest rate, borrowings are carried at the amount received, with relevant borrowings cost computed based on the principal and the policy subsidised interest rate.

(2) In the circumstance that government directly appropriates interest subvention to the Company, the subsidised interest shall offset relevant borrowing cost.

(XXII) Deferred tax assets/Deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.

3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (a) business combination; and (b) the transactions or items directly recognized in equity.

(XXIII) Leases

1. Operating leases

When the Company is the lessee, lease payments are recognized as cost or profit or loss with straight-line method over the lease term. Initial expenses are recognized directly into profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

When the Company is the lessor, lease income is recognized as profit or loss with straight-line method over the lease term. Initial expenses, other than those with material amount and eligible for capitalization which are recognized as profit or loss by installments, are recognized directly as profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

2. Finance leases

When the Company is the lessee, at the commencement of the lease term, lessees recognize finance leases as assets and liabilities in their balance sheets at amounts equal to the lower of fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease, and recognize the minimum lease payments as the entering value of long-term payable, and treat the difference of the two as unrecognized finance expense. Any initial direct costs of the lessee are added to the amount recognized as an asset. The effective interest method is used to recognize finance expense of the period during the lease term.

When the Company is the lessor, at the commencement of the lease, lessor recognizes the aggregate of minimum lease receipts and initial direct costs, each determined at the inception of the lease, as the entering value of finance lease receivables, and recognize the unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values is recognized as unrealized finance income. The effective interest method is used to recognize

finance income of the period during the lease term.

(XXIV) Significant changes in accounting policies and estimates

Since January 1, 2020, the company has implemented the "Interpretation of Accounting Standards for Business Enterprises No. 13" issued by the Ministry of Finance in 2019, and this accounting policy change will be handled by the future application method.

**IV. Taxes and rates**

(I) Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The output tax calculated based on the revenue from sales of goods or rendering of services in accordance with the tax law, net of the input tax that is allowed to be deducted in the current period.	3%、6%、9%、13%
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of rent revenue.	1.2%、12%
Urban maintenance and construction tax	Actual turnover tax paid	7%
Education surcharge	Actual turnover tax paid	3%
Local education surcharge	Actual turnover tax paid	2%
Enterprise income tax	Taxable income	25%、20%、15%

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Income tax rate
Jinan Rail Transit Engineering Consulting Co., Ltd. (hereinafter called as "Engineering Consulting Company")	20%
Shandong Rail Transit Survey and Design Institute Co., Ltd. (hereinafter called as "Track Survey and Design Company")	15%
Jinan Metro Culture Media Co., Ltd. (hereinafter called as "Metro Media Company")	20%
Shandong Aipu Electrical Equipment Co., Ltd. (hereinafter called as "Aipu Electric Company")	15%
Jinan Rail Urban Construction Pipe Manufacturing Co., Ltd. (hereinafter called as "Urban Construction Pipeline Company")	15%
Taxpayers other than the above-mentioned	25%

(II) Tax preferential policies

1. According to Article 1 of the "Notice of the Ministry of Finance and the State Administration of Taxation on the Relevant Tax Policies for the Reconstruction of Shanty Towns" (Caishui (2013) 101): "First, the use tax of urban land for the construction of the reconstruction and resettlement housing is exempted. "The company belongs to the operation and management unit of the reconstruction and resettlement housing, and the land use tax and stamp tax involved are exempted.

2. According to the notice of implementing the preferential tax reduction and exemption policy for small and micro enterprises (Announcement No. 2 (2019) of the State Administration of Taxation), from January 1, 2019 to December 31, 2021, the portion of the annual taxable income of small and low-profit enterprises not exceeding 1 million yuan shall be included in the taxable income at a reduced rate of 25%, and the enterprise income tax shall be paid at a 20% tax rate. The portion of annual taxable income exceeding RMB1 million yuan but not exceeding RMB3 million yuan shall be included in the taxable income at a reduced rate of 50% and the enterprise income tax shall be paid at a 20% tax rate. Engineering Consulting Company and Metro Media Company meet the tax preferential conditions for small and low-profit enterprises.

3. According to Article 28 of the "Enterprise Income Tax Law of the People's Republic of China", a preferential tax rate of 15% shall be applied to the high-tech enterprises that need key support from the state. The headquarters of Aipu Electric Company was recognized as a high-tech enterprise in 2008 and obtained the high-tech enterprise certificate. It has been re-certified in 2020 and the qualification is valid for 3 years; Track Survey and Design Company was recognized as a high-tech enterprise in 2020 and obtained the high-tech enterprise certificate. The qualification is valid for 3 years; Urban Construction Pipeline Company was recognized as a high-tech enterprise in 2020 and obtained the high-tech enterprise certificate. The qualification is valid for 3 years. The headquarters of Aipu Electric Company, Track Survey and Design Company and Urban Construction Pipeline Company meet the tax preferential policies and the income tax rate is 15%.

4. "Notice of the Ministry of Finance and the State Administration of Taxation on Continuing the Preferential Policies for Reducing and Exempting Urban Land Use Taxes for Urban Bus Stations, Road Passenger Stations, and Urban Rail Transit Systems" (Caishui [2019] No. 11) stipulates: Urban land use tax is exempted for urban bus stations, road passenger stations and urban rail transit system operation land. The implementation period is from January 1, 2019 to December 31, 2021.

## V. Business combination, consolidated financial statements, and interest in other entities

### (I) Significant subsidiaries

Subsidiaries	level	Business nature	Registered capital (in ten thousand yuan)	Business scope
<b>1. Acquired through establishment or investments</b>				
Jinan Rail Transit Group Resource Development Co., Ltd. (hereinafter called as "Resource Development Corporation")	2	Technology promotion and application service industry	458,000.00	Development of urban rail transit resources; Land consolidation and development; Property management etc.
Jinan Rail Transit Group Construction Investment Co., Ltd. (hereinafter called as "Construction Investment Company")	2	Other financial industry	1,070,000.00	Planning, design, and construction of rail transit engineering, road and bridge engineering, and municipal engineering; Development, management, and operation of rail transit projects; External investment with own assets; Real estate development and operation; Property management, etc.

Subsidiaries	level	Business nature	Registered capital (in ten thousand yuan)	Business scope
Jinan Rail Transit Group Asset Management Co., Ltd. (hereinafter called as "Asset Management Corporation")	2	Commercial service industry	200,000.00	Invest with own funds and conduct asset management and investment consulting for investment projects
Jinan Transportation Development Investment Co., Ltd. (hereinafter called as "Transportation Development Investment Corporation")	2	Commercial service industry	600,000.00	Use own funds to invest in railways, airports, rail transit, and municipal road infrastructure and do investment consulting for investment projects
Jinan Rail Transit Group Real Estate Co., Ltd. (hereinafter called as "Rail Real Estate Corporation")	2	Real estate industry	100,000.00	Real estate development and operation; Property management; House leasing (excluding financial leasing); Park management services; General contracting of construction projects, professional contracting of building decoration projects (operating with qualification certificates) and other projects that are not prohibited or do not require business licenses according to laws, regulations and decisions of The State Council
Jinan Rail Transit Group Operation Co., Ltd. (hereinafter called as "Rail Operating Company")	2	Road transport industry	50,000.00	General projects: rail transit construction machinery and parts sales; Rail transit operation management system development; Rail transit special equipment, key systems and components sales; Housing rental; Non-residential real estate leasing; Mechanical equipment leasing; Conference and Exhibition services; Property management; Technical services, technology development, technology consultation, technology exchange, technology transfer, and technology promotion (except for projects that need to be approved according to laws, business activities can be independently carried out according to laws with business license) Licensed projects: Urban public transportation
Jinan Rail Transit Group First Operation Co., Ltd. (hereinafter called as "Rail First Operating Company")	2	Road transport industry	10,000.00	Rail transit operation and management; Rail transit technology development and technical services; Leasing of venues and facilities; Exhibition display services; Equipment rental and maintenance

Subsidiaries	level	Business nature	Registered capital (in ten thousand yuan)	Business scope
Engineering Consulting Company	2	Commercial service industry	500.00	Engineering and technical consulting services; Engineering design; Engineering cost consultation; Engineering testing services; Project bidding agency services
Track Survey and Design Company	2	Commercial service industry	16,000.00	Engineering and technical consulting services; Engineering design; Rail transit engineering; Engineering investigation; Engineering design; Planning and design management; Project general contracting services; Construction labor subcontracting; Engineering project management; Engineering supervision; Engineering consulting services; Engineering cost consultation; Engineering technical consultation; Surveying and mapping services; Engineering quality testing; Bidding agency services; Development and sales of building materials and other projects that are not prohibited by laws, regulations and decisions of The State Council and do not require business licenses
Jilai High Speed Railway Co., Ltd. (hereinafter called as "Jilai High Speed Rail Company")	3	Commercial service industry	100,000.00	Construction of railway engineering, road engineering, municipal public works and photovoltaic power generation projects; Passenger transport; Investment in railway and municipal road infrastructure with own funds and consultation on investment projects (without the approval of the financial regulatory authorities, it is not allowed to engage in financial services such as deposit absorption, financing guarantee and financing on behalf of customers); Land consolidation service; Real estate development and sales; House lease; Mineral products, building materials, chemical products (excluding dangerous chemicals) sales; Railway technical consulting services; Domestic advertising design, production, agency, release; Travel agency service; Property management; Car park services; Warehousing services (excluding dangerous chemicals);

Subsidiaries	level	Business nature	Registered capital (in ten thousand yuan)	Business scope
				Catering services; Tourism services; New energy development; Railway transportation; Road transport of goods and other items that are not prohibited or do not require business licenses in accordance with laws, regulations and decisions of The State Council
Jinan Rail Transit Industrial Park Investment Co., Ltd. (hereinafter called as "Industrial Park Investment Company")	3	Commercial service industry	20,000.00	Invest in industrial parks with own funds (without the approval of the financial regulatory authorities, it is not allowed to engage in financial services such as deposit absorption, financing guarantee and financial management on behalf of customers); Industrial park construction; Real estate development and operation; House lease (excluding financing lease); General contracting of construction engineering, professional contracting of construction mechanical and electrical installation engineering (operating with the above certificates); Construction machinery manufacturing, wholesale, retail and technical consulting, technical services; Engineering and technological research and test development; Business incubation services and other items that are not prohibited or do not require business licenses in accordance with laws, regulations and decisions of The State Council
Jinan Quality Security Engineering Inspection Co., Ltd. (hereinafter called as "Quality Security Testing Company")	3	Professional technical services industry	1,500.00	General projects: Highway and water transportation engineering test and inspection services; Environmental protection monitoring; Engineering management services; Technical services, technology development, technology consulting, technology exchanges, technology transfer, technology promotion; New material technology research and development; Engineering and technology research and experimental development (except for the projects that need to be approved according to law, carry out business activities

Subsidiaries	level	Business nature	Registered capital (in ten thousand yuan)	Business scope
				independently according to the business license) Licensed projects: Inspection and testing services; Construction project quality inspection; Water conservancy project quality inspection; Construction project survey; Surveying and mapping services; Special equipment inspection and testing services; Lightning protection devices detection; Indoor environment detection
Jinan Dongtie Rail Transit Building Materials Co., Ltd. (hereinafter called as "Dongtie Building Materials Company")	3	Non-metallic mineral products industry	5,000.00	Production and sales of rail transit building materials, ready-mixed concrete and admixtures, prefabricated components, and building materials (operated by environmental assessment); Storage services (excluding dangerous goods); dedicated cargo transportation (operated by permit)
Jinan Quantie Rail Transit Building Materials Co., Ltd. (hereinafter called as "Quantie Building Materials Company")	3	Non-metallic mineral products industry	5,000.00	Production and sales of rail transit building materials, ready-mixed concrete and admixtures, prefabricated components, and building materials (operated by environmental assessment); Storage services (excluding dangerous goods); dedicated cargo transportation (operated by permit)
Shandong Kaiyue Rail Transit Cable Co., Ltd. (hereinafter called as "Kaiyue Cable Company")	3	Electrical machinery and equipment manufacturing	5,000.00	R&D, production, sales and installation of wires and cables; Construction of communication projects; Operation and maintenance of rail transit vehicles; Import and export of goods and technology, and other items that are not prohibited and do not require operating licenses in accordance with laws, regulations, and decisions of the State Council
Urban Construction Pipeline Company	3	Non-metallic mineral products industry	1,000.00	Manufacture and sales of concrete segments, concrete precast components, and metal structural parts; Recycling and processing of construction waste; Sales of cement products and commercial concrete

Subsidiaries	level	Business nature	Registered capital (in ten thousand yuan)	Business scope
Metro Media Company	3	Arts and Culture	600.00	Organization and planning of cultural and artistic exchange activities; Advertising design, product, agent, and release; Commercial complex operation management; Design and production of handicrafts, packaging and decoration products and other printed materials; Conference services; Exhibition and display services; Marketing planning services; Market research services; Socio-economic consulting; Design and production of animation products; Equipment leasing; Information system integration services; Internet data services
Jinan Rail Transit Group Commercial Factoring Co., Ltd. (hereinafter called as "Commercial Factoring Company")	3	Other financial industry	30,000.00	Licensed project: Commercial factoring business
Shunjie (Shandong) Property Development Co., Ltd. (hereinafter called as "Shunjie Property Company")	3	Real estate industry	10,000.00	Property management; Non-residential real estate leasing; Housing leasing; Car leasing; Parking lot services, etc.
Jinan Shunqing Real Estate Co., Ltd. (hereinafter called as "Shunqing Real Estate Company")	3	Real estate industry	50,000.00	Real estate development and operation; Various engineering construction activities; Property management; Housing leasing; Non-residential real estate leasing; Self-owned real estate business activities; Parking lot management; Business services, etc.
Jinan Shuncheng Real Estate Co., Ltd. (hereinafter called as "Shuncheng Real Estate Company")	3	Real estate industry	300.00	General projects: Foreign contracted projects; Property management; Housing leasing; Non-residential real estate lease (except for projects that need to be approved according to law, business activities can be independently carried out according to law with business license); Licensed projects: Real estate development and operation; Various engineering construction activities; General contracting of housing construction and municipal infrastructure projects
2. Acquired through business combination not under common control				

Subsidiaries	level	Business nature	Registered capital (in ten thousand yuan)	Business scope
Aipu Electric Company	3	Electrical machinery and equipment manufacturing	10,000.00	Installation (repair, trial) and leasing of electric power facilities; Development, design, production and sales of power equipment and accessories, electronic equipment and accessories, transmission and transformation equipment, transmission and distribution equipment, electrical components; Operation and maintenance of electrical equipment; Iron products processing; Economic information consultation; Technical consulting services for power supply and consumption; Wholesale and retail of hardware products; Construction labor subcontracting; Sell electricity; Research and development, design, manufacturing, sales, installation, maintenance and leasing of electric vehicle charging facilities; Electric vehicle rental services, charging and changing services, sales, maintenance services, etc
Jinan Wenquan City General Aviation Co., Ltd. (hereinafter called as "General Aviation Company")	3	Air transport industry	15,000.00	Construction and management of general aviation airports; Sales, leasing, maintenance and repair of general aircraft; Sales of daily provisions; Sightseeing tourism; Transportation of goods; Crop pest control; Medical aid

(Continued)

Subsidiaries	Actual investment up to period-end (in ten thousand yuan)	Actual net investment balance in subsidiaries	Holding proportion (%)	Voting right proportion (%)
1. Acquired through establishment or investments				
Resource Development Corporation	476,000.00		93.70[Note1]	93.01
Construction Investment Company	809,000.00		75.61	75.61
Asset Management Corporation	206,068.11		100.00	100.00
Transportation Development Investment Corporation	100,000.00		100.00	100.00
Rail Real Estate Corporation	51,000.00		100.00	100.00
Rail Operating Company [Note2]			100.00	100.00
Rail First Operating Company [Note2]			100.00	100.00
Engineering Consulting Company	500.00		100.00	100.00

Subsidiaries	Actual investment up to period-end (in ten thousand yuan)	Actual net investment balance in subsidiaries	Holding proportion (%)	Voting right proportion (%)
Track Survey and Design Company	4,200.00		70.00	70.00
Jilai High Speed Rail Company [Note2]			100.00	100.00
Industrial Park Investment Company	4,000.00		100.00	100.00
Quality Security Testing Company	1,000.00		100.00	100.00
Dongtie Building Materials Company	2,750.00		55.00	55.00
Quantie Building Materials Company	2,750.00		55.00	55.00
Kaiyue Cable Company	2,550.00		51.00	51.00
Urban Construction Pipeline Company	6,095.40		51.00	51.00
Metro Media Company	306.00		51.00	51.00
Commercial Factoring Company [Note2]			100.00	100.00
Shunjie Property Company [Note2]			100.00	100.00
Shunqing Real Estate Company	50,000.00		100.00	100.00
Shuncheng Real Estate Company [Note2]			100.00	100.00
2. Acquired through business combination not under common control				
Aipu Electric Company	40,134.06		57.00	57.00
General Aviation Company	13,317.00		88.78	88.78

[Note1]: The company has increased the capital of its subsidiary Resource Development Corporation by RMB500.00 million yuan, but has not changed its articles of association and registered for industry and commerce. As a result, the actual shareholding ratio is inconsistent with the voting right ratio.

[Note2]: As of December 31, 2020, the company has not actually invested in the Rail Operating Company, the Rail First Operating Company, the Jilai High Speed Rail Company, the Commercial Factoring Company, the Shunjie Property Company and Shuncheng Real Estate Company.

## (II) Remarks on unusual situations

Remarks on losing control over subsidiaries of which the parent company has more than half voting right

1. In November 2018, the company's subsidiary Asset Management Corporation and the joint venture Jinan Shengyue Investment Management Co., Ltd. signed an agreement to jointly establish a Jinan Shengyue Rail Transit Industry Investment Fund Partnership (Limited Partnership): the company as a limited partner subscribed to contribute RMB250 million yuan, Jinan Shengyue Investment Management Co., Ltd. subscribed to capital of RMB10 million yuan, a total of RMB260 million yuan as registered capital, of which Jinan Shengyue Investment Management Co., Ltd. is the executive partner. According to the agreement, the company does not participate in the actual operation, so it failed to form control.

2. In October 2020, the company's subsidiary Asset Management Corporation and China Tiesiju Civil Engineering Group Co., Ltd. respectively subscribed to invest RMB61 million yuan and RMB39 million yuan to jointly establish Jinan Railway Zhongtie New Building Materials Co., Ltd. (hereinafter referred to as "Zhongtie New Building Materials Company"). According to the minutes of the company's meeting, the Asset Management Corporation and China Tiesiju Civil Engineering Group Co., Ltd. first subscribed 61% and 39% of the capital contribution respectively. When the conditions are mature, the company will transfer the 20% shares of Zhongtie New Building Materials Company to Hejian Yinlong Railway Co., Ltd. According to the resolution of the company's equity committee, it is planned to audit and evaluate Zhongtie New Building Materials Company on November 30, 2020 as the base date, and transfer its 20% equity in the form of public land leasing. According to the articles of association of Zhongtie New Building Materials Company, shareholders' rights and obligations are stipulated. Shareholders exercise voting rights and receive dividends in accordance with the actual proportion of their capital contributions. As of the balance sheet date, the transfer procedures have not been completed. The company actually invested 41% of the shares by RMB41 million yuan and the company does not hold a 20% stake in Zhongtie New Building Materials Company for a long time, so it is not included in the scope of consolidation.

(III) Remarks on changes in the consolidation scope during the reporting period

Subsidiaries newly brought into the consolidation scope

1. Remarks on subsidiaries acquired through direct establishment or investments

(1) The Company established Rail Real Estate Corporation in the current period. On 24 April 2020, the Rail Real Estate Corporation was registered at administration for industry and commerce, and obtained a social credit code numbered 91370112MA3RWBH772 with registered capital of RMB1 billion yuan, of which, RMB1 billion yuan is contributed by the Company, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(2) The Company established Rail Operating Company in the current period. On September 10 2020, the Rail Operating Company was registered at administration for industry and commerce, and obtained a social credit code numbered 91370102MA3TYQU81R with registered capital of RMB500 million yuan, of which, RMB500 million yuan is contributed by the Company, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(3) The subsidiary Company Rail Operating Company established Shunjie Property Company in the current period. On September 22 2020, the Shunjie Property Company was registered at administration for industry and commerce, and obtained a social credit code numbered 91370100MA3U2EPE21 with registered capital of RMB100 million yuan, of which, RMB100 million yuan is contributed by the subsidiary Company Rail Operating Company, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(4) The subsidiary Company Resource Development Corporation established Shunqing Real Estate Company in the current period. On July 3 2020, the Shunqing Real Estate Company was registered at administration for industry and commerce, and obtained a social credit code numbered 91370113MA3TE4RM83 with registered capital of RMB500 million yuan, of which, RMB500 million yuan is contributed by the subsidiary Company Resource Development Corporation, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(5) The subsidiary Company Construction Investment Company established Shuncheng Real Estate Company in the current period. On November 17 2020, the Shuncheng Real Estate Company was registered at administration for industry and commerce, and obtained a social credit code numbered 91370112MA3UDA9J04 with registered capital of RMB3 million yuan, of which, RMB3 million yuan is contributed by the subsidiary Company Construction Investment Company, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(6) The subsidiary Company Asset Management Corporation established Industrial Park Investment Company in the current period. On April 21 2020, the Industrial Park Investment Company was registered at administration for industry and commerce, and obtained a social credit code numbered 91370112MA3RUG9G2T with registered capital of RMB200 million yuan, of which, RMB200 million yuan is contributed by the subsidiary Company Asset Management Corporation, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

(7) The subsidiary Company Asset Management Corporation established Commercial Factoring Company in the current period. On December 31 2020, the Commercial Factoring Company was registered at administration for industry and commerce, and obtained a social credit code numbered 91370102MA3UR1PT6T with registered capital of RMB300 million yuan, of which, RMB300 million yuan is contributed by the subsidiary Company Asset Management Corporation, accounting for 100% of the registered capital, which indicates that the Company holds substantial control over it. It is brought to the consolidation scope since foundation.

## 2. Remarks on subsidiaries acquired through other methods

(1) In July 2020, the subsidiary Company Transportation Development Investment Corporation signed the equity transfer agreement of Jinan Wenquan City General Aviation Co., Ltd. with Shanghe State-owned Capital Investment Operation Group Co., Ltd. and purchased 88.78% equity of General Aviation Company held by Shanghe State-owned Capital Investment Operation Group Co., Ltd. On October 30 2020, the General Aviation Company completed the industrial and commercial change registration and officially handed over to the Transportation Development Investment Corporation to take over. Therefore, starting from November 1 2020, the company will incorporate General Aviation Company into the consolidation scope.

(2) In 2019, The company's subsidiary Asset Management Corporation and Jinan Shengyue Rail Transit Industry Investment Fund Partnership (Limited Partnership) signed a property rights transaction contract with Jinan Senyuan Holdings Co., Ltd., stipulating that the Asset Management Corporation and Jinan Shengyue Rail Transit Industry Investment Fund Partnership (Limited Partnership) as a joint purchasing entity to purchase 57% of the shares of Aipu Electric Company held by Jinan Senyuan Holdings Co., Ltd., of which the Asset Management Corporation was transferred 12% of the equity, and the Jinan Shengyue Rail Transit Industry Investment Fund Partnership (Limited Partnership) was transferred 45% of the equity, and the profits and losses generated from January 1 2019 to the actual delivery date are shared and undertook by the transferor. The assets and materials of the target enterprise involved in the contract except administrative and financial assets shall be handed over to the transferee for verification. The completion date of the handover shall be the actual delivery date. The industrial and commercial change registration was completed on December 27, 2019, and the delivery was completed at the end of the year. On January 1 2020, Jinan Shengyue Rail Transit Industry Investment Fund Partnership (Limited Partnership) issued a statement stating: its 45% of equity interest in Aipu Electric Company is actually owned by the Asset Management Corporation, and will act as persons acting in concert with Asset Management Corporation. Persons acting in concert

will vote in accordance with the opinions of the Asset Management Corporation in the shareholders meeting and board of directors of Aipu Electric Company. Therefore, starting from January 1 2020, the company will incorporate Aipu Electric Company into the consolidation scope.

(IV) Entities newly included into the consolidation scope during the reporting period

Subsidiaries newly included into the consolidation scope

Entities	Closing balance of net assets	Net profit of the current period
Rail Real Estate Corporation	509,226,917.82	-773,082.18
Rail Operating Company		
Shunjie Property Company	-66,405.72	-66,405.72
Shunqing Real Estate Company	500,000,000.00	
Shuncheng Real Estate Company		
Industrial Park Investment Company	40,000,000.00	
Commercial Factoring Company		
General Aviation Company	150,000,000.00	
Aipu Electric Company	488,762,134.65	11,079,155.10

(V) Main financial data of significant associates

Investees	Closing balance of total assets	Closing balance of total liabilities	Closing balance of total net assets	Total operating revenue of the current period	Net profit of the current period
Jinan Rail Zhongtie Pipe Manufacturing Co., Ltd.	158,726,566.20	40,379,374.77	118,347,191.43	113,236,216.55	2,798,819.71
Jinan CREG Heavy Machinery and Rail Transit Equipment Co., Ltd.	470,413,730.67	213,612,308.07	256,801,422.60	196,723,852.56	7,542,903.69

**VI. Notes to items of consolidated financial statements**

(I) Notes to items of the consolidated balance sheet

1. Cash and bank balances

(1) Details

Items	Closing balance	Opening balance
Cash on hand		2,806.50
Cash in bank	6,924,495,726.41	8,801,263,716.16
Other cash and cash equivalents	184,756,152.85	10,135,621.66
Total	7,109,251,879.26	8,811,402,144.32

(2) Details of restricted monetary capital

Items	Closing balance	Opening balance
Labor wage deposit	10,000,000.00	10,000,000.00
Subtotal	10,000,000.00	10,000,000.00

2. Notes receivable

## (1) Details

Categories	Closing balance		
	Book balance	Provision for bad debts	Carrying amount
Bank acceptance	6,411,921.00		6,411,921.00
Trade acceptance	21,114,600.00		21,114,600.00
Total	27,526,521.00		27,526,521.00

(Continued)

Categories	Opening balance		
	Book balance	Provision for bad debts	Carrying amount
Bank acceptance	600,000.00		600,000.00
Trade acceptance	8,500,000.00		8,500,000.00
Total	9,100,000.00		9,100,000.00

## (2) Balance due from related parties

No related party notes receivable at the end of the period.

## 3. Accounts receivable

## (1) Details

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Provision for bad debts	Ratio of bad debt provision (%)	
For accounts receivable of individually significant amount making provisions for bad debts separately	7,068,915.60	0.65	7,068,915.60	100.00	
Accounts receivable of bad debt provision based on combination of credit risk features	1,088,220,653.72	99.35	38,433,229.04	3.53	1,049,787,424.68
Total	1,095,289,569.32	100.00	45,502,144.64	4.15	1,049,787,424.68

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Provision for bad debts	Ratio of bad debt provision (%)	
For accounts receivable of individually significant amount making provisions for bad debts separately					

Categories	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Provision for bad debts	Ratio of bad debt provision (%)	
Accounts receivable of bad debt provision based on combination of credit risk features	411,083,545.23	100.00	2,348,076.83	0.57	408,735,468.40
Total	411,083,545.23	100.00	2,348,076.83	0.57	408,735,468.40

(2) Accounts receivable with significant amount and provision for bad debts separately at the end of the period

Name of Debtors	Book balance	Provision for bad debts	Ages	Ratio of bad debt provision (%)	Reasons of bad debt provision
Erkai Electric (Zhuhai) Co., Ltd.	3,636,915.60	3,636,915.60	4-5 years	100.00	After the court judgment, there is no property to enforce.
Shandong Hanlin Biotechnology Co., Ltd.	2,784,000.00	2,784,000.00	4-5 years	100.00	After the court judgment, there is no property to enforce.
Jinan Licheng District Dongjia Town Welfare Smelter	648,000.00	648,000.00	4-5 years	100.00	After the court judgment, there is no property to enforce.
Subtotal	7,068,915.60	7,068,915.60	--	--	--

(3) Accounts receivable of bad debt provision based on combination of credit risk features at the end of the period

Items	Closing balance		
	Book balance	Provision for bad debts	Ratio of bad debt provision (%)
Combination of ages	673,003,989.01	38,433,229.04	5.71
Portfolio of receivables from subsidiaries of the State Grid and related parties	415,216,664.71		
Subtotal	1,088,220,653.72	38,433,229.04	3.53

1) Accounts receivable with provision for bad debts using the aging analysis method

Ages	Closing balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year (inclusive, the same below)	538,136,769.08	79.96	5,164,645.77	532,972,123.31
1-2 years	97,389,474.62	14.47	9,738,947.45	87,650,527.17
2-3 years	16,358,146.51	2.43	4,907,443.95	11,450,702.56
3-4 years	1,023,900.80	0.15	511,950.40	511,950.40
4-5 years	9,927,282.65	1.48	7,941,826.12	1,985,456.53
Over 5 years	10,168,415.35	1.51	10,168,415.35	
Subtotal	673,003,989.01	100.00	38,433,229.04	634,570,759.97

(Continued)

Ages	Opening balance			
	Book balance	% to total	Provision for bad debts	Carrying amount

Ages	Opening balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year (inclusive, the same below)	396,204,439.26	96.38	860,166.23	395,344,273.03
1-2 years	14,879,105.97	3.62	1,487,910.60	13,391,195.37
2-3 years				
3-4 years				
4-5 years				
Over 5 years				
Subtotal	411,083,545.23	100.00	2,348,076.83	408,735,468.40

2) Accounts receivable with provision for bad debts by other combinations at the end of the period

Name of Combinations	Closing balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Portfolio of receivables from subsidiaries of the State Grid and related parties	415,216,664.71	100.00		415,216,664.71
Total	415,216,664.71	100.00		415,216,664.71

(4) Balance due from related parties

No related party accounts receivable at the end of the period.

(5) The top five accounts receivable at the end of the period aggregated by the debtor

Name of Debtors	Book balance	% to total accounts receivable
State Grid E-commerce Technology Co., Ltd.	128,739,011.27	11.75
Jinan Luyuan Electric Group Co., Ltd.	89,050,999.66	8.13
The Fourth Engineering Co., Ltd. of CTCE Group	61,505,045.15	5.62
China Railway No.5 Engineering Group Co., Ltd. Urban Rail Transit Engineering Branch	35,351,355.60	3.23
China Railway 16th Bureau (Civil engineering of R3 line Phase I)	26,442,953.00	2.41
Subtotal	341,089,364.68	31.14

4. Advances paid

(1) Age analysis

Ages	Closing balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year (inclusive, the same below)	1,414,590,284.86	53.03		1,414,590,284.86
1-2 years	421,176,948.26	15.79		421,176,948.26
2-3 years	753,728,752.87	28.25		753,728,752.87
Over 3 years	78,128,548.36	2.93		78,128,548.36
Total	2,667,624,534.35	100.00		2,667,624,534.35

(Continued)

Ages	Opening balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year (inclusive, the same below)	645,347,329.31	21.87		645,347,329.31
1-2 years	2,110,606,893.48	71.51		2,110,606,893.48
2-3 years	195,490,501.11	6.62		195,490,501.11
Over 3 years				
Total	2,951,444,723.90	100.00		2,951,444,723.90

(2) Balance due from related parties

No prepayments for related party at the end of the period.

(3) The top five advances paid at the end of the period aggregated by the debtor

Name of Debtors	Book balance	% to total advances paid
Jinan City Construction Group Co., Ltd.	500,000,000.00	18.74
China Tiesiju Civil Engineering Group Co., Ltd.	193,683,305.02	7.26
Jinan Urban Construction Group Co., Ltd.	175,691,239.10	6.59
CRRC Qingdao Sifang Co., Ltd.	141,173,109.84	5.29
China Railway 16th Bureau Group Co., Ltd.	126,094,318.71	4.73
Subtotal	1,136,641,972.67	42.61

5. Other receivables

(1) Details

Items	Closing balance	Opening balance
Dividend receivable	4,739,500.00	3,493,312.50
Other receivables	5,045,655,221.32	3,927,504,579.49
Total	5,050,394,721.32	3,930,997,891.99

(2) Dividend receivable

Company	Closing balance	Opening balance
Jinan CREG Heavy Machinery and Rail Transit Equipment Co., Ltd.	4,739,500.00	3,493,312.50
Subtotal	4,739,500.00	3,493,312.50

(3) Other receivables

1) Age analysis

Ages	Closing balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year (inclusive, the same below)	1,328,509,880.71	26.33	4,910.00	1,328,504,970.71
1-2 years	3,714,445,271.40	73.62		3,714,445,271.40
2-3 years	674,898.68	0.01		674,898.68
3-4 years	143,864.00	0.00		143,864.00
4-5 years	1,529,937.67	0.03	39,630.14	1,490,307.53
Over 5 years	395,909.00	0.01		395,909.00

Ages	Closing balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Subtotal	5,045,699,761.46	100.00	44,540.14	5,045,655,221.32

(Continued)

Ages	Opening balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year (inclusive, the same below)	3,925,503,409.58	99.95		3,925,503,409.58
1-2 years	415,805.91	0.01		415,805.91
2-3 years	133,864.00	0.00		133,864.00
3-4 years	1,450,400.00	0.04		1,450,400.00
4-5 years	400.00	0.00		400.00
Over 5 years	700.00	0.00		700.00
Subtotal	3,927,504,579.49	100.00		3,927,504,579.49

2) Balance due from related parties

Name of related parties	Closing balance	Opening balance
Shandong Yuhan Industry Investment Development Co., Ltd.	1,500,000,000.00	1,500,000,000.00
Shandong Jiayuan Resources Development Co., Ltd.	100,000,000.00	300,000,000.00
Subtotal	1,600,000,000.00	1,800,000,000.00

3) Details of principal debtors

Name of Debtors	Book balance	Ages
Jinan Industrial Development Investment Group Co., Ltd.	1,000,000,000.00	1-2 years
Jinan Finance Bureau	1,000,000,000.00	1-2 years
Jinan Tianqiao Urban Development Co., Ltd.	1,000,000,000.00	Within 1 year
Jinan Public Traffic Group Co., Ltd.	200,000,000.00	1-2 years
Jinan Natural Resources and Planning Bureau	150,300,000.00	Within 1 year
Subtotal	3,350,300,000.00	--

4) Other remarks

In accordance with the company's bad debt provision policy for receivables, no provision for bad debt shall be made for related parties, security deposits, deposits and reserve funds. Jinan Industrial Development Investment Group Co., Ltd. borrowed RMB1 billion yuan, Jinan Finance Bureau borrowed RMB1 billion yuan, Jinan Tianqiao Urban Development Co., Ltd. borrowed RMB1 billion yuan and Jinan Public Traffic Group Co., Ltd. borrowed RMB200 million yuan, because all of them have government behavior and the present value of future cash flow is not lower than their book value, there is no provision for bad debts in this year.

6. Inventories

Items	Closing balance		
	Book balance	Provision for write-down	Carrying amount

Items	Closing balance		
	Book balance	Provision for write-down	Carrying amount
Raw materials	106,092,305.64		106,092,305.64
Goods on hand	151,109,475.18		151,109,475.18
Goods dispatched	98,571,419.31		98,571,419.31
Development cost	543,192,295.56		543,192,295.56
Cost of production	126,938,843.13		126,938,843.13
Revolving materials	10,540,844.64		10,540,844.64
Consigned processing materials	3,310,483.25		3,310,483.25
Total	1,039,755,666.71		1,039,755,666.71

(Continued)

Items	Opening balance		
	Book balance	Provision for write-down	Carrying amount
Raw materials	28,673,623.81		28,673,623.81
Goods on hand	89,456,006.38		89,456,006.38
Goods dispatched	61,645,156.25		61,645,156.25
Development cost			
Cost of production			
Revolving materials	3,260,361.91		3,260,361.91
Consigned processing materials			
Total	183,035,148.35		183,035,148.35

#### 7. Other current assets

Items	Closing balance	Opening balance
Prepaid income tax	118,628.61	952,803.53
Pending deduct VAT on purchase	1,946,020,119.53	2,437,215,255.70
Prepaid taxes and surcharges	21,771.72	3,929.07
Total	1,946,160,519.86	2,438,171,988.30

#### 8. Available-for-sale financial assets

##### (1) Details

Items	Closing balance		
	Book balance	Provision for impairment	Carrying amount
Available-for-sale equity instruments	623,470,000.00		623,470,000.00
Inc.: Measured by cost	623,470,000.00		623,470,000.00
Total	623,470,000.00		623,470,000.00

(Continued)

Items	Opening balance		
	Book balance	Provision for impairment	Carrying amount

Items	Opening balance		
	Book balance	Provision for impairment	Carrying amount
Available-for-sale equity instruments	399,855,591.54		399,855,591.54
Inc.: Measured by cost	399,855,591.54		399,855,591.54
Total	399,855,591.54		399,855,591.54

(2) Available-for-sale financial assets measured by cost at the period-end

Investee	Book balance			
	Opening balance	Increase	Decrease	Closing balance
Jinan Shengyue Rail Transit Industry Investment Fund Partnership (Limited Partnership)	399,555,591.54		349,555,591.54	50,000,000.00
Jinan Jixin Industry Development Investment Partnership (Limited Partnership)		500,000,000.00		500,000,000.00
Jinan new and old kinetic energy conversion investment promotion merges and acquisitions fund partnership (Limited Partnership)		73,170,000.00		73,170,000.00
Shandong Jigang Security Service Co., Ltd.	300,000.00			300,000.00
Subtotal	399,855,591.54	573,170,000.00	349,555,591.54	623,470,000.00

(Continued)

Investee	Provision for impairment				Holding proportion in the invested unit (%)	Cash dividend in current period
	Opening balance	Increase	Decrease	Closing balance		
Jinan Shengyue Rail Transit Industry Investment Fund Partnership (Limited Partnership)					96.15	
Jinan Jixin Industry Development Investment Partnership (Limited Partnership)					9.09	
Jinan new and old kinetic energy conversion investment promotion merges and acquisitions fund partnership (Limited Partnership)					24.39	
Shandong Jigang Security Service Co., Ltd.					10.00	
Subtotal					--	

9. Long-term equity investments

(1) Details

Items	Closing balance		
	Book balance	Provision for impairment	Carrying amount
Investments in joint ventures and associates	349,997,893.74		349,997,893.74
Total	349,997,893.74		349,997,893.74

(Continued)

Items	Opening balance		
	Book balance	Provision for impairment	Carrying amount
Investments in joint ventures and associates	256,225,689.62		256,225,689.62
Total	256,225,689.62		256,225,689.62

(2) Investments in joint ventures and associates

Investees	Holding proportion (%)	Voting right proportion (%)	Cost	Profit or loss adjustment	Other equity changes	Closing balance
Jinan Rail Zhongtie Pipe Manufacturing Co., Ltd.	50.00	50.00	5,000,000.00	17,902,192.68	5,000,000.00	27,902,192.68
Jinan CREG Heavy Machinery and Rail Transit Equipment Co., Ltd.	25.00	25.00	12,500,000.00	51,700,355.65		64,200,355.65
Jinan Metro TV Culture Media Co., Ltd.	49.00	49.00	980,000.00	437,654.52		1,417,654.52
Shandong SRCC Rail Transit Technology Co., Ltd.	40.00	40.00	4,300,000.00	-1,263,647.84		3,036,352.16
Jinan Jiayue Asset Management Co., Ltd.	20.00	20.00	1,841,860.00			1,841,860.00
Jinan Shengyue Investment Management Co., Ltd.	20.00	20.00	4,000,000.00			4,000,000.00
Shandong Zhongankaijie Equity Investment and Fund Management Co., Ltd.	30.00	30.00	15,000,000.00			15,000,000.00
Shandong Yuhan Industry Investment Development Co., Ltd.	30.00	30.00	15,000,001.00	-1,075,618.68		13,924,382.32
Jinan Sirui Rail Transit Equipment Technology Co., Ltd.	40.00	40.00	12,000,000.00	1,476.72		12,001,476.72
Jinan Rail Transit New Material Co., Ltd.	40.00	40.00	8,000,000.00	35,738.44		8,035,738.44
Shandong Miaohui Intelligent Technology Co., Ltd.	25.00	25.00	8,933,334.00	360,393.51		9,293,727.51
Shandong Hi-Speed Engineering Inspection Co., Ltd.	40.00	40.00	109,329,239.00	-821,786.88		108,507,452.12
Jinan Railway Zhongtie New Building Materials Co., Ltd.	41.00	41.00	41,000,000.00	-43,900.02		40,956,099.98
Shandong Jiayuan Resources Development Co., Ltd.	40.00	40.00	40,000,000.00	-119,398.36		39,880,601.64
Subtotal			277,884,434.00	67,113,459.74	5,000,000.00	349,997,893.74

10. Fixed assets

(1) Details

Cost

Items	Opening balance	Increase	Decrease	Closing balance
Buildings and constructions	129,932,734.09	40,723,363.89		170,656,097.98
Special equipment	1,060,986.43	16,270,775.19	213,667.39	17,118,094.23
General equipment	39,120,714.88	40,564,374.25	4,599,442.71	75,085,646.42
Transportation facilities	9,442,183.88	31,579,622.85	26,410.25	40,995,396.48

Items	Opening balance	Increase	Decrease	Closing balance
Office equipment and others	17,949,824.64	22,004,900.81	469,804.71	39,484,920.74
Subtotal	197,506,443.92	151,143,036.99	5,309,325.06	343,340,155.85

Accumulated depreciation

Items	Opening balance	Increase	Decrease	Closing balance
Buildings and constructions	1,659,723.16	20,302,697.08		21,962,420.24
Special equipment	335,827.02	5,142,012.05	201,684.81	5,276,154.26
General equipment	5,195,537.59	27,885,301.34	4,347,555.67	28,733,283.26
Transportation facilities	4,990,585.18	20,086,869.31	22,064.15	25,055,390.34
Office equipment and others	7,666,592.34	12,411,488.17	416,764.64	19,661,315.87
Subtotal	19,848,265.29	85,828,367.95	4,988,069.27	100,688,563.97

Carrying amount

Items	Opening balance	Closing balance
Buildings and constructions	128,273,010.93	148,693,677.74
Special equipment	725,159.41	11,841,939.97
General equipment	33,925,177.29	46,352,363.16
Transportation facilities	4,451,598.70	15,940,006.14
Office equipment and others	10,283,232.30	19,823,604.87
Total	177,658,178.63	242,651,591.88

(2) Fixed assets with certificate of titles being unsettled

Because the majority of buildings and constructions occupy temporary land or leased land, the cost of buildings and constructions that cannot be applied for the certificate of property rights is RMB127,279,400.16 yuan, with the accumulated depreciation of RMB20,920,039.86 yuan and the carrying amount of RMB106,359,360.30 yuan. Due to the investment of investors, the assets have been actually transferred, the cost of the buildings and constructions in the process of property rights certificate is RMB43,440,467.82 yuan, with the accumulated depreciation of RMB825,368.88 yuan and the carrying amount of RMB42,615,098.94 yuan.

11. Construction in progress

(1) Details

Items	Closing balance		
	Book balance	Provision for impairment	Carrying amount
Construction projects in progress	62,953,828,697.02		62,953,828,697.02
Total	62,953,828,697.02		62,953,828,697.02

(Continued)

Items	Opening balance		
	Book balance	Provision for impairment	Carrying amount
Construction projects in progress	41,261,613,847.85		41,261,613,847.85
Total	41,261,613,847.85		41,261,613,847.85

(2) Increase and decrease of construction in progress

Projects	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance
Metro Line M1, M2, M3, and M4 Projects	287,439,868.76	41,021,889.02			328,461,757.78
Metro Line R1 Project	7,636,075,890.98	1,468,963,155.81			9,105,039,046.79
Metro R1 Line Integrated Base and R3 Line Parking Lot Projects	26,035,684.61	204,329.83			26,240,014.44
Metro Line R2 Phase II	30,857,900.65	874,287.74			31,732,188.39
Metro Line R2 Phase I	3,990,278,062.12	7,088,327,109.21			11,078,605,171.33
Metro Line R3 Phase II	16,770,742.57	148,663,104.38			165,433,846.95
Metro Line R3 Phase I	8,392,039,320.99	3,196,810,935.97			11,588,850,256.96
Metro Line R2 Covered Property Development Project (Transit-oriented Development)	11,901,705.24	33,254,494.38			45,156,199.62
Control Center and Shuntong Building Project	1,134,131,815.74	128,409,962.31		800,000.00	1,261,741,778.05
New East Railway Station Integrated Transport Hub	3,335,623,575.60	1,164,466,261.64			4,500,089,837.24
The Jilai High-Speed Rail Project	60,458,374.76	1,127,364,317.45			1,187,822,692.21
The Zhengji High-Speed Rail Project		39,174,556.92			39,174,556.92
Shanghe Airport Project		142,247,414.08			142,247,414.08
Huangtai Station Contact Line Project		10,320,488.05			10,320,488.05
CBD Municipal Supporting Projects	595,734,889.11	255,521,661.22			851,256,550.33
Da Xiaofan Urban Village Reconstruction Project	757,891,541.06	10,649,076.25			768,540,617.31
Land Ripening and Resettlement Housing Project in Huashan North Area	6,934,579,168.96	826,284,633.90		17,956,087.44	7,742,907,715.42
Land Ripening and Resettlement Housing Project in New East Railway Station Area	6,308,350,311.56	5,611,888,077.71		78,774,447.60	11,841,463,941.67
Land Ripening and Municipal Roads Project in Cheung Ma District	476,069,117.11	214,774,197.73		30,610,000.00	660,233,314.84
Land Ripening Project in Zhaoying District	2,407,687.79	123,752.61			2,531,440.40
Land Ripening and Resettlement Housing Project in Wangfu Shuitun Area	84,000,730.35	-44,226,293.02		16,820,000.00	22,954,437.33
Baiquan Wetland Park	191,304.24	468,526.08			659,830.32
Baiquan Water Plant	8,330,416.94	923,729.75			9,254,146.69
Inlet and Outlet Water Pipe Network of Sewage Treatment Plant in East Station Area		1,420,430.43			1,420,430.43

Projects	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance
Road Power Pipe Trench in East Railway Station Area Phase I	1,530,898.29	28,007.31			1,558,905.60
Municipal Roads of East Station Traffic Hub Phase II	247,469,677.84	152,262,162.59			399,731,840.43
Huashan - Baiquan Landscape Corridor	1,782,323.80	11,123.75			1,793,447.55
Municipal Roads of Huashan North Area		55,255,886.44			55,255,886.44
Jinan railway Station North Square Underground Passage Project	89,155,006.20	49,200,149.83			138,355,156.03
Longji River and Xiaohan Valley Ditch Project	40,586,300.15	22,117,370.68			62,703,670.83
Headquarter City of Provincial Enterprises Project	417,470,309.99	52,568,526.33			470,038,836.32
Tianyuan Avenue and Ganghua North Road Comprehensive Pipe Gallery	230,693,926.87	23,130,399.28			253,824,326.15
Guihua Xihuan Road Construction Project in Wangfu District		5,555,529.56			5,555,529.56
Tram Line 1	1,409,338.67	39,499.60			1,448,838.27
Zhannan Road Underground Project	81,515,425.89	1,902,371.56			83,417,797.45
Others	60,832,531.01	17,228,373.43	8,533,756.83	1,520,358.77	68,006,788.84
Total	41,261,613,847.85	21,847,229,499.81	8,533,756.83	146,480,893.81	62,953,828,697.02

### (3) Construction materials

The capitalized borrowing costs of the current period is RMB3,414,760,214.85 yuan, and the annual capitalization rate is 3.95%.

## 12. Intangible assets

### Cost

Items	Opening balance	Increase	Decrease	Closing balance
Software	300,494.56	2,961,343.76		3,261,838.32
Land use right		131,043,922.60		131,043,922.60
Subtotal	300,494.56	134,005,266.36		134,305,760.92

### Accumulated amortization

Items	Opening balance	Increase	Decrease	Closing balance
Software	24,992.77	768,002.28		792,995.05
Land use right		2,161,100.88		2,161,100.88
Subtotal	24,992.77	2,929,103.16		2,954,095.93

### Carrying amount

Items	Opening balance	Closing balance
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Items	Opening balance	Closing balance
Software	275,501.79	2,468,843.27
Land use right		128,882,821.72
Total	275,501.79	131,351,664.99

### 13. Goodwill

#### (1) Carrying amount of goodwill

Investees	Opening balance	Formed by the merger of enterprises in current period	Decrease	Closing balance
Aipu Electric Company		75,308,738.93		75,308,738.93
Total		75,308,738.93		75,308,738.93

#### (2) Provision for impairment of goodwill

Investees	Opening balance	Formed by the merger of enterprises in current period	Decrease	Closing balance
Aipu Electric Company				
Total				

#### (3) Other remarks

According to the evaluation report CEA (2019) No. 3228 issued by China Enterprise Appraisals Co., Ltd., with December 31, 2018 as the base date, the book value of net assets of Aipu Electric Company is RMB548.96 million yuan (RMB in millions, the same below), and the total shareholder equity value assessed by the income method is RMB636.08 million yuan. The asset-based method evaluates the net asset value of RMB604.05 million yuan, and the final evaluation result of external transaction is income method. According to the income method, the appraised value of 57% net asset of Aipu Electric Company is RMB362.57 million yuan. The company paid a total consideration of RMB401.34 million yuan for the purchase of 57% equity of Aipu Electric Company. The 57% net asset value of Aipu Electric Company on January 1, 2020 was RMB272.28 million yuan. Under the consolidated financial statements, the value of assets was adjusted according to the fair value of identifiable assets of RMB53.75 million yuan, and the premium was RMB75.31 million yuan as goodwill. Compared with 2018 and 2019, the operating condition of Aipu Electric Company in 2020 did not deteriorate, and there was no provision for impairment of goodwill.

### 14. Long-term prepayments

Items	Opening balance	Increase	Amount of current amortization	Other decrease	Closing balance
House decoration expenses		3,589,557.25	696,273.20		2,893,284.05
Plant landscaping costs of Dongtie Building Materials Company	172,222.20	79,661.00	104,284.32		147,598.88
Drain construction costs of Dongtie Building Materials Company	93,199.98		33,890.88		59,309.10

Items	Opening balance	Increase	Amount of current amortization	Other decrease	Closing balance
Plant downpipe costs of Dongtie Building Materials Company	165,863.32		58,539.97		107,323.35
Total	431,285.50	3,669,218.25	892,988.37		3,207,515.38

15. Deferred tax assets

(1) Details

Items	Closing balance	Opening balance
Loss of bad debt provision	7,473,563.15	522,275.67
Deductible loss	3,373,337.36	1,250,438.41
Party construction funds	119,616.08	
Total	10,966,516.59	1,772,714.08

(2) Items of assets and liabilities leading to temporary difference and their amounts

Items	Amount of temporary difference at the end of the period	Amount of temporary difference at the beginning of the period
Asset impairment provision	45,546,684.78	2,348,076.83
Deductible loss	22,488,915.72	5,001,753.64
Party construction funds	762,194.22	
Subtotal	68,797,794.72	7,349,830.47

16. Other non-current assets

Items	Closing balance	Opening balance
Purchase of long-term assets	1,222,250,000.00	
Prepayment of land expropriation compensation and relocation fees	23,913,529,991.25	14,074,392,203.10
Total	25,135,779,991.25	14,074,392,203.10

17. Short-term borrowings

Borrowing conditions	Closing balance	Opening balance
Credit borrowings	147,039,236.09	389,960,817.10
Guaranteed borrowings	600,000,000.00	2,700,000,000.00
Total	747,039,236.09	3,089,960,817.10

18. Notes payable

(1) Details

Categories	Closing balance	Opening balance
Bank acceptance	147,592,600.42	
Trade acceptance	230,783,036.94	576,092,790.07
Total	378,375,637.36	576,092,790.07

(2) Balance due from related parties

No related party notes payable at the end of the period.

19. Accounts payables

(1) Details

Items	Closing balance	Opening balance
Payable for engineering equipment	398,052,287.09	74,740,420.12
Payable for materials and other goods	1,134,963,210.70	652,878,319.30
Payable for demolition compensation	137,017,830.95	
Others	17,071,094.85	6,565,635.00
Total	1,687,104,423.59	734,184,374.42

(2) Balance due from related parties

Name of related parties	Closing balance
Jinan Rail Transit New Material Co., Ltd	1,446,400.00
Jinan Rail Zhongtie Pipe Manufacturing Co., Ltd.	7,207,884.90
Subtotal	8,654,284.90

(3) Details of principal creditors

Name of Creditors	Closing balance
Jinan Jiyang District Urban Construction Investment Group Co., Ltd.	85,000,000.00
HEBEI FAR-EAST Communication SYSTEM Engineering Co., Ltd.	54,166,805.31
Jinan Huaiyin District Housing and Urban-Rural Development Bureau	50,000,000.00
Shandong Hualing Cable Co., Ltd.	47,324,361.34
Jinan Changxing Construction Group Co., Ltd.	42,900,020.97
Subtotal	279,391,187.62

20. Advances received

(1) Details

Items	Closing balance	Opening balance
Advance receipts from merchandise sales	27,978,907.96	
Advance receipts of subway tickets	4,335,443.84	1,191,998.09
Advertising expense		655,200.00
Advance receipts of leasing	3,750,512.73	277,898.58
Resource occupation fee	8,110,478.02	
Total	44,175,342.55	2,125,096.67

(2) Balance due from related parties

No related party advances received at the end of the period.

(3) Details of principal creditors

Name of Creditors	Closing balance
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Name of Creditors	Closing balance
Shandong Yongsheng Construction Group Co., Ltd.	8,015,699.14
Wonder Technology Co., Ltd.	7,092,000.00
Jinan Anqi Real Estate Development Co., Ltd.	4,293,578.02
State Grid Shandong Electric Power Company Jinan Power Supply Company	3,816,900.00
Shandong Best New Energy Technology Co., Ltd.	3,767,693.99
Subtotal	26,985,871.15

## 21. Employee benefits payable

### (1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	6,028,229.83	760,879,439.20	657,938,574.80	108,969,094.23
Post-employment benefits-defined contribution plan		69,834,614.56	69,834,614.56	
Total	6,028,229.83	830,714,053.76	727,773,189.36	108,969,094.23

### (2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	4,432,778.65	600,560,841.07	506,899,251.83	98,094,367.89
Employee welfare fund		54,361,620.47	54,361,620.47	
Social insurance premium		44,148,866.04	44,104,942.17	43,923.87
Inc.: Medicare premium		26,889,298.91	26,848,909.07	40,389.84
Occupational injuries premium		1,505,148.83	1,505,148.83	
Maternity premium		20,010.72	16,476.69	3,534.03
Supplementary medical insurance		15,734,407.58	15,734,407.58	
Housing provident fund		42,526,432.24	42,393,857.44	132,574.80
Trade union fund and employee education fund	1,595,451.18	19,281,679.38	10,178,902.89	10,698,227.67
Subtotal	6,028,229.83	760,879,439.20	657,938,574.80	108,969,094.23

### (3) Details of defined benefit plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium		44,341,796.64	44,341,796.64	
Unemployment insurance premium		1,936,634.89	1,936,634.89	
Company annuity payment		23,556,183.03	23,556,183.03	
Subtotal		69,834,614.56	69,834,614.56	

## 22. Taxes and surcharges payable

Items	Closing balance	Opening balance
VAT	7,437,224.02	2,605,024.30

Items	Closing balance	Opening balance
Urban maintenance and construction tax	810,943.57	256,403.49
Education surcharge	278,190.53	116,688.99
Local education surcharge	186,326.56	71,396.04
Local water conservancy construction fund	45,899.97	18,314.83
Enterprise income tax	11,844,868.82	7,435,310.43
Land use tax	791,692.00	616,691.20
Resources tax	37,063.50	
Housing property tax	2,051,581.95	151,292.68
Individual income tax withheld for tax authorities	553,247.72	276,772.00
Stamp duty	27,911.23	91,788.26
Cultural fund		25,704.00
Total	24,064,949.87	11,665,386.22

### 23. Other payables

#### (1) Details

Items	Closing balance	Opening balance
Interest payable	972,389,950.15	645,297,206.41
Other payables	99,259,456.19	1,093,443,187.81
Total	1,071,649,406.34	1,738,740,394.22

#### (2) Interest payable

Items	Closing balance	Opening balance
Interest of long-term borrowings with payment of interest by installments and principal at the maturity date	72,176,844.56	40,177,163.31
Short-term borrowings interest	874,938.88	3,889,817.30
Corporate bond interest	208,639,617.49	99,556,017.66
Local treasury bonds interest	594,857,640.44	499,627,224.01
Finance lease interest	95,840,908.78	2,046,984.13
Subtotal	972,389,950.15	645,297,206.41

#### (3) Other payables

##### 1) Details

Items	Closing balance	Opening balance
Accounts between non-consolidated related parties	21,068,949.16	
Collection trusted	3,673,783.85	
Security deposits	8,933,222.05	4,474,400.04
Borrowings	600,000.00	1,011,088,130.68
Special funds for the railway from Jinan to Shijiazhuang	50,000,000.00	50,000,000.00
Others	14,983,501.13	27,880,657.09
Subtotal	99,259,456.19	1,093,443,187.81

##### 2) Balance due to related parties

Name of related parties	Closing balance
Jinan Shengyue Rail Transit Finance Leasing Co., Ltd.	87,243.21
Subtotal	87,243.21

### 3) Details of principal creditors

Name of Creditors	Closing balance	Ages
Jinan Licheng Shi-Ji Railway Passenger Dedicated Line Engineering Construction Leading Group Office	50,000,000.00	3-4 years
Jinan Urban Construction Group Co., Ltd. Second Branch	20,000,000.00	Within 1 year
Zhang Jian	3,090,185.29	Within 1 year
Shizhong District Hexin Cargo Transportation Service Center	1,791,512.01	Within 1 year
Zhang Yanchun	1,636,052.64	Within 1 year
Subtotal	76,517,749.94	--

### 24. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowings due within one year	1,968,100,000.00	3,648,000,000.00
Long-term payable due within one year	586,988,572.15	904,761,904.78
Total	2,555,088,572.15	4,552,761,904.78

### 25. Other current liabilities

Items	Closing balance	Opening balance
Super Short-term Commercial Paper (SCP)	3,498,031,944.44	2,499,800,000.00
Investment fund for land ripening		490,530,000.00
Fund of supporting facilities for agent construction	582,490,000.00	582,490,000.00
Total	4,080,521,944.44	3,572,820,000.00

### 26. Long-term borrowings

#### (1) Details

Borrowing conditions	Closing balance	Opening balance
Credit borrowings	1,234,900,000.00	648,000,000.00
Guaranteed borrowings	13,428,000,000.00	9,582,000,000.00
Pledged borrowings	22,533,400,000.00	15,043,400,000.00
Total	37,196,300,000.00	25,273,400,000.00

#### (2) Other remarks

The pledged loan is based on all the rights and benefits that the company enjoys as agreed in the "Government Procurement Contract" signed by the Jinan Finance Bureau and the Jinan Urban Renewal Bureau, accounts receivable formed by equity and profitability under the "Jinan Rail Transit Line R1 Project Investment, Construction and Operation Agreement" signed with the Jinan City Government, and pledge guarantee for accounts receivable formed by the equity and profitability under "Jinan Rail Transit Line R3 Project Investment Construction and

Operation Agreement " signed with the Jinan City Government.

27. Bonds payable

(1) Details

Items	Closing balance	Opening balance
18 Jinan Rail transit MTN001 Medium-term Note	1,395,044,008.97	1,393,439,933.39
18 Jigui 01 Corporate Bonds	2,991,871,962.70	2,989,283,039.13
G19 Jigui 1 Green Corporate Bonds	1,988,980,624.75	1,986,201,964.75
19 Lu Rail Transit ZR001	400,000,000.00	400,000,000.00
20 Jigui 01	1,991,526,488.52	
20 Jigui 02	2,986,553,705.66	
Total	11,753,976,790.60	6,768,924,937.27

(2) Current period movements (not including other financial instruments such as preferred shares/perpetual bonds classified as financial liabilities)

Bonds	Par value	Issuing date	Maturity	Amount outstanding
18 Jinan rail transit MTN001 Medium-term Note	1,400,000,000.00	2018/10/19	3+2	1,400,000,000.00
18 Jigui 01 Corporate Bonds	3,000,000,000.00	2018/11/14	3+2	3,000,000,000.00
G19 Jigui 1 Green Corporate Bonds	2,000,000,000.00	2019/7/22	5	2,000,000,000.00
19 Lu rail Transit ZR001	400,000,000.00	2019/10/24	1+1+1	400,000,000.00
20 Jigui 01	2,000,000,000.00	2020/3/18	5	2,000,000,000.00
20 Jigui 02	3,000,000,000.00	2020/6/18	5	3,000,000,000.00
Subtotal	11,800,000,000.00	--	--	11,800,000,000.00

(Continued)

Bonds	Opening balance	Current period issuance	Par value interest	Premium/Discount amortization	Current period repayment	Closing balance
18 Jinan Rail Transit MTN001 Medium-term Note	1,393,439,933.39			1,604,075.58		1,395,044,008.97
18 Jigui 01 Corporate Bonds	2,989,283,039.13			2,588,923.57		2,991,871,962.70
G19 Jigui 1 Green Corporate Bonds	1,986,201,964.75			2,778,660.00		1,988,980,624.75
19 Lu Rail Transit ZR001	400,000,000.00					400,000,000.00
20 Jigui 01		1,990,000,000.00		1,526,488.52		1,991,526,488.52
20 Jigui 02		2,985,000,000.00		1,553,705.66		2,986,553,705.66
Subtotal	6,768,924,937.27	4,975,000,000.00		10,051,853.33		11,753,976,790.60

28. Long-term payables

(1) Details

Items	Closing balance	Opening balance
Long-term payables	20,377,400,000.00	9,446,158,571.86
Special payables	350,000,000.00	38,110,535.04

Items	Closing balance	Opening balance
Total	20,727,400,000.00	9,484,269,106.90

(2) Long-term payables

Items	Closing balance	Opening balance
Land reserve special debt funds	2,960,000,000.00	4,700,000,000.00
Special bond for shantytown reconstruction	3,155,740,000.00	4,174,730,000.00
Government special bonds	10,280,000,000.00	
Finance lease (sale-leaseback)	3,981,660,000.00	571,428,571.86
Subtotal	20,377,400,000.00	9,446,158,571.86

(3) Special payables

Items	Opening balance	Increase	Decrease	Closing balance
2018 Central Special fund for Huashan North Resettlement District 1		10,455,552.40	10,455,552.40	
2018 Central Special Fund for New East Railway Station Resettlement District 4		13,309,738.41	13,309,738.41	
2018 Central Special Fund for New East Railway Station Resettlement District 2		5,464,709.19	5,464,709.19	
Investment in Huashan North Resettlement District 1 within the Central Budget in 2019	7,500,535.04		7,500,535.04	
Investment in the Yangjia Street Road Project in Jinan New East Railway Station Zhangma District within the Central Budget in 2019	30,610,000.00		30,610,000.00	
Metro Building Award and Supplementary Fund Project		800,000.00	800,000.00	
2020 Central Special Fund for Wangfu Shuitun Resettlement Area		12,280,000.00	12,280,000.00	
2020 Central Special Fund for Covered Property Development in Fan Village		250,000,000.00	1,312,200.00	248,687,800.00
2020 Provincial Special Fund for Wangfu Shuitun Resettlement Area		4,540,000.00	4,540,000.00	
Investment in New East Railway Station Resettlement District 2 within the Central Budget in 2020		60,000,000.00	60,000,000.00	
2020 Central Special Fund-Covered Property Development in Fan Village		1,312,200.00		1,312,200.00
2020 Special Funds for Government-Subsidized Housing Projects		100,000,000.00		100,000,000.00
Subtotal	38,110,535.04	458,162,200.00	146,272,735.04	350,000,000.00

29. Deferred income

Items	Opening balance	Increase	Decrease	Closing balance
Government grants	7,472,771.17	5,511,698.11	2,528,342.90	10,456,126.38
Total	7,472,771.17	5,511,698.11	2,528,342.90	10,456,126.38

[Note]: Please refer to section VI (IV) of notes to financial statements for details on grants offsetting relevant cost.

### 30. Deferred tax liabilities

#### (1) Details

Items	Closing balance	Opening balance
One-off pre-tax deduction for fixed assets	2,921,043.12	3,256,216.31
Total	2,921,043.12	3,256,216.31

#### (2) Items of assets and liabilities leading to temporary difference and their amounts

Items	Amount of temporary difference at the end of the period	Amount of temporary difference at the beginning of the period
One-off pre-tax deduction for fixed assets	11,789,317.50	13,024,865.24
Subtotal	11,789,317.50	13,024,865.24

### 31. Paid-in capital

#### (1) Details

Investors	Opening balance	Increase	Decrease	Closing balance
State-owned Assets Supervision and Administration Commission of Jinan People's Government	9,500,000,000.00	5,500,000,000.00		15,000,000,000.00
Total	9,500,000,000.00	5,500,000,000.00		15,000,000,000.00

#### (2) Movement in paid-in capital

According to the decision of the State-owned Assets Supervision and Administration Commission of Jinan People's Government on the revision of the "Decision on the Articles of Association of Jinan Rail Transit Group Co., Ltd." and the resolution of the board of directors of Jinan Rail Transit Group Co., Ltd., the RMB5.5 billion yuan allocated by the municipal finance into the capital reserve was converted into increased capital, and the registered capital after the change was RMB15 billion yuan.

### 32. Other equity instruments

#### (1) Basic information of other financial instruments such as preferred shares or perpetual bonds outstanding as of the balance sheet date

Other equity instruments are perpetual medium-term notes with redeemable rights and corporate bonds with renewable rights issued by Jinan Rail Transit Group Co., Ltd. As of December 31, 2020, the company has issued perpetual bonds totaling RMB6.9 billion yuan. The specific basic situation is as follows:

- 1) The first phase of 2019 medium-term notes, referred to as 19 Jinan Rail Transit MTN001, which was issued by the company in August 2019, with a par value of RMB100 yuan and a total issuance amount of RMB1.4 billion yuan. The maturity is 5+N (5) and the value date is August 9, 2019.
- 2) The first phase of 2020 medium-term notes, referred to as 20 Jinan Rail Transit MTN001, which was issued by the company in August 2020, with a par value of RMB100 yuan and a total issuance amount of RMB1 billion yuan. The maturity is 5+N (5) and the value date is August 26, 2020.
- 3) The second phase of 2020 medium-term notes, referred to as 20 Jinan Rail Transit MTN002, which was issued by

the company in September 2020, with a par value of RMB100 yuan and a total issuance amount of RMB2 billion yuan. The maturity is 5+N (5) and the value date is September 28, 2020.

4) Non-public issuance of corporate bonds (perpetual), referred to as 20 Jigui Y1, which was issued by the company in September 2020, with a par value of RMB100 yuan and a total issuance amount of RMB2 billion yuan. The maturity is 1+N (1) and the value date is November 17, 2020.

5) Non-public issuance of corporate bonds (perpetual), referred to as 20 Jigui Y2, which was issued by the company in September 2020, with a par value of RMB100 yuan and a total issuance amount of RMB0.5 billion yuan. The maturity is 1+N (1) and the value date is December 28, 2020.

(2) Current period movements of financial instruments such as preferred shares or perpetual bonds outstanding at the balance sheet date

Items	Opening balance		Increase	
	Quantity	Carrying amount	Quantity	Carrying amount
Perpetual bonds	14,000,000	1,400,000,000.00	55,000,000	5,500,000,000.00
Total	14,000,000	1,400,000,000.00	55,000,000	5,500,000,000.00

(Continued)

Items	Decrease		Closing balance	
	Quantity	Carrying amount	Quantity	Carrying amount
Perpetual bonds			69,000,000	6,900,000,000.00
Total			69,000,000	6,900,000,000.00

### 33. Capital reserve

#### (1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Other capital reserve	5,047,497,102.33	3,160,910,980.00	5,500,000,000.00	2,708,408,082.33
Total	5,047,497,102.33	3,160,910,980.00	5,500,000,000.00	2,708,408,082.33

#### (2) Reasons and basis for movement in capital reserve

##### 1) Details of increase in the current period

The company has received RMB2.16 billion yuan of special financial funds for land expropriation and demolition compensation from Jinan Finance Bureau as government capital investment funds.

Jinan Finance Bureau (2020) No. 142: Agreed to transfer RMB1 billion yuan from the land revenue fund for expropriation and demolition of Jinan section of Ji-Qing High-speed railway into appropriation for the company's application, as the government capital investment fund.

In 2020, the subsidiary Track Survey and Design Company introduced two new shareholders, China Railway Siyuan Survey and Design Group Co., Ltd. and Tongyuan Design Group Co., Ltd. through capital increase and share expansion, respectively subscribed for a registered capital of RMB9 million yuan, with a premium of RMB650,700.00 yuan. After the capital increase, the company accounts for 70% of the shares, and confirmed the consolidated capital premium of RMB910,980.00 yuan.

##### 2) Details of decrease in the current period

The company transferred RMB5.5 billion yuan from capital reserve in the current period. For specific reasons, please

refer to the explanation of changes in paid-in capital.

#### 34. Surplus reserve

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	6,981,095.23			6,981,095.23
Total	6,981,095.23			6,981,095.23

#### 35. Undistributed profit

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	40,448,000.61	9,030,601.28
Total adjustments of undistributed profits at the beginning of the period (increase +, decrease -)		
Opening balance after adjustments	40,448,000.61	9,030,601.28
Add: Net profit attributable to owners of the parent company	51,511,610.84	70,821,032.66
Less: Dividend payable on ordinary shares	6,373,900.00	3,450,300.00
Less: Dividend payable on non-controlling shareholders	35,550,666.66	35,953,333.33
Closing balance	50,035,044.79	40,448,000.61

### (II) Notes to items of the consolidated income statement

#### 1. Operating revenue/Operating cost

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Revenue from main operations	1,594,323,522.70	1,269,063,831.48	525,554,525.81	401,492,357.67
Revenue from other operations	10,507,886.26	915,373.46	6,609,931.63	
Total	1,604,831,408.96	1,269,979,204.94	532,164,457.44	401,492,357.67

#### 2. Taxes and surcharges

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	2,709,211.99	1,077,870.13
Education surcharge	1,161,090.82	461,924.42
Local education surcharge	774,060.53	307,949.61
Stamp duty	1,170,487.83	601,997.03
Housing property tax	6,455,246.56	149,982.00
Land use tax	3,134,942.24	616,691.20
Vehicle and vessel use tax	15,152.52	420.00
Resources tax	110,897.20	12,476.80
Local water conservancy construction fund	219,740.77	79,968.20

Items	Current period cumulative	Preceding period comparative
Cultural fund		168,597.30
Total	15,750,830.46	3,477,876.69

### 3. Selling expenses

Items	Current period cumulative	Preceding period comparative
Transportation costs	34,973,183.10	28,668,536.33
Employee compensation	10,711,284.72	332,949.36
Labor fees	3,921,635.22	
Service fees of Intermediaries	2,652,288.89	
Advertising and business publicity expenses	539,157.18	
Depreciation and amortization expenses	305,206.55	
Travel expenses	173,677.16	
Lease expenses	159,904.76	
Office expenses	151,230.95	
Others	4,064,497.53	711,027.42
Total	57,652,066.06	29,712,513.11

### 4. Administrative expenses

Items	Current period cumulative	Preceding period comparative
Employee compensation	67,976,206.70	12,913,690.34
Depreciation and amortization expenses	9,866,807.06	1,462,362.54
Office, water and electricity property expenses	7,835,471.98	8,309,927.50
Service fees of Intermediaries	7,060,768.74	603,919.38
Lease expenses	4,608,646.21	
Labor fees	3,203,004.66	
Vehicle transportation costs	2,270,949.47	
Advertising and business publicity expenses	1,191,750.02	
Others	8,783,291.79	2,559,151.71
Total	112,796,896.63	25,849,051.47

### 5. R&D expenses

Items	Current period cumulative	Preceding period comparative
Employee compensation	9,737,081.50	2,064,474.58
R&D materials	13,335,060.66	1,629,417.65
Technical consulting fees and agency fees, etc	747,278.73	
Depreciation expenses	639,059.37	39,061.46
Others	367,518.80	
Total	24,825,999.06	3,732,953.69

6. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest expenses	3,404,631.22	1,982,038.97
Less: Interest income	2,211,001.28	2,152,035.26
Bank charges and others	1,020,605.04	12,520.68
Total	2,214,234.98	-157,475.61

7. Other income

Items	Current period cumulative	Preceding period comparative
Refund of handling fees for withholding individual income tax	108,118.58	58,790.03
Steady post subsidies	829,523.97	392,400.00
Government grants related to income	1,880,000.00	
Total	2,817,642.55	451,190.03

[Note]: Please refer to section VI (IV) of notes to financial statements for details on grants included into other income.

8. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	3,481,134.89	44,772,684.67
Total	3,481,134.89	44,772,684.67

9. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debt loss	-13,236,167.99	-1,148,955.34
Total	-13,236,167.99	-1,148,955.34

10. Gains on asset disposal

Items	Current period cumulative	Preceding period comparative
Gains on disposal of fixed assets	-111,352.76	
Total	-111,352.76	

11. Non-operating revenue

Items	Current period cumulative	Preceding period comparative
Government grants	1,000.00	
Default fine revenue	25,948.93	39,560.00
Fund with no access to pay	6,672,570.01	
Others	10,003.15	0.04
Total	6,709,522.09	39,560.04

## 12. Non-operating expenditures

Items	Current period cumulative	Preceding period comparative
Donation expenditures	212,000.00	610,000.00
Default fine expenditure	14,488.76	3.78
Liquidated damages and others	130,614.18	
<b>Total</b>	<b>357,102.94</b>	<b>610,003.78</b>

## 13. Income tax expenses

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	25,299,199.27	15,089,008.73
Deferred income tax expenses	9,616,210.12	1,717,688.54
<b>Total</b>	<b>34,915,409.39</b>	<b>16,806,697.27</b>

### (III) Notes to items of the consolidated cash flow statement

#### 1. Supplement information to the cash flow statement

Supplement information	Current period cumulative	Preceding period comparative
(1) Reconciliation of net profit to cash flow from operating activities:		
Net profit	86,000,443.28	94,754,958.77
Add: Provision for assets impairment loss	13,236,167.99	1,148,955.34
Depreciation of fixed assets, oil and gas assets, productive biological assets	20,322,649.08	4,999,081.61
Amortization of intangible assets	2,012,481.35	20,583.06
Amortization of long-term prepayments	1,016,809.13	69,840.60
Loss on disposal of fixed assets, intangible assets and other non-current assets (Less: gains)	111,352.76	
Fixed assets retirement loss (Less: gains)		
Losses on changes in fair value (Less: gains)		
Financial expenses (Less: gains)	3,404,631.22	975,749.66
Investments losses (Less: gains)	-3,481,134.89	-44,772,684.67
Decrease of deferred tax assets (Less: increase)	9,961,106.46	-1,478,781.85
Increase of deferred tax liabilities (Less: decrease)	-344,896.34	3,196,470.39
Decrease in inventories (Less: increase)	-582,365,717.08	-116,988,284.09
Decrease in operating receivables (Less: increase)	-19,167,360,155.70	2,167,474,774.35
Increase of operating payables (Less: decrease)	20,882,700,371.85	-5,797,452,266.24
Others [Note]	15,322,487.96	15,289,402.15
Net cash flow from operating activities	1,280,536,597.07	-3,672,762,200.92
(2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into share capital		
Convertible bonds due within one year		

Supplement information	Current period cumulative	Preceding period comparative
Fixed assets rented in under finance leases		
(3) Net changes in cash and cash equivalents:		
Cash at the end of the period	7,099,251,879.26	8,801,402,144.32
Less: Cash at the beginning of the period	8,801,402,144.32	12,933,807,181.34
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	-1,702,150,265.06	-4,132,405,037.02

[Note]: Others are mainly the amount of subway trial operation income to offset the amount of construction in progress.

## 2. Net cash received and disposed of from subsidiaries in the current period

Items	Current period cumulative
Cash or cash equivalents paid in the current period for business combinations that occurred in the current period	133,170,000.00
Including: General Aviation Company	133,170,000.00
Aipu Electric Company	
Less: Cash and cash equivalents held by subsidiaries on purchase date	212,114,789.51
Including: General Aviation Company	6,860,883.70
Aipu Electric Company	205,253,905.81
Add: Cash or cash equivalents paid in the current period for business combinations that occurred in the previous period	
Obtain the net cash paid by subsidiaries	-78,944,789.51
Including: General Aviation Company	126,309,116.30
Aipu Electric Company	-205,253,905.81

Other remarks: The company capital paid for the equity of Aipu Electric Company in 2019, but at the beginning of 2020, Aipu Electric Company was included in the scope of consolidation, and the cash and cash equivalents held by Aipu Electric Company at the time of the merger were RMB205,253,905.81 yuan. As a result, the net cash paid by the company from Aipu Electric Company in the current period was RMB-205,253,905.81 yuan, which was reclassified to the "other cash receipts related to investing activities" on cash flow statement.

## 3. Cash and cash equivalents

Items	Closing balance	Opening balance
(1) Cash	7,099,251,879.26	8,801,402,144.32
Including: Cash on hand		2,806.50
Cash in bank on demand for payment	6,914,495,726.41	8,801,263,716.16
Other cash and bank balances on demand for payment	184,756,152.85	135,621.66
(2) Cash equivalents		
Including: Bond investments maturing within three months		
(3) Cash and cash equivalents at the end of the period	7,099,251,879.26	8,801,402,144.32

Items	Closing balance	Opening balance
Including: Cash and cash equivalents of parent company or subsidiaries with use restrictions		

Cash and bank balances that are not cash and cash equivalents:

Differences between cash and cash equivalents and monetary funds at the end of the period: Other cash and cash equivalents ending balance RMB10 million yuan is the labor wage deposit paid by the company and cannot be withdrawn at any time.

(IV) Government grants

(1) Government grants related to assets (Net method)

Items	Opening balance of accumulated grants received	Increase	Closing balance of accumulated grants received	Closing balance of accumulated grants offset carrying amount
2018 Special Funds for Government-Subsidized Housing Projects from the Central and Provincial Governments		29,230,000.00	29,230,000.00	29,230,000.00
Investment within the Central Budget in 2019	38,110,535.04		38,110,535.04	38,110,535.04
Metro Building Award and Supplementary Fund Project		800,000.00	800,000.00	800,000.00
2020 Special Funds for Government-Subsidized Housing Projects from the Central and Provincial Governments		266,820,000.00	266,820,000.00	16,820,000.00
Investment within the Central Budget in 2020		60,000,000.00	60,000,000.00	60,000,000.00
2020 Special Funds for Government-Subsidized Housing Projects		100,000,000.00	100,000,000.00	
Subtotal	38,110,535.04	456,850,000.00	494,960,535.04	144,960,535.04

(Continued)

Items	Grants offset carrying amount presented under	Grants not yet offset carrying amount presented under	Effects of grants on current profit before tax	Corresponding depreciation and amortization of assets presented under	Remarks
2018 Special Funds for Government-Subsidized Housing Projects from the Central and Provincial Governments	Construction in progress				Jicai Zong (2019) No.5, Jicai Zongzhi (2019) No.25
Investment within the Central Budget in 2019	Construction in progress				Lu Fagai Investment (2019) No.468
Metro Building Award and Supplementary Fund Project	Construction in progress				Jicai Jianzhi (2019) No.59
2020 Special Funds for Government-Subsidized Housing Projects from the Central and Provincial Governments	Construction in progress	Special payables			Jicai Zongzhi (2020) No.33

Items	Grants offset carrying amount presented under	Grants not yet offset carrying amount presented under	Effects of grants on current profit before tax	Corresponding depreciation and amortization of assets presented under	Remarks
Investment within the Central Budget in 2020	Construction in progress				Ji Fagai Investment (2020) No.281, Lu Fagai Investment (2020) No.791
2020 Special Funds for Government-Subsidized Housing Projects		Special payables			Jicai Zong (2020) No.68
Subtotal	--	--		--	--

(2) Government grants related to income and used to compensate future relevant costs, expenses or losses

Items	Opening balance of deferred income	Increase	Amounts carried forward	Closing balance of deferred income	Amounts carried forward presented under	Remarks
Special Fund for New Wall Materials in 2014	25,169.57		11,669.13	13,500.44	R&D expenses	
Key R&D Projects of Shandong Province in 2015	21.70			21.70		
2017 Municipal Special Fund for Talent Development	749,216.83	600,000.00	69,237.78	1,279,979.05	R&D expenses	
2017 Provincial Special Fund for Building Energy Conservation and Green Building Development	397,190.00		397,190.00		R&D expenses	
2019 Provincial Science and Technology Innovation Development Fund	1,120,000.00		656,401.26	463,598.74	R&D expenses	
2020 Jinan Science and Technology Innovation Development Fund		1,000,000.00		1,000,000.00		Jicai Jiaozhi (2020) No.69
5150 Talent Multiplication Plan	793,856.00	450,000.00	165,399.32	1,078,456.68	R&D expenses	
Key Technology and Equipment Industrialization of Intelligent Integrated Shield Tunneling Machine for Super Large Section Tunnel		1,268,000.00	188,291.85	1,079,708.15	R&D expenses	
Patent Navigation Project of Regional Featured Industry in Urban Rail Transit		200,000.00		200,000.00		
Innovative Urban Green Subway	200,351.09	300,000.00	6,200.00	494,151.09	R&D expenses	Jizheng Zi (2016) No.40
Construction Funds for the Collaborative Innovation Center of Rail Transit	800,000.00		400,000.00	400,000.00	R&D expenses	
Haiyou Talent Plan High-level Innovation Platform	500,000.00			500,000.00		
Jinan Postdoctoral Innovation Project Funding	279,856.99	80,000.00	6,193.00	353,663.99	R&D expenses	
Talents fund of Jinan High-tech Zone						
Jinan Social Science Project	49,305.31		4,793.30	44,512.01	R&D expenses	

Items	Opening balance of deferred income	Increase	Amounts carried forward	Closing balance of deferred income	Amounts carried forward presented under	Remarks
Jinan Academician (Expert) Workstation	300,000.00			300,000.00		Ji Talent Office Public (2018) No.13
Jinan Philosophy and Social Science Planning Project		10,000.00		10,000.00		
Jinan Key Work Highlights Individual Incentive Funds	10,500.00		10,500.00		R&D expenses	
Development and Application Demonstration of Artificial Intelligence Video Analysis and Decision-making Platform for Urban Governance		228,000.00		228,000.00		Luke Zi (2019) No.135
30% Capital of the Second Batch of Quancheng Industrial Leading Talent Innovation Team						
Postdoctoral Innovation Project of Shandong Province	90,000.00			90,000.00		
Major Science and Technology Innovation Project of Shandong Province		120,000.00		120,000.00		
Natural Science Foundation of Shandong Province	241,081.92	640,000.00	11,480.00	869,601.92	R&D expenses	Luke Zi (2020) No.127, 128
Municipal Talents Development Special Postdoctoral Living Subsidy		36,000.00	36,000.00		R&D expenses	
Research on Earthquake Failure Mechanism and Shock Absorption Technology of Shield Tunnel Structure in Soil and Rock Combination Stratum	650,200.00			650,200.00		
Special Funds for Resettlement Houses in Changqing Da Xiaofan Urban Villages	390,000.00		390,000.00		R&D expenses	
Funds for Certification of Intellectual Property Standards	90,000.00			90,000.00		
Funding from China Postdoctoral Science Foundation	312,701.00			312,701.00		
Patent Funding	62,000.00	558,000.00	157,575.00	462,425.00	R&D expenses	Jinan City Supervision Office (2020) No.116
Provincial Government Sponsored Funds for Studying Abroad	100,000.00			100,000.00		
"Enterprise Cloud" Special Fund	200,000.00			200,000.00		
Municipal Association for Science and Technology Funding	4,716.98			4,716.98		

Items	Opening balance of deferred income	Increase	Amounts carried forward	Closing balance of deferred income	Amounts carried forward presented under	Remarks
Development and Application Demonstration of Underground Engineering Excavation and Groundwater Control	105,660.38		3,261.32	102,399.06	R&D expenses	
Party Building Micro-film Contest Rewards	943.40			943.40		
Shandong Civil Engineering and Construction Science and Technology Progress Award		7,547.17		7,547.17		
Funding Fee for Key Academic Activities of Jinan Association for Science and Technology		14,150.94	14,150.94		R&D expenses	
Subtotal	7,472,771.17	5,511,698.11	2,528,342.90	10,456,126.38	--	--

(3) Government grants related to income and used to compensate incurred relevant costs, expenses or losses

Items	Amounts	Presented under	Remarks
Promotion and Application of New Energy Vehicles	1,088,000.00	Other income	Caijian (2016) No.7
Government Subsidies for Research and Development	507,500.00	Other income	Luke Zi (2019) No.91
Digital Economy Development Special Fund of Changqing Finance Bureau	200,000.00	Other income	
Talent Grants	80,000.00	Other income	Zhongboji Zi (2020) No.16
Patent Grants	4,500.00	Other income	
One-off Employment Subsidies	1,000.00	Non-operating revenue	
Subtotal	1,881,000.00	--	--

**VII. Related party relationships and transactions**

(I) Related party relationships

Related parties	Relationships with the Company
Shandong Jiayuan Resources Development Co., Ltd.	Associate
Jinan Rail Zhongtie Pipe Manufacturing Co., Ltd.	Joint venture
Jinan Shengyue Rail Transit Finance Leasing Co., Ltd.	Associate
Jinan Rail Transit New Material Co., Ltd	Associate

(II) Related party transactions

1. Purchase of goods

Name of related parties	Amount
Jinan Rail Transit New Material Co., Ltd	1,280,000.00
Jinan Rail Zhongtie Pipe Manufacturing Co., Ltd.	17,330,282.17
Subtotal	18,610,282.17

2. Loan funds

Name of related parties	Opening balance	Lending out in current period	Taking back in current period	Closing balance
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Name of related parties	Opening balance	Lending out in current period	Taking back in current period	Closing balance
Shandong Jiayuan Resources Development Co., Ltd.	301,006,289.31		200,000,000.00	101,006,289.31
Shandong Yuhan Industry Investment Development Co., Ltd.	1,500,000,000.00			1,500,000,000.00
Subtotal	1,801,006,289.31		200,000,000.00	1,601,006,289.31

3. Please refer to notes to items of financial statements for balances due from or to related parties.

### VIII. Other significant events

#### (I) Contingencies

As of the balance sheet date, the company has no material contingencies to be disclosed.

#### (II) Commitments

As of the balance sheet date, the company has no material commitments to be disclosed.

#### (III) Non-adjusting events after the balance sheet date

As of the reporting date of the financial statements, the company has issued RMB2.5 billion yuan of ultra-short financing bonds and RMB3 billion yuan of green corporate bonds. The basic conditions of the bonds are as follows: On January 22, 2021, the company issued Jinan Rail Transit Group Co., Ltd.'s first phase of 2021 ultra-short financing bonds, referred to as 21 Jinan Rail Transit SCP001, with an issue amount of RMB1.5 billion yuan, an issue interest rate of 3.09%, and a maturity of 270 days. On January 28, 2021, the company issued Jinan Rail Transit Group Co., Ltd.'s second phase of 2021 ultra-short financing bonds, referred to as 21 Jinan Rail Transit SCP002, with an issue amount of RMB1 billion yuan, an issue interest rate of 3.09%, and a maturity of 270 days. On January 29, 2021, the company issued Jinan Rail Transit Group Co., Ltd.'s 2021 Jinan Rail Transit Group Co., Ltd. green corporate bonds, referred to as 21 Jigui green bonds, with an issue amount of RMB3 billion yuan, an issue interest rate of 4.35%, and a maturity of 9 years.

### IX. Notes to items of parent company financial statements

#### (I) Notes to items of the parent company balance sheet

##### 1. Long-term equity investments

##### (1) Detail

Items	Closing balance		
	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	16,467,681,056.59		16,467,681,056.59
Total	16,467,681,056.59		16,467,681,056.59

(Continued)

Items	Opening balance		
	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	12,457,681,056.59		12,457,681,056.59
Total	12,457,681,056.59		12,457,681,056.59

(2) Investments in subsidiaries

Investees	Holding proportion (%)	Voting right proportion (%)	Closing balance
Jinan Rail Transit Engineering Consulting Co., Ltd.	100.00	100.00	5,000,000.00
Shandong Rail Transit Survey and Design Institute Co., Ltd.	100.00	100.00	42,000,000.00
Jinan Rail Transit Group Asset Management Co., Ltd.	100.00	100.00	2,060,681,056.59
Jinan Rail Transit Group Resource Development Co., Ltd.	93.70	93.01	4,760,000,000.00
Jinan Rail Transit Group Construction Investment Co., Ltd.	70.00	70.00	8,090,000,000.00
Jinan Transportation Development Investment Co., Ltd.	100.00	100.00	1,000,000,000.00
Jinan Rail Transit Group Real Estate Co., Ltd.	100.00	100.00	510,000,000.00
Jinan Rail Transit Group First Operation Co., Ltd.	100.00	100.00	
Jinan Rail Transit Group Operation Co., Ltd.	100.00	100.00	
Subtotal	--	--	16,467,681,056.59

Jinan Rail Transit Group Co., Ltd.

March 10, 2021

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