



中国中车股份有限公司
CRRC CORPORATION LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock code: 1766

Interim Report 2020



Mobility
for Future Connection

IMPORTANT

I. The board of directors (the "Board") and the supervisory committee (the "Supervisory Committee") of the Company and its director(s) (the "Director(s)"), supervisor(s) (the "Supervisor(s)") and senior management (the "Senior Management") hereby warrant the truthfulness, accuracy and completeness of the contents of this interim report and that there is no false representation, misleading statement or material omission in this interim report, for which they will assume, severally and jointly, legal responsibility.

II. The details of the Director absent from the meeting are as follows:

This report has been considered and approved by the twenty-second meeting of the second session of the Board. There were seven Directors eligible for attending the meeting and six Directors attended the meeting, Mr. Lou Qiliang, an executive Director, did not attend the on-site meeting due to other business engagement and appointed Mr. Sun Yongcai, an executive Director and the president, as proxy to vote on his behalf and to execute documents including resolutions and minutes of the meeting in relation to each resolution proposed at the Board meeting.

III. The interim report is unaudited.

IV. Liu Hualong, Chairman of the Company, Li Zheng, the Chief Financial Officer and Wang Jian, the head of accounting department (person in charge of accounting affairs), hereby state to guarantee the truthfulness, accuracy and completeness of the financial report in the interim report.

V. The Company does not have any proposal on profit distribution or transfer of capital reserve fund during the reporting period considered and approved by the Board.

VI. Disclaimer for forward-looking statements

This report contains forward-looking statements that are based on subjective assumptions and judgements on future policies and economic trends and are subject to a variety of uncertainties. The actual results or trends may differ from these forward-looking statements.

Investors should be aware that the forward-looking statements included in this report in relation to future plans, development strategies, etc. do not constitute any substantive commitment to investors by the Company. Investors are advised to pay attention to the investment risks.

VII. There was no appropriation of funds by the controlling shareholder and its associates for non-operating purposes.

VIII. There was no provision of guarantee by the Company in favour of any external party in violation of the prescribed decision-making procedures.

IX. Major risk reminder

The major risk factors faced by the Company include operating environment risks, market risks, product quality risks, exchange rate risks and industrial structure adjustment risks, which have been described in detail in this report. Please refer to the description of "Potential risks" in "Report of Directors".

X. The 2020 interim results of the Company have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and the relevant rules.

XI. Unless specified otherwise, the recording currency used in this report is Renminbi.



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COMPANY INFORMATION

1. Name of the Company in Chinese 中國中車股份有限公司
 Short name of the Company in Chinese 中國中車
 Name of the Company in English CRRC Corporation Limited
 Short name of the Company in English CRRC
 Legal representative of the Company Liu Hualong

2.

	Secretary to the Board	Securities Affairs Representative
Name	Xie Jilong	Jin Yonggang
Contact address	No. 16, Central West Fourth Ring Road, Haidian District, Beijing	No. 16, Central West Fourth Ring Road, Haidian District, Beijing
Telephone	010-51862188	010-51862188
Facsimile	010-63984785	010-63984785
E-mail	crrc@crrcgc.cc	crrc@crrcgc.cc

3. Registered address of the Company No. 16, Central West Fourth Ring Road, Haidian District, Beijing
 Postal code of registered address of the Company 100036
 Business address of the Company No. 16, Central West Fourth Ring Road, Haidian District, Beijing
 Postal code of business address of the Company 100036
 Company website www.crrcgc.cc
 E-mail crrc@crrcgc.cc

4. Newspapers designated for A-share information disclosure by the Company China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
 Website designated by the CSRC for publication of A-share interim report www.sse.com.cn
 Website designated by the Stock Exchange for publication of H-share interim report www.hkex.com.hk
 Place where interim report of the Company is available for inspection the Board Office at No. 16, Central West Fourth Ring Road, Haidian District, Beijing

5.

Type of shares	Place of listing of the shares	Stock abbreviation	Stock code	Stock abbreviation before change
A shares	SSE	中國中車	601766	中國南車
H shares	HKSE	CRRC	1766	CSR

6. During the reporting period, there was no change in the registration details of the Company.

7. Independent auditor KPMG Huazhen LLP
 Certified Public Accountants
 8th Floor, KPMG Building, Oriental Plaza,
 1 East Chang'an Avenue, Beijing, PRC

8. Joint company secretary Xie Jilong, TANG Tuong Hock

- | | | |
|-----|--|--|
| 9. | Authorized representative | Sun Yongcai, TANG Tuong Hock |
| 10. | Legal adviser | |
| | As to Hong Kong law | Baker & McKenzie
14th Floor, One Taikoo Place,
979 King's Road, |
| | As to the PRC law | Jia Yuan Law Offices
F408 Ocean Plaza, 158 Fuxingmennei Avenue, Beijing, PRC |
| 11. | Principal place of business in Hong Kong | Unit H, 41st Floor, Office Tower, Convention Plaza,
1 Harbour Road, Wanchai, Hong Kong |
| 12. | Domestic registrar and transfer office Correspondence address | China Securities Depository and Clearing Corporation Limited Shanghai Branch 36/F, China Insurance Building, 166 Lujiazui East Avenue, Pudong New District, Shanghai |
| 13. | Hong Kong registrar and transfer office Correspondence address | Computershare Hong Kong Investors Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong |



RESULTS HIGHLIGHTS

Revenue (RMB'000)

From January to June 2020:
89,403,326

From January to June 2019:
96,147,021

-7.01%



Net profit attributable to shareholders of the Company (RMB'000)

From January to June 2020:
3,692,655

From January to June 2019:
4,780,641

-22.76%



Net profit attributable to shareholders of the Company after non-recurring gain or loss (RMB'000)

From January to June 2020:
3,055,866

From January to June 2019:
4,231,283

-27.78%



Net cash flow from operating activities (RMB'000)

From January to June 2020:
-14,785,418

From January to June 2019:
-13,390,166



Net assets attributable to shareholders of the Company (RMB'000)

As at 30 June 2020:
135,355,893

As at 31 December 2019:
135,893,631

-0.40%



Total assets (RMB'000)

As at 30 June 2020:
421,524,117

As at 31 December 2019:
383,572,485

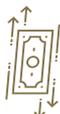
9.89%



Total share capital as at the end of the period (shares)

As at 30 June 2020:
28,698,864,088

As at 31 December 2019:
28,698,864,088



Basic earnings per share (RMB/share)

From January to June 2020:
0.13

From January to June 2019:
0.17

-23.53%



Diluted earnings per share (RMB/share)

From January to June 2020:
0.13

From January to June 2019:
0.16

-18.75%



Basic earnings per share after non-recurring gain or loss (RMB/share)

From January to June 2020:
0.11

From January to June 2019:
0.15

-26.67%



Weighted average return on net assets (%)

From January to June 2020:
2.72

From January to June 2019:
3.65

Decrease of 0.93 ppt



Weighted average return on net assets after non-recurring gain or loss (%)

From January to June 2020:
2.25

From January to June 2019:
3.23

Decrease of 0.98 ppt





A. BUSINESS OVERVIEW

I. Main Business, Operation Model and Industry Situation of the Company During the Reporting Period

CRRC is the world's leading rolling stock supplier with large scale, diverse products and first-class technology. The main scope of business includes: research and development, design, manufacturing, refurbishment, sales, leasing and technical services of railway locomotives, MUs, urban rail transit vehicles, engineering machinery, various electromechanical equipment, electronic equipment and components, as well as electronic devices and environmental protection equipment; information consultation; industry investment and management; asset management; import and export business.

(I) Main business of the Company

1. Railway equipment business

The railway equipment business mainly includes: (1) locomotive business; (2) MUs and passenger carriage business; (3) freight wagon business; (4) track engineering machinery business.

Facing the global market, the Company stayed abreast of changes in the domestic and international railway transport markets and trends in the development of technology with an aim to becoming a world-leading provider of systematic solutions for rail transportation equipment. The Company accelerated innovations in its technology, products and service models, and created a systematic, modular and standardized product platform and technology platform, with a view to continuously meeting the requirements for developing an advanced and widely-applicable railway system and for intelligent, environment-friendly and safe development. The Company continued to further its strategic cooperation with State Railway Group to improve the quality and efficiency of development, accelerate its business integration and structure adjustment, promote the integration of manufacturing and maintenance of locomotives, reorganize its freight wagon business, develop its advanced refurbishment capacity, construct seven regional components centers, and promote its service transformation.

2. Urban rail transit vehicles and urban infrastructure business

The urban rail transit vehicles and urban infrastructure business mainly includes: (1) urban rail transit vehicles; (2) general contracting of urban rail transit vehicles projects; (3) general contracting of other projects.

Facing the global market, the Company expedited innovations in urban rail transportation equipment technology and products to increase its core competitiveness. The Company created a systematic, modular and standardized product platform and technology platform, constantly consolidated and expanded domestic and international markets with high-quality products and services.

The Company actively sought strategic cooperation opportunities, gave full play to its comprehensive advantages in equipment manufacturing, business portfolio and integration of industry and financing, focused on intelligent transportation, connectivity and intelligent city construction, vigorously developed the operation, maintenance and overhaul markets, and continued to expand into the service area, general contracting of electromechanical area, and operation and maintenance area. The Company carried out PPP business according to the industry norm, strengthened project management and control, and drove the development of urban rail transit vehicles and related business. The Company accelerated the integration of resources, promoted the combination of “product and service”, and made dedicated efforts in maintenance services. The Company developed steadily in its urban rail transit vehicles and urban infrastructure business.



3. New industry business

The new industry business mainly includes: (1) general mechanical and electrical business; (2) emerging industry business.

In the general mechanical and electrical business, the Company strived to improve technology platform and the construction of industrial chain, promoted upgrade in core business technologies of rail transportation equipment with the focus on mastering core technologies, breaking through key technologies and increasing core competitiveness, and expedited the specialized and scale development of key systems and important spare parts in the industrial, transportation and energy fields. As to the emerging industry, the Company adhered to the principles of “relevance and multi-dimensions, high-end positioning and industry-leading position”, and strengthened resource allocation, gave full play to core technological advantages. With emphasis on strategic emerging businesses such as new materials, new energy, environmental-friendly water treatment equipment and digital industry, the Company focused on segmented markets, strengthened exploration of new markets and cultivated new growth points. The Company’s emerging industry business has been growing stronger and further.

4. Modern service business

The modern service business mainly includes: (1) financial business; (2) logistics and trading business; (3) other business.

By adhering to “integration of industry and financing, promoting industry with financing”, the Company strengthened risk control, standardized the construction of financial service platform, investment and financing platform as well as financial lease platform, and accelerated the integrated development of the manufacturing and service industries. The Company made continuous efforts in the industry and financing platform. With funds as carriers and innovation in development models, the function of the physical business was increasingly highlighted. The Company developed its modern logistics service by expanding the scope of centralized procurement, continuously promoting the development of the “CRRC Procurement (中車購)” e-commerce platform and the CRRC supply chain management e-procurement platform, accelerating the establishment of the CRRC online bidding platform for recycled materials and promoting the extensive application of intelligent logistics in CRRC’s industrial chain, thus achieving the healthy development of modern service business.



An aerial photograph showing a high-speed train crossing a bridge over a field of yellow rapeseed flowers. The bridge is supported by several concrete pillars. The train is moving from the top left towards the bottom right. The field below is a patchwork of yellow and green, indicating the rapeseed is in bloom. A blue circular graphic is overlaid on the bottom left of the image.

5. International business

The Company implemented its international strategy vigorously by seizing the development opportunities arising from the “Belt and Road Initiative” and “going global” strategies. The Company actively expanded overseas markets and promoted the transformation of export products from mid-low end to mid-high end. Through innovation in operating model, the Company continuously promoted a form of “product + technology + service + capital + management” portfolio output and actively carried out third-party market cooperation. The Company continued to promote the localization in manufacturing in overseas bases by increasing the allocation of overseas resources and deepening the implementation of the “five-locals model” of localization in production, purchase, labor, maintenance and management, further contributing to the integration of research and development resources and the enhancement of market development capability.





(II) Major products

Product structure	Main product functions
MUs	Mainly include various electric multiple units and diesel multiple units at the speed of 200 km/hour and below, 200-250 km/hour, 300-350 km/hour and above, which are mainly used to provide main line railway and inter-city railway passenger transport services. On the basis of "import, digestion, absorption and re-innovation", the MU products represented by "Fuxinghao" have independent intellectual property rights.
Locomotives	Mainly include various DC driving and AC driving electric locomotives and diesel locomotives with the largest traction power of 12,000 KW and highest speed of 200 km/hour, which are mainly used as traction power to provide passenger and goods transport services in main line railway. The Company's locomotive products have independent intellectual property rights.
Passenger carriages	Mainly include seater car, sleeping car, dining car, luggage van, generator car, special vehicles, plateau cars and double-deck railway passenger carriages at the speed of 120-160 km/hour, which are mainly used to provide passenger transport services in main line railway. The Company's passenger carriages have independent intellectual property rights.
Freight wagons	Mainly include various railway gondola trucks, box wagon, flatcar, tank truck, hopper car and other special goods transport trucks, which are mainly used to transport goods for main line railway and industrial and mining enterprises. The Company's freight wagons have independent intellectual property rights.
Urban rail transit vehicles	Mainly include subway vehicles, light-rail vehicles, urban (commuting) vehicles, monorail vehicles, maglev train, tramcar, rubber-tyred vehicles, etc., which are mainly used to provide commuter and passenger transport services between cities and suburbs. The Company's urban rail transit vehicles have independent intellectual property rights.
General electrical and mechanical equipment	Mainly include traction electric driving and network control system, diesel engine, braking system, cooling and heat transfer system, train operation and control system, passenger information system, power supply system, gear assembly, etc., which are mainly used to complement with MUs, locomotives, urban rail transit vehicles, tracking engineering machinery products in main line railway and inter-city railway, and part of them are provided to third party customers as spare parts. All of the aforesaid products of the Company have independent intellectual property rights.

(III) Operation model

Main operation model: the Company independently completes the manufacturing, repair, research and development, and production and delivery of rolling stock equipment relying on our own technology, craftsmanship, production capability and production qualification.

1. **Production model:** as the value of the product of rolling stock manufacturing industry per unit is comparatively high, its production model is to “limit production to sales”, meaning that the arrangement of production is based on purchase contracts obtained from customers. Not only does this model avoid excess inventory of finished products, it also satisfies the needs of customers by arranging for production according to the particular order.
2. **Purchasing model:** a combination of centralized procurement and decentralized procurement is commonly used. For centralized procurement, it mainly adopts the “unified management, two-level concentration” management model in which purchase applications for bulk materials and key components are collected from all subsidiaries of the Company to form a centralized procurement plan for conduction of centralized supplier management assessment, purchase price management, procurement bidding management as well as centralized ordering and centralized settlement by the Company. For other materials, the subsidiaries shall formulate procurement plans according to production requirements, and select appropriate suppliers and sign supply contracts through centralized organization of bidding and other methods to achieve centralized procurement. Whether it will be done by the Company or its subsidiaries, a centralized procurement shall be completed on the “CRRC Procurement” e-commerce procurement platform to realize open, transparent and traceable management of CRRC’s procurement business to ensure timely supply of raw materials for production and reduce procurement costs.
3. **Sales model:** take advantage of industry technologies to build and improve technology platforms and product platforms for a variety of rail transit equipment in response to user needs, and, for the purpose of providing safe, reliable and affordable products and services, actively participate in open tender or negotiated tender of users at home and abroad, sign supply contracts through bidding and rigorous business negotiations to form orders to guarantee quality and quantity and production on schedule and finally achieve sales.
4. **Distribution of the industrial chain:** the Company has a number of rolling stock equipment manufacturing bases and research bases at an international advanced level. The Company has formed a complete nationwide industrial chain and production system with the main machinery companies of high-speed MUs, locomotives, urban rail transit vehicles, passenger carriages and freight wagons as its core and supporting companies as its backbone.
5. **Distribution of the value chain:** the product value of the Company mainly lies in the value chain distribution system of the comprehensive rolling stock equipment with the production of high-speed MUs, high-power locomotives, urban rail transit vehicles, passenger carriages and freight wagons as well as the manufacturing and repairing of related supporting products as core value and supplemented with financial products, financial-related products and financial lease products.
6. **Research and development model:** the Company adopts a two-level research and development management model of “centralizing research and development of technology, jointly developing products and building and sharing capability”.

(IV) Industry status

The Outline for Building China's Strength in Transportation (《交通強國建設綱要》) states that by 2035, a modern and comprehensive transportation system will have been basically formed, a "national 123 transportation circle" (one-hour commute in urban areas, two-hour travel between the cities of a conurbation, and three-hour reachability of major cities nationwide) and a "global 123 fast movement of goods circle" (one-day domestic delivery, two-day delivery to neighboring countries, and three-day delivery to global major cities) will have been basically established, the transportation technology innovation system will have been basically built with the installation of advanced and safe transportation key equipment, and the international competitiveness and influence of transportation will have been significantly improved. The Outline proposes that transportation equipment should be advanced and applicable, sound and controllable. The research and development of new types of vehicles should be strengthened, and major breakthroughs in 30,000-ton heavy-duty trains and high-speed wheel-rail freight trains at a speed of 250 km/hour should be achieved. The Outline also promotes new energy, clean energy, intelligent, lightweight, environmentally friendly transportation equipment and full sets of technical equipment, and to widely use emerging equipment and facilities such as intelligent high-speed railways, etc. The State's Medium-to Long-Term Railway Network Plan (《中長期鐵路網規劃》) proposes to improve the ordinary-speed railway network, build high-speed railway network, construct integrated transport hubs and build a modern integrated transport system. By 2025, total length of the railway network will reach about 175,000 km, of which about 38,000 km will be covered by high-speed rail, and the planning and construction for major projects such as the Sichuan-Tibet Railway will have been started. On 13 August 2020, State Railway Group released the Outline for the Advanced Railway Planning for a Great Country in Transportation in the New Era (《新時代交通強國鐵路先行規劃綱要》), which puts forward the development goals of China's railway in the new era, which will be implemented in two stages from 2021 to the middle of this century. At the first stage, by 2035, the operating mileage of the national railway network will reach about 200,000 km, with approximately 70,000 km of high-speed rail. Cities with a population of more than 200,000 people will achieve railway coverage, and cities with a population of more than 500,000 people will have high-speed rail access. The smart high-speed railway will be completed first, and the realization of smart railway will be accelerated. The national 1, 2, 3 hour high-speed rail travel circle and the national 1, 2, 3 day fast cargo logistics circle will be fully formed. At the second stage, by 2050, a great country with higher-level modern railway will be built completely to fully serve and secure the construction of a great modern socialist country. As at 30 June 2020, there was an aggregate of 41 cities in mainland China (excluding Hong Kong, Macau and Taiwan) commencing the urban rail transit operation lines with a distance of 6,917.62 km, among which, in the first half of 2020, there was a total of newly added highway mileage of 181.42 km and the highway mileage newly approved to be planned, constructed and adjusted of 272.54 km. Proposals for regional development strategies such as the Beijing-Tianjin-Hebei coordinated development, the integrated development of the Yangtze River Delta, and the Guangdong-Hong Kong-Macao Greater Bay Area development are expected to vigorously promote the construction of rail transit in urban agglomerations and metropolitan areas. As an important part of high-end equipment manufacturing, rolling stock equipment is one of the strategic emerging industries that the country encourages to be the focus of development, and will continue to be in a period of great development opportunities.

As the world's leading rolling stock supplier with large scale, diverse products and first-class technology, CRRC has consecutively ranked first in the world in terms of sales volume of rolling stock equipment for years. CRRC actively implemented the strategy of strong transportation country, actively adapted to the ever-changing market environment, captured market opportunities, and accelerated structural reform, as well as transformation and upgrades. CRRC made well-targeted efforts in market expansion, international operation, technical innovation and synergic development, etc., further consolidating its position in the rolling stock equipment industry.



II. Significant Changes of the Company's Major Assets During the Reporting Period

For details, please refer to the section headed "Report of Directors-B. Discussion and Analysis of the Board on the Operation of the Company during the Reporting Period-I. Discussion and Analysis of Operation – (III) Analysis of assets and liabilities".

III. Analysis of the Core Competitiveness During the Reporting Period

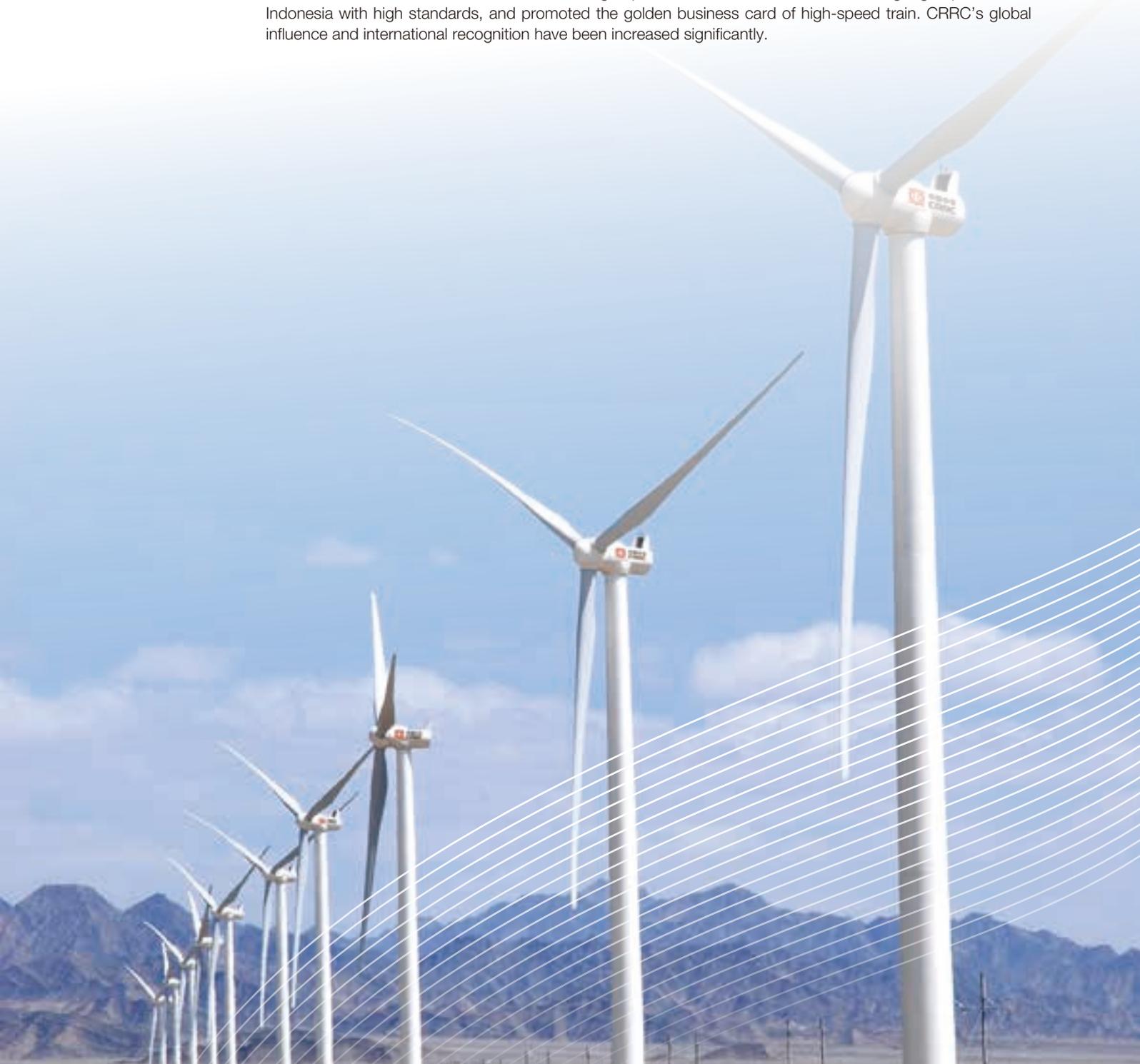
Great concern and importance are attached to the rolling stock equipment industry by the leaders of the CPC and the state, and high-speed train has become a golden business card in the "going global" of high-end equipment of our country. With the strategic objective of "two builds, one develop (雙打造一培育)", CRRC fully grasped opportunities and new challenges, adhered to innovation-driven operation, strengthened its transformation and upgraded and enhanced its operational management. In 2019, CRRC's brand value exceeded RMB100 billion, and it ranked first in the annual top ten model brands at the "2019 Chinese Brand Great China Ceremony".



- 1. Adhering to innovation-driven development and further improving innovation ability.** CRRC regards innovation as the prime motivation for the Company's high-quality development, and adheres to the technological innovation approach of "setting clear ambition to persistently forge ahead, consolidating fundamentals to foster our spirit", and continuously improves its independent innovation capabilities. The Company continued to carry out the reformation of the scientific and technological system, optimized the top-level design, reformed the management of project establishment, organized the key projects and projects of strengthening the weak areas, improved the construction of the "CRRC Q" quality system and quality control, and the innovation ability was steadily improved. The Company improved the construction process of technological innovation system and promoted key work such as strengthening the product research and development system of subsidiaries having research advantages, strengthening the technical research system led by the CRRC Industrial Institute and the National High-Speed Train Technological Innovation Center, improving the evaluation system for technological innovation, gradually establishing a technology evaluation and trading platform, improving the technological supporting service platform and stimulating innovation factors. The technological innovation ability and effectiveness of innovation of the Company have been steadily improved.
- 2. Adhering to coordinated development and optimizing the allocation of resources.** In accordance with the core business, pillar business, supporting business, platform business and nurturing business, the Group optimized its business layout and resource allocation, accelerated structural adjustment, promoted internal professional reorganization, accelerated the integration of manufacturing and refurbishment for locomotives and the reorganization of freight wagon business, carried out the integration of urban rail transit vehicle business with mechanical and electrical business, established a number of rolling stock equipment technology platforms and production platforms at an international advanced level, developed and improved a complete nationwide industrial chain and production system with the main machinery companies as its core and supporting companies as its backbone. The Group strengthened its overseas resource allocation: 17 overseas research and development centers located in Europe, the Americas and South Africa made great progress with increasing international cooperation. The development plan for the connection with countries of target markets has been moved forward, new breakthroughs have been made in the local manufacturing in overseas production bases. Resources were gathered to nurture and establish pillar business and supporting businesses, and made further room for development. The wind power equipment has mature and complete industrial chain and there has been continuing new breakthroughs in wind turbines, and its wind power blade stably ranked among top three in the country in terms of market share; the polymer composites business has established its leadership in the industry with advanced technology; there were continuing breakthroughs in its core technology for sewage treatment equipment in urban and rural areas with a stable growth in its general contracting of sewage treatment.



- 3. Adhering to sharing development and continually enhancing international competitiveness.** Seizing the opportunities arising from the “Belt and Road Initiative” and “going global” strategies, the Company has made efforts to implement its international operation strategy. All kinds of railway transportation equipment have been exported to 107 countries and regions across the world. With the expansion in its export product portfolio of “product + technology + service”, overseas business model was changed from single product to a multiple export portfolio of “product, capital, technology, management and service”. The Company changed its concept from product “going global” to capacity “going inside” and brand “going high-end”. The Company actively carried out its strategic cooperation and developed third-party market cooperation to form synergy effect of brand cooperation. With its “go abroad jointly” initiative, the Company promoted the design, manufacture and after-sales maintenance of high-speed rail vehicles in Jakarta-Bandung high-speed rail in Indonesia with high standards, and promoted the golden business card of high-speed train. CRRC’s global influence and international recognition have been increased significantly.



B. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

I. Discussion and Analysis of Operation

In the first half of 2020, the Company achieved revenue of RMB89,403 million, representing a year-on-year decrease of 7.01%; net profit attributable to shareholders of the Company was RMB3,693 million, representing a year-on-year decrease of 22.76%.

(I) Analysis of main business

1. Analysis table of changes in relevant items of the financial statements

Unit: '000 Currency: RMB

Item	Amounts for the period	Amounts for the same period of the previous year	Percentage change (%)
Revenue	89,403,326	96,147,021	-7.01
Operating costs	70,373,477	74,544,370	-5.60
Selling expenses	2,796,099	3,016,082	-7.29
Administrative expenses	5,380,319	5,990,813	-10.19
Financial expenses	486,350	313,346	55.21
R&D expenses	4,422,787	4,388,411	0.78
Net cash flow used in operating activities	-14,785,418	-13,390,166	-
Net cash flow used in investment activities	-17,099,953	-6,426,932	-
Net cash flow from financing activities	21,942,348	9,641,238	127.59

(1) Analysis of revenue and cost

Revenue decreased by 7.01% as compared to the same period of the previous year, mainly due to the decrease in the revenue from railway equipment.

Operating costs decreased by 5.60% as compared to the same period of the previous year, mainly due to the decrease in revenue. Due to the difference in product structure, the decrease in operating costs was slightly less than the decrease in revenue.

Main businesses by industry, by products and by regions*Main businesses by industry*

Unit: '000 Currency: RMB

By industry	Revenue	Operating costs	Gross profit margin (%)	Increase/decrease in revenue from the same period of the previous year (%)	Increase/decrease in operating costs from the same period of the previous year (%)	Increase/decrease in gross profit margin from the same period of the previous year
Rail transportation products and their extended industries	89,403,326	70,373,477	21.29	-7.01	-5.60	Decreased by 1.18 ppt

Main businesses by products

Unit: '000 Currency: RMB

By products	Revenue	Operating costs	Gross profit margin (%)	Increase/decrease in revenue from the same period of the previous year (%)	Increase/decrease in operating costs from the same period of the previous year (%)	Increase/decrease in gross profit margin from the same period of the previous year
Railway equipment	40,124,785	30,514,187	23.95	-25.53	-25.62	Increased by 0.09 ppt
Urban rail transit vehicles and urban infrastructure	21,252,247	17,312,635	18.54	19.26	16.69	Increased by 1.79 ppt
New businesses	25,068,891	20,421,818	18.54	20.03	28.79	Decreased by 5.53 ppt
Modern service	2,957,403	2,124,837	28.15	-16.93	-24.82	Increased by 7.54 ppt
Total	89,403,326	70,373,477	21.29	-7.01	-5.60	Decreased by 1.18 ppt

Main businesses by regions

Unit: '000 Currency: RMB

By regions	Revenue	Increase/decrease in revenue as compared to the same period of the previous year (%)
Mainland China	83,057,500	-4.49
Other countries or regions	6,345,826	-30.88

Explanation of main businesses by industry, by products and by regions

Revenue from the railway equipment business decreased by 25.53% as compared to the same period of the previous year, mainly due to the decrease in sales of major products such as locomotives, passenger carriages, MUs and freight wagons. Operating costs decreased by 25.62% as compared to the same period of the previous year, mainly due to the decrease in revenue.

Revenue from urban rail transit vehicles and urban infrastructure increased by 19.26% as compared to the same period of the previous year, mainly due to the increase in the revenue from urban rail transit vehicles and station equipment and facilities of urban rail transit vehicles projects. Operating costs increased by 16.69% as compared to the same period of the previous year, mainly due to the increase in operating costs being slightly lower than the increase in revenue arising from the relatively significant increase in urban rail transit vehicles.

Revenue from the new industry business increased by 20.03% as compared to the same period of the previous year, mainly due to the increase in revenue from wind power business. Operating costs increased by 28.79% as compared to the same period of the previous year, mainly due to increase in business with lower gross margin.

Revenue from the modern service business decreased by 16.93% as compared to the same period of the previous year, mainly due to the reduction of size of trade business during the current period. Operating costs decreased by 24.82% as compared to the same period of the previous year, mainly due to the decrease in revenue.

Revenue of the Company decreased by 7.01% as compared to the same period of the previous year, and revenue from railway equipment business, urban rail transit vehicles and urban infrastructure business, new industry business and modern service business accounted for 44.88%, 23.77%, 28.04% and 3.31%, respectively, of total revenue. In particular, revenue generated by the locomotive business of the railway equipment business was RMB4.636 billion; revenue generated by the passenger carriage business was RMB2.371 billion; revenue generated by the MUs business was RMB27.819 billion; revenue generated by the freight wagon business was RMB5.299 billion. Revenue generated by the urban rail subways of the urban rail transit vehicles and urban infrastructure business was RMB19.429 billion. During the reporting period, the Company entered into new contracts in the value of RMB102.3 billion, including new overseas contracts in the value of RMB10.4 billion.



(2) Analysis of cost

Unit: '000 Currency: RMB

Cost of main businesses by industry					
By industry	Amount for the current period	Proportion in total cost for the current period (%)	Amount for the same period of the previous year	Proportion in total cost for the same period of the previous year (%)	Proportion of change of amount for the current period as compared to amount for the same period of the previous year (%)
Rail transportation products and their extended industries	70,373,477	100.00	74,544,370	100.00	-5.60

Cost of main businesses by item					
By item	Amount for the current period	Proportion in total cost for the current period (%)	Amount for the same period of the previous year	Proportion in total cost for the same period of the previous year (%)	Proportion of change of amount for the current period as compared to amount for the same period of the previous year (%)
Direct materials	59,370,185	84.36	62,778,748	84.22	-5.43
Direct labour costs	3,848,770	5.47	4,292,059	5.76	-10.33
Manufacturing costs	4,532,704	6.44	4,795,115	6.43	-5.47
Others	2,621,818	3.73	2,678,448	3.59	-2.11
Total	70,373,477	100.00	74,544,370	100.00	-5.60

(3) Information on major customers and major suppliers

Sales to five largest customers amounted to RMB46,349 million, representing 51.84% of total sales for the period, of which sales to related parties were RMB0, representing 0% of total sales for the period.

Procurement from five largest suppliers amounted to RMB4,936 million, representing 6.91% of total procurement for the period, of which procurement from related parties was RMB0, representing 0% of total procurement for the period.

The relatively high customers concentration is primarily attributable to State Railway Group (including the railway bureaus and companies subordinate to it) being the largest customer of the Company, which accounted for 41.55% of the total sales of the Company for the period.

(4) Expenses

Selling expenses decreased by approximately 7.29% as compared to the same period of the previous year, mainly due to the decrease in transportation expenses and travel expenses during the period.

Administrative expenses decreased by approximately 10.19% as compared to the same period of the previous year, mainly due to the significant decrease in employee remuneration of the management during the period.

Financial expenses increased by 55.21% as compared to the same period of the previous year, mainly due to the fluctuation of exchange rates and increase in exchange losses.

(5) Research and development expenses

Research and development expenses were RMB4,503 million in total for the period, representing an increase of approximately 0.24% as compared to the same period of the previous year, which basically remained at the same level.

(6) Cash flows

Net cash flow from operating activities was a net outflow of RMB14,785 million, representing an increase of RMB1,395 million over the same period of the previous year, mainly due to the year-on-year increase in cash payment for purchase of goods and receipt of services in the reporting period.

Net cash flow from investing activities was a net outflow of RMB17,100 million, representing an increase of RMB10,673 million over the same period of the previous year, mainly due to the year-on-year increase in cash paid for investment in the reporting period.

Net cash flow from financing activities was a net inflow of RMB21,942 million, representing an increase of RMB12,301 million over the same period of the previous year, mainly due to the year-on-year decrease in cash paid for repayment of debts in the reporting period.

2. Others

During the reporting period, there was no material change in composition and sources of the Company's profit.

(II) Explanation of significant changes in profit resulting from non-principal business

During the reporting period, the Company had no significant changes in profit resulting from any non-principal business.

(III) Analysis of assets and liabilities

1. Assets and liabilities

Unit: '000 Currency: RMB

Item	Amount at the end of the period as a		Amount at the end of last year as a		Amount at the end of the period compared to amount at the end of last year (%)
	Amount at the end of the period	percentage of total assets (%)	Amount at the end of last year	percentage of total assets (%)	
Lending funds	-	-	139,524	0.04	-100.00
Bills receivable	9,507,108	2.26	14,245,965	3.71	-33.26
Accounts receivable	82,778,274	19.64	59,712,424	15.57	38.63
Receivables financing	6,453,365	1.53	13,085,613	3.41	-50.68
Contract assets	22,175,924	5.26	16,364,966	4.27	35.51
Goodwill	313,850	0.07	462,158	0.12	-32.09
Short-term borrowings	15,205,458	3.61	10,530,416	2.75	44.40
Borrowings from central bank	-	-	222,317	0.06	-100.00
Deposits from customers and interbank	2,793,359	0.66	5,577,269	1.45	-49.92
Taxes payable	1,502,483	0.36	2,554,947	0.67	-41.19
Other payables	14,670,181	3.48	9,176,397	2.39	59.87
Non-current liabilities due within one year	6,777,820	1.61	3,778,474	0.99	79.38
Other current liabilities	19,203,226	4.56	4,015,089	1.05	378.28
Long-term borrowings	3,427,606	0.81	2,589,644	0.68	32.36
Bonds payable	3,089,720	0.73	4,534,817	1.18	-31.87

Other explanation

The balance of lending funds was RMB0, mainly due to collection of all such lending funds by the Finance Company owned by the Company during the period.

Bills receivable decreased by 33.26%, mainly due to decrease in bills received by the Company during the period.

Accounts receivable increased by 38.63%, mainly due to concentrated delivery of products by the Company at the end of the period.

Receivables financing decreased by 50.68%, mainly due to the decrease in bills measured at fair value received during the period.

Contract assets increased by 35.51%, mainly due to concentrated delivery of products at the end of the period and payment conditions agreed in the contract not yet met.

Goodwill decreased by 32.09%, mainly due to impairment of goodwill of overseas subsidiaries during the period.

Short-term borrowings increased by 44.40%, mainly due to the increase in bank borrowings by the Company to meet its daily operation and production needs during the period.

Borrowings from central bank was RMB0, mainly due to the repayment of borrowing from central bank was made by the Finance Company owned by the Company during the period.

Deposits from customers and interbank decreased by 49.92%, mainly due to the decrease in deposits taken by the Finance Company owned by the Company during the period.

Taxes payable decreased by 41.19%, mainly due to the payment of various taxes by the Company during the period.

Other payables increased by 59.87%, mainly due to the dividend declared has not been paid during the period.

Non-current liabilities due within one year increased by 79.38%, mainly due to the increase in reclassified bonds payable due within one year during the period.

Other current liabilities increased by 378.28%, mainly due to the increase in super short-term financing bills of the Company during the period.

Long-term borrowings increased by 32.36%, mainly due to the increase in long-term bank borrowings by the Company during the period.

Bonds payable decreased by 31.87%, mainly due to the reclassification of certain bonds into bonds payable due within one year.

2. Material assets subject to restriction as of the end of the reporting period

For details, please refer to “70. Assets with restrictive ownership title or right of use” under “V. Notes of Consolidated Financial Statements” to the financial statements of this report.

(IV) Debt structure, liquidity and cash flow

1. Capital structure

As at 30 June 2020, the Company’s gearing ratio increased from 58.59% at the beginning of the year to 62.34%.

2. Significant capital expenditure and capital commitments

(1) Significant capital expenditure

From January to June 2020, the Company’s significant capital expenditure are set out in the following table:

Item	January-June 2020 (RMB’000)
Fixed assets	454,926
Construction in progress	1,885,467
Intangible assets	1,066,215
Development expenses	4,502,573
Total	7,909,181

(2) Capital commitments

As at 30 June 2020, the Company had capital commitments of RMB3,235 million contracted for but not yet incurred, which would be used mainly for property, plant, equipment and land lease prepayment.

Unit: '000 Currency: RMB

Item	30 June 2020	31 December 2019
Construction in progress, fixed assets and land use rights	3,224,666	3,047,826
Other intangible assets	10,032	14,237
Investment commitment	–	64,367
Total	3,234,698	3,126,430

3. Particulars of contingent liabilities of the Company

Save as the guarantees provided by the Company as stated in the section headed “Significant Events” of this interim report, the Company had no other significant contingent liabilities.

4. Particulars of pledged assets of the Company

As at the end of the reporting period, the Company had the following assets (with a total book value of RMB804 million) pledged to obtain bank loans and other bank credits: bills receivables of RMB22 million, trade receivables of RMB53 million, long-term receivables of RMB532 million, fixed assets and intangible assets of RMB197 million.

5. Borrowings, corporate bonds and notes

As at 30 June 2020, the Group had total borrowings, bonds and notes of approximately RMB41,205 million, as compared to the total amount of approximately RMB19,135 million as at 31 December 2019.

As at 30 June 2020, out of the total borrowings, bonds and notes of the Group, RMB33,570 million was denominated in Renminbi, RMB5,558 million was denominated in USD, and RMB1,242 million was denominated in Euro.

The Group’s long-term interest-bearing borrowings, bonds and notes and short-term borrowings, bonds and notes as at 30 June 2020 were RMB6,517 million and RMB34,688 million, respectively.

As at 30 June 2020, the total bank and other borrowings of the Group with floating interest rates amounted to RMB9,030 million, as compared to RMB5,535 million as at 31 December 2019.

The following table sets out the maturity status of borrowings, bonds, and notes payables of the Group as at 31 December 2019 and 30 June 2020:

	30 June 2020 Amount (RMB thousand)	31 December 2019 Amount (RMB thousand)
Within one year (starting date and ending date inclusive)	34,687,922	12,010,821
One to two years	1,632,816	5,032,596
Two to five years	3,761,970	1,790,992
Over five years	1,122,540	300,873
Total	41,205,248	19,135,282

As at 30 June 2020, the total borrowings, bonds and notes of the Group amounted to approximately RMB41,205 million, representing an increase of 115% from RMB19,135 million as at 31 December 2019, mainly due to the increase in super short-term financing bills of RMB15,000 million and increase in short-term borrowings of RMB4,675 million.

6. Cash flow

As at 30 June 2020, the cash and cash equivalents owned by the Group amounted to approximately RMB25,594 million, of which RMB21,673 million was denominated in RMB; RMB1,141 million was denominated in USD; and RMB1,153 million was denominated in Euro.

(V) Analysis of investment

1. General analysis of external equity investment

As at the end of the reporting period, the Company's long-term equity investment was RMB15,707 million, representing an increase of RMB136 million or 0.87% as compared to the beginning of the period. For details, please refer to Note V.16 Long-term equity investments to the financial statements.

(1) Significant equity investment

The Company had no significant equity investment during the reporting period.

(2) Significant non-equity investment

The Company had no significant non-equity investment during the reporting period.

(3) Financial assets measured at fair value

Unit: '000 Currency: RMB

Item	Opening balance	Gains/losses from changes in fair value during the current period	Aggregate changes in fair value included in equity	Provision for impairment loss during the current period	Other changes (increase/decrease) during the current period	Closing balance
1. Held-for-trading financial assets	9,180,616	53,283	-	-	673,624	9,907,523
Including: derivative financial assets	2,550	-150	-	-	-	2,400
Including: bank financial products	8,003,841	8,670	-	-	601,545	8,614,056
Including: equity instrument investment	1,174,225	44,763	-	-	72,079	1,291,067
2. Other equity instrument investment	2,654,602	-	54,790	-	-43,895	2,665,497
Including: listed equity instrument investment	1,398,150	-	63,875	-	-189,145	1,272,880
Including: non-listed equity instrument investment	1,256,452	-	-9,085	-	145,250	1,392,617
3. Receivables financing	13,085,613	-	40,487	-605	-6,672,130	6,453,365
Including: accounts receivable	1,590,906	-	-6,337	-605	-456,737	1,127,227
Including: bills receivable	11,494,707	-	46,824	-	-6,215,393	5,326,138
4. Other non-current financial instruments	616,855	3,569	-	-	8,663	629,087
Including: preference share and perpetual bond	616,855	3,569	-	-	8,663	629,087
Subtotal of financial assets	25,537,686	56,852	95,277	-605	-6,033,738	19,655,472

(VI) Material disposal of assets and equity interests

There were no material assets and equity disposals during the reporting period.

(VII) Analysis of major companies controlled or invested in by the Company

Unit: '000 Currency: RMB

Company name	Product and scope of main business	Registered capital	Total assets at the end of the period	Net assets at the end of the period attributable to the shareholders of the Company	Net profit from January to June 2020 attributable to the shareholders of the Company	Revenue from January to June 2020	Operating profit from January to June 2020
CRRC Sifang	R&D and manufacturing of railway MUs, passenger carriages and urban rail transit vehicles; and repair services for railway MUs and high-end passenger carriages, etc.	4,071,272	65,573,140	16,237,370	1,252,520	19,492,427	1,454,713
CRRC Changchun	Design, manufacturing, repair, sale and lease of railway passenger carriages, MUs, urban rail transit vehicles and the accessories thereof, as well as related technical services and technical consultancy, etc.	5,807,947	63,945,138	19,731,360	952,080	13,220,979	1,077,266
CRRC Tangshan	Manufacturing of railway transportation equipment; sale and lease of railway vehicles, electric MUs, diesel MUs, maglev trains, special vehicles, test vehicles, urban rail transit vehicles and accessories thereof; and technical consulting services, etc.	3,990,000	26,986,554	11,731,855	453,475	6,029,014	530,691
CRRC ZELRI	Research and manufacturing on electric drive and control technologies related to rail transit and relevant electrical equipment; and research and development and manufacturing of railway locomotives and accessories thereof, etc.	8,446,840	65,054,083	18,045,119	174,555	13,424,839	719,155
CRRC Zhuzhou	Research and development and manufacturing of railway electric locomotives, MUs and urban rail transit vehicles, etc.	4,868,336	33,211,315	9,108,426	30,937	7,491,550	103,739

(VIII) Structured entities controlled by the Company

There were no structured entities under the control of the Company during the reporting period.

(IX) Use of proceeds from issuance of H shares

As approved by the “Reply in relation to the Approval of China CNR Corporation Limited to Issue Overseas Listed Foreign Shares” (CSRC Permit No. [2014] 404) issued by CSRC (《關於核准中國北車股份有限公司發行境外上市外資股的批復》(證監許可[2014]404號)), CNR issued through its public offering 1,939,724,000 (including over-allotment) overseas listed foreign shares (H shares) in May 2014 and the proceeds raised totaled HKD10.028 billion. As at 30 June 2020, the proceeds of H shares used by the Company in aggregate were approximately HKD10.060 billion, the actual use is as follows: to increase capital contribution of approximately HKD6.640 billion into subsidiaries, to replenish its working capital and repay bank loans of approximately HKD3.157 billion, to finance the product research and development expense of approximately HKD60 million and to pay issuance costs of approximately HKD203 million, which are in line with the use of proceeds disclosed previously. As at 30 June 2020, interest of bank deposits received for the proceeds from issuance of H shares amounted to HKD115 million in total and the proceeds not yet used by the Company raised through issuance of H shares, plus interests thereon accrued, amounted to HKD83 million. It is expected that the proceeds of HKD83 million will be used to finance the product research and development expense and replenish the working capital by 2021, which is in line with the use of proceeds as disclosed previously.

On 5 February 2016, the Company issued H Share convertible bonds in an aggregate amount of US\$600 million. The net proceeds of such issuance were approximately US\$595.80 million. On 5 February 2019, the holders of H Share convertible bonds redeemed the convertible bonds with an aggregate principal amount of US\$240 million pursuant to the terms and conditions of the convertible bonds. As at 30 June 2020, the net proceeds amounted to US\$355.80 million. As at 30 June 2020, the Company used approximately US\$355.80 million of such proceeds for the following purposes: (1) approximately US\$92.62 million for the repayment of bank loans, (2) approximately US\$56.00 million for equity investment, and (3) approximately US\$207.18 million for the business operation needs of CRRC Hong Kong Capital Management Co., Ltd., a wholly-owned subsidiary of the Company, which was in line with the use of proceeds disclosed previously. As at 30 June 2020, the Company received a deposit interest of approximately US\$12.62 million in respect of the proceeds from the issuance of the H Share convertible bonds, all of which are used for the business operation needs of CRRC Hong Kong Capital Management Co., Ltd., a wholly-owned subsidiary of the Company. All of the proceeds have been used up. Please refer to the section headed “Significant Events – IX. Information on the Convertible Corporate Bonds” in this report for details of the Company’s H Share convertible bonds.

II. Other Events

Potential risks

1. Operating environment risks

Currently, the domestic railway transportation reform continues to deepen. The reform of the corporate system of the State Railway Group and other railway bureaus has been completed. The structural changes in customer demand for railway equipment have been accelerated, and the scope and proportion of autonomous maintenance of railway equipment have continued to expand. With the gradual refinement of the division of labor in society and the continuous improvement of the technical standards of rail transit equipment, user demands are changing from a single rolling stock to the integration of full-cycle services; the bidding method has gradually changed from a single rolling stock procurement to a general contracting and PPP model, and the value structure of the rail transportation industry chain has changed: new materials, new technologies and new processes are used for rail transportation equipment, and there is even more urgent need for development in the direction of systematic, light weight, high-speed reloading and green intelligence. These changes may lead to a lot of uncertainties in the market environment and room for development, which will bring risks to the Company's strategic and operational goals.

Response measures: Timely collect information of industrial policy or industrial planning which is in relation to the Company's operation; conduct proper studies on policy and trend and positively deal with possible changes in policies and industrial planning; strengthen internal management; improve operation and management standards of the Company; reduce operating costs; endeavour to improve operational efficiency and enhance ability to mitigate policy risks.

2. Market risks

At present, the domestic rail transit equipment market, and mainline railway construction and operation rights have been fully liberalized. The willingness for society to invest in the rail transit equipment sector has increased significantly. State-owned, private, and foreign-funded enterprises have entered the rail transportation field one after another, cross-border competition has become the norm, and competition within the industry has become more intense. The rapid development of new technologies and new business forms, railway passenger and freight transportation is constantly optimized in terms of the market awareness, service awareness and innovation awareness, and market demand may undergo structural adjustment. The global railway transportation industry is undergoing deep integration, the industry giants are accelerating their reshuffle and frequently conducting reorganization and integration, the market competition is intensifying. The international trade protectionism is rising and international competition within the industry has intensified, with increasing uncertainties and uncontrollable factors in the international market. Factors such as trade friction between China and the US and long-arm jurisdiction may lead to increasing costs of the Company and make it more difficult to obtain orders, even increasing the risks targeted to the Company, and the Company's "internationalization" strategy will face more challenges. At the same time, the novel coronavirus disease may have certain impact on the Company's production organization, parts and materials supply, and market demand fluctuations may have certain impact on the Company's order acquisition and product delivery cycle.

Response measures: Proactively communicate with major clients; collect information relating to domestic economy, politics and the industry timely; conduct proper studies of market trends; by adhering to innovation-driven, extending the industrial chain, and providing systematic service solutions, optimize the industrial structure of the Company and expand new business models. Make good planning of the top-level design, strengthen the research and practice of worldwide corporate governance structure, multinational management control models and improve management of cross-border operation; establish business platform, continue to implement the "five-locals model", accelerate the five-in-one international operation, rely on core export companies and platform companies, fully increase the breadth and depth of overseas market development, and improve the global industrial network; strengthen organizational mobilization, commission our emergency response plans, invest in resources to fully respond to the pandemic, perform well in communicating with upstream and downstream customers, so as to reduce the adverse impact on the Company's operations.

3. Product quality risks

In the railway market, a “trinity” safety guarantee mechanism covering related personnel, materials and technologies has been earnestly constructed by major clients to ensure railway safety, thus posing higher standards for the safety and reliability of rail transportation product quality and posed more challenges for the Company’s constantly improving product lineage and continuous deepening of technological innovation.

Response measures: Formulate plans and carry out top-level design of technological innovation; adhere to leading technology to ensure the safety of industrial development; persist in quality first, continue to consolidate the management foundation, strengthen source control and after-sales service, and ensure the safety and stable operation of railway equipment.

4 Exchange rate risks

With the accelerated pace of internationalization of the Company, product exports, overseas investments, mergers and acquisitions and other activities will further increase, which may trigger various risks due to exchange rate fluctuations. For example, in light of fluctuating international financial environment, the movement of exchange rate is difficult to predict, and the Company may suffer exchange losses; and since some overseas product items are settled in non-major currencies, and it is difficult to naturally hedge against exchange risks; uncertain foreign exchange collection time makes it more difficult in the adoption of hedging.

Response measures: The Company will closely monitor the exchange rate movement, strengthen the awareness of relevant personnel of risk prevention, establish an exchange rate risk prevention mechanism, make transactions in different currencies, etc., and financial hedging instruments will be used to deal with exchange rate risks.

5. Industrial structure adjustment risks

Due to historical reasons, some segments sectors in the rail transportation business of the Company have overcapacity problems and are facing industrial structure adjustment. A number of factors including connectivity to the industry, industry base, technological conditions and resource sufficiency posed various difficulties and risks for the industrial structure transformation of the Company.

Response measures: The Company has established a special institution to research on the reform plan in the rail transportation sector. According to the principle of adopting different strategies for different sectors and through methods including business restructuring and capacity shrinking, inspire the dynamisms of the Company, gradually build a structure of resource sharing and a win-win mutual development, and continue to optimize the deployment of rail transportation resources, thus achieving the maximization of resource efficiency and serving the best interests of the Company.

SIGNIFICANT EVENTS

I. BRIEF INTRODUCTION TO GENERAL MEETINGS

Session of meeting	Convening date	Query index of the designated website where the resolutions were published	Disclosure date of the published resolutions
2019 annual general meeting of CRRCL Corporation Limited	18 June 2020	www.sse.com.cn www.hkex.com.hk	19 June 2020

II. PROPOSAL FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

The Company does not have any proposal for distribution or transfer of capital reserve to share capital during the reporting period.

III. PERFORMANCE OF UNDERTAKINGS

Undertakings by relevant parties of undertakings, such as actual controller, shareholders, related parties, acquirer and the Company, during or up to the reporting period:

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
Material assets reorganization related commitment	Resolution of same industry competitions	CRRC	<p>Non-competition undertaking with Times New Material: on 5 August 2015, CRRC issued the Letter of Undertaking of Non-competition with Zhuzhou Times New Material Technology Co., Ltd. (關於避免與株洲時代新材料科技股份有限公司同業競爭的承諾函) in order to resolve the issue of competition between CRRC and Times New Material after the merger between CSR and CNR.</p> <p>The specific undertakings are as follows: the current operations of CRRC in fields such as air springs for rail vehicles and rubber-metal parts for rail vehicles compete with the operations of Times New Material, which is indirectly controlled by CRRC. In order to resolve such competition with Times New Material, in accordance with relevant laws and regulations, CRRC undertook that it will resolve such issue with Times New Material within five years from the date of this letter of undertaking in the manner approved by the regulatory authorities (including but not limited to asset restructuring, business integration etc.).</p>	Undertakings dated 5 August 2015, term is 5 years commencing from the date of issuance of this letter of undertaking	Yes	Yes	<p>In July 2020, Times New Material and Qingdao Sri Technology Co., Ltd. (hereinafter referred to as "Sri Technology"), a wholly-owned subsidiary of Qingdao Sifang, have been implementing a restructuring plan related to competing business. Sri Technology will inject assets, business and staff involved in competition into Times New Material.</p> <p>The "Application project of intelligent manufacturing new model of high-speed rail oscillating damper products" (hereinafter referred to as the "Intelligent Manufacturing Project") implemented by Qingdao Sifang falls within the category of assets of competing business and it is currently under construction and the construction as well as the completion inspections are expected to be completed before 31 December 2021. The Intelligent Manufacturing Project is temporarily not included in the scope of this restructuring plan, mainly due to the fact that the Intelligent Manufacturing Project is currently under construction. A series of equipment procurement and engineering construction contracts were signed for the project by Qingdao Sifang as the legal entity, and any changes of implementing entities in the process can affect the normality in the implementation of the project resulting in a delay in the project construction. In order to ensure the continuity of project construction, to ensure that the project is completed on time with great quality, and achieve the project's expected goals, it is not suitable to change the project implementing entities during the project construction period.</p> <p>For the above reasons, it is not suitable to inject the assets of the Intelligent Manufacturing Project into Times New Material before the completion of the construction and the completion inspections of the Intelligent Manufacturing Project (i.e. before the aforesaid commitment expiry date of 4 August 2020). In addition, as the Intelligent Manufacturing Project will effectively improve production efficiency and reduce operating costs after its completion, it will not be conducive to the future development of Times New Material if the project is terminated or transferred to other parties to resolve the same industry competitions.</p> <p>In summary, the Company is of the view that under the premise of resolving the same industry competitions and protecting the interests of Times New Material, the current preferred plan is to inject Intelligent Manufacturing Project into Times New Material after the completion of construction and completion inspections of Intelligent Manufacturing Project of Qingdao Sifang.</p>	<p>Qingdao Sifang has made a written commitment to Times New Material: after the completion of the construction and completion inspections of the Intelligent Manufacturing Project, by 31 December 2022, it will transfer the Intelligent Manufacturing Project to Qingdao Borui Zhiyuan Damping Technology Co., Ltd. (青島博銳智遠減振科技有限公司), a subsidiary of Times New Material, in compliance with the assets evaluation value confirmed by asset evaluation methods approved by the SASAC and other regulatory authorities by way of transfer by agreement; at the same time, it will not engage in competing business through Intelligent Manufacturing Project before the transfer.</p> <p>The Company extended the validity period of the original Letter of Undertaking of Non-competition with Zhuzhou Times New Material Technology Co., Ltd. (關於避免與株洲時代新材料科技股份有限公司同業競爭的承諾函) to 31 December 2022. Except for the change of the term of undertakings, other undertakings remain unchanged.</p> <p>The Resolution on Extending Certain Non-competition Undertakings of the Indirect Controlling Shareholder was also passed at the 2020 first extraordinary general meeting of Times New Material.</p>

SIGNIFICANT EVENTS

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
Resolution of same industry competitions		CRRC	<p>Non-competition undertaking with Times Electric: on 5 August 2015, CRRC issued the Letter of Undertaking of Non-competition with Zhuzhou CSR Times Electric Co., Ltd. (關於避免與株洲南車時代電氣股份有限公司同業競爭的承諾函) in order to resolve the issue of competition between CRRC and Times Electric after the merger between CSR and CNR. The specific undertakings are as follows: the current operations of CRRC in fields such as transmission control systems, network control systems, traction power supply system, braking system, track construction machinery, electronic components and vacuum sanitation system compete with the operations of Times Electric, which is indirectly controlled by the Company. To safeguard the interests of Times Electric in its future development, in accordance with relevant laws and regulation, CRRC undertook that with respect to the operations of CRRC that compete with the operations of Times Electric: (1) CRRC will grant Times Electric a call option, pursuant to which Times Electric will be entitled to elect, at its own discretion, when to request CRRC to sell the competing businesses of CRRC to Times Electric; (2) CRRC will further grant Times Electric a pre-emptive right, pursuant to which if CRRC proposes to sell the competing business to an independent third party, CRRC shall offer to Times Electric the competing business first on the same terms and conditions, and the sale to an independent third party may only be effective after Times Electric refuses to purchase the competing business; (3) the decision of Times Electric to exercise the aforesaid call option and the pre-emptive right shall be made by the independent non-executive directors of Times Electric; (4) the exercise of the aforesaid call option and the pre-emptive right as well as other effective methods to resolve this competition matter will be subject to the applicable regulatory, disclosure requirements and shareholders' approval at the general meeting in the places of listing of CRRC and Times Electric respectively; and (5) the non-competition undertaking will be effective from the date of issuance of this letter of undertaking to the time when Times Electric is delisted or CRRC ceases to be an indirect controlling shareholder of Times Electric.</p>	Undertakings dated 5 August 2015, term is from the date of issuance of this letter of undertaking to the time when Times Electric is de-listed or CRRC ceases to be an indirect controlling shareholder of Times Electric	No	Yes	–	–

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not	
							performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
	Resolution of same industry competitions	CRRCG	Non-competition undertaking with CRRC: CNRG issued the Letter of Undertaking of Non-competition with CRRC Corporation Limited (《關於避免與中國中車股份有限公司同業競爭的承諾函》) on 5 August 2015 in order to avoid competition between CNRG (has completed restructuring and renamed as CRRCG) and CRRC after completion of merger of CNRG with CSRG. Pursuant to the Letter of Undertaking: (1) CRRCG undertook that CRRCG itself will not engage, and will, through legal procedures, procure its wholly-owned and non-wholly owned subsidiaries to not engage in any businesses which might directly compete with the current operating businesses of CRRC; (2) subject to the aforesaid undertaking (1), if CRRCG (including its wholly-owned subsidiaries and non-wholly owned subsidiaries or other related entities) provide any products or services that might be in competition with the principal products or services of CRRC in the future, CRRCG will agree to grant CRRC pre-emptive right to acquire the assets or its entire equity interests in such subsidiaries related to such products or services from CRRCG; (3) subject to the aforesaid undertaking (1), CRRCG may develop advanced and lucrative projects in the future which fall within the business scope of CRRC, but it should preferentially transfer any achievement on such projects to CRRC for its own operation on equal terms of transfer; and (4) CRRCG should compensate CRRC for its actual losses arising from any failure to comply with the aforesaid undertakings.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	-	-
	Others	CRRCG	Undertaking to maintain the independence of CRRC: CNRG issued the Letter of Undertaking to Maintain the Independence of CRRC Corporation Limited (《關於保持中國中車股份有限公司獨立性的承諾函》) on 5 August 2015 in order to ensure that CNRG (has completed restructuring and renamed as CRRCG) will not interfere with the independence of CRRC after completion of the merger of CNRG with CSRG. Pursuant to the Letter of Undertaking: CRRCG undertook to be separate from CRRC in respect of areas such as assets, personnel, finance, organization and business and will, in strict compliance with the relevant requirements on the independence of a listed company imposed by the CSRC, not to use its position as the controlling shareholder to violate the standardized operation procedures of a listed company to intervene in the operating decisions of CRRC and to damage the legitimate interests of CRRC and other shareholders. CRRCG and other companies under its control undertook not to, by any means, use the funds of CRRC and companies under its control.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	-	-

SIGNIFICANT EVENTS

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
	Resolution of related transactions	CRRCG	Undertaking for regulating related transactions with CRRC: in order to regulate related transaction entered into between CNRG (has completed restructuring and renamed as CRRCG) and CRRC after the merger between CNRG and CSRG, CNRG issued the Letter of Undertaking to Regulate the Related Transactions of CRRC Corporation Limited (《關於規範與中國中車股份有限公司關聯交易的承諾函》) on 5 August 2015, pursuant to which CRRCG and other companies controlled by CRRCG will endeavor not to enter into or reduce the related transactions with CRRC and other companies in which it holds a controlling interest. For related transactions that are inevitable or reasonable, CRRCG will continue to perform the obligations under the related transaction framework agreements entered into between CRRCG and CRRC, and will comply with the approval procedures and information disclosure obligations in accordance with the relevant laws and regulations as well as the provisions under the Articles of Association of CRRC. Prices of the related transactions will be determined based on prices of the same or comparable transactions conducted with other independent third parties.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	–	–
Undertakings in relation to the initial public issuance	Others	CRRCG	Undertakings on property ownership issues: CSR (has completed restructuring and renamed as CRRC) disclosed in its prospectus that CSR has not yet obtained proper property ownership certificates for 326 properties with a total gross floor area of 282,019.03 square meters, representing 7.85% of the total gross floor area of the property in use of CSR. As for the property which CSR has not yet obtained property ownership certificates, CSRG has made written undertaking which was inherited by CRRCG after the merger. Pursuant to the undertaking: for properties that could not obtain complete property ownership certificates due to reasons such as incomplete procedures in planning and constructions and, which were included in the asset injection to CRRC by CRRCG, CRRCG undertook that such properties satisfy the usage requirements necessary for the production and operations of CRRC. Moreover, if there is any loss incurred to CRRC due to such properties, CRRCG shall assume all compensation liabilities and all economic losses that CRRC incurred.	Undertakings dated 18 August 2008, during the course of performance	No	Yes	–	–

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not	
							performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
	Others	CRRCG	Undertakings on the state-owned land use certificate without specifying the land use terms or termination date: CNR (the relevant matters were inherited by CRRC after the merger) disclosed in the prospectus that the land use terms or termination date were not specified in the state-owned land use certificate for part of the authorized lands acquired by CNR. As such, CNRG (has completed restructuring and renamed as CRRCG) has made a written undertaking. Pursuant to the undertaking, CRRCG will compensate the relevant wholly-owned subsidiaries of CRRC for the loss caused as a result of the state-owned land use certificate not specifying the land use terms or termination date for the authorized land.	Undertakings dated 10 December 2009, during the course of performance	No	Yes	-	-
Undertakings in relation to the refinancing	Others	Directors, Senior Management of the Company	Undertaking to adopt measures of mitigating the potential dilution of return for the current period: the Directors and Senior Management of the Company have made the following undertakings on 27 May 2016: (1) not to transfer interests to other entities or individuals without consideration or with unfair consideration nor otherwise damage the Company's interests in any other ways; (2) to constrain expenses relating to the performance of their duties; (3) not to use the Company's assets for investments and consumption activities unrelated to the performance of their duties; (4) that the remuneration system formulated by the Board or the Remuneration and Evaluation Committee is in line with implementation of the remedial measures for the returns by the Company; (5) that the vesting conditions of share incentives to be formulated by the Company will be in line with the implementation of the remedial measures for returns by the Company if the Company were to make such share incentive plans in the future; (6) to perform the remedial measures for returns formulated by the Company as well as any commitment made by them for such remedial measures. The Directors and Senior Management will be liable for indemnifying the Company or the investors for their losses in the event of failure to perform the commitment.	Undertakings dated 27 May 2016, during the course of performance	No	Yes	-	-
	Others	CRRCG	Undertaking to adopt measures of mitigating the potential dilution of return for the current period: on 27 May 2016, CRRCG committed not to intervene in the operation and management activities of the Company or unlawfully infringe upon the Company's interests.	Undertakings dated 27 May 2016, during the course of performance	No	Yes	-	-

IV. APPOINTMENT AND REMOVAL OF AUDITORS

Pursuant to the relevant requirements issued by the Ministry of Finance and the SASAC, accounting firms that undertake audit of final financial accounts for a central enterprise shall be under consecutive terms of not less than 2 years and not more than 5 years; the audit period for accounting firms that rank among the top 15 of the National Comprehensive Evaluation Ranking of Accounting Firms (全國會計師事務所綜合評價) with excellent audit quality may be extended as appropriate subject to application by relevant enterprises and approval by the SASAC, but the consecutive audit period shall not exceed 8 years. As Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu have provided audit services for the Company for 6 consecutive years, in order to ensure the independence and objectivity of the audit work of the Company, as well as meet the needs of its business development, the Company proposed to change the accounting firms. Upon approval at the 2019 annual general meeting of the Company convened on 18 June 2020, the Company appointed KPMG Huazhen LLP as the financial report auditors and internal control auditors of the Company for the year 2020.

V. BANKRUPTCY AND REORGANIZATION

The Company was not involved in any matters related to bankruptcy and reorganization during the reporting period.

VI. MATERIAL LITIGATION AND ARBITRATION

The Company was not involved in any material litigation or arbitration during the reporting period.

VII. SHARE OPTION SCHEME OF THE COMPANY AND ITS IMPACTS

During the reporting period, the Company had no related share option scheme, employee stock ownership scheme and other staff incentives.

VIII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

(I) Trusteeship, contracting and leasing matters

During the reporting period, the Company has no related trusteeship, contracting or leasing.

(II) Guarantees

Unit: '000 Currency: RMB

Guarantor	Relationship between the guarantor and the listed company	Guaranteed	Guaranteed amount	Date of guarantee		Guarantee type	Whether the guarantee has been fulfilled	Whether the guarantee is overdue or no	Outstanding amount of guarantee overdue	Counter guarantee	Whether the guarantee is provided to a related party or not	Related relationship	
				(Date of signing agreement)	Commencement date								Maturity date
CRR Corporation Limited, Suzhou CRR Construction Engineering Co., Ltd. (蘇州中車建設工程有限公司), a wholly-owned subsidiary of the Company, and CRR China Merchants (Tianjin) Equity Investment Fund Management Co., Ltd. (中車招銀(天津)股權投資基金管理有限公司), a non-wholly-owned subsidiary of the Company	CRR Corporation Limited, its wholly-owned subsidiary and non-wholly-owned subsidiary (無門市運建軌交通建設運營有限公司)	Wuhu Yunda Rail Transport Construction and Operation Limited	4,613,318	27 April 2017	20 June 2017	20 June 2047	Joint and several liability guarantee	No	No	-	No	No	-
Total guarantee amount provided during the reporting period (excluding guarantees provided by the Company in favour of its subsidiaries)												-	
Total guarantee balance at the end of the reporting period (A) (excluding guarantees provided by the Company in favour of its subsidiaries)												4,613,318	
Guarantees provided by the Company in favour of its subsidiaries													
Total guarantee amount provided to the Company's subsidiaries during the reporting period												7,967,020	
Total guarantee balance provided to the Company's subsidiaries at the end of the reporting period (B)												54,077,681	
Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favour of its subsidiaries)													
Total guarantee amount (A+B)												58,690,999	
Percentage of total guarantee amount to net assets of the Company (%)												43.36	
In which:													
Provision of guarantee to shareholders, ultimate controller and their respective related parties (C)												-	
Amount of guarantees directly or indirectly provided in favour of parties with gearing ratio over 70% (D)												21,555,741	
The total amount of guarantees provided which exceeds 50% of the net asset (E)												-	
Total amount of the three above-stated guarantees (C+D+E)												21,555,741	
Explanation on guarantees undue that might be involved in any joint and several liability												/	
Explanation on guarantees													

Percentage of total guarantee amount to net assets of the Company=Total guarantee amount/equity attributable to owners of the Company. As at 30 June 2020, total guarantee balance was RMB58.691 billion, representing 43.36% of the Company's net assets. Out of such guarantee balance, RMB29.760 billion and RMB24.318 billion were provided to the Company's wholly-owned subsidiaries and non-wholly-owned subsidiaries respectively. Guarantee balance of RMB4.613 billion was provided to Wuhu Yunda Rail Transport Construction and Operation Limited. As far as guarantee type is concerned: RMB2.700 billion was provided for bank acceptance bills, RMB4.481 billion was provided for loans and medium-term notes, and RMB51.510 billion was provided for letters of guarantee, letters of credit and credit facilities, etc. The Company did not provide any guarantees in favour of its controlling shareholders, ultimate controller and their related parties. As at the end of the reporting period, approval procedures have been complied with at the Board meetings and the general meetings as required by the Articles of Associations for all guarantees provided by the Company in favour of its wholly-owned and non-wholly-owned subsidiaries with gearing ratio over 70%.

(III) Other material contracts

As at the date of this report, the Company signed a number of sales contracts. For details, please refer to announcements dated 16 January 2020, 20 April 2020 and 29 June 2020 published by the Company on the websites of the SSE and the Stock Exchange.

IX. INFORMATION ON THE CONVERTIBLE CORPORATE BONDS

On 5 February 2016, the Company issued H share convertible bonds in an aggregate principal amount of US\$600,000,000 (the “**Convertible Bonds**” or “**Bonds**”). The Convertible Bonds are due on 5 February 2021 with a par value of US\$250,000 each and are issued at 100% of its par value with zero coupon. The initial conversion price of the Convertible Bonds is HK\$9.65 per H share, and the current adjusted conversion price as at 30 June 2020 is HK\$9.00 per share. Proceeds from the issuance of the Bonds will be used to satisfy the production and international operation needs of the Company, including but not limited to adjusting its debt structure, increasing the capital contribution to its subsidiaries, replenishing working capital and project investments etc., and may be utilized at the sole discretion of the Company both inside and outside of the PRC according to actual circumstances. For details of the actual use of proceeds from the Convertible Bonds, please refer to the section headed “Report of Directors – B. Discussion and Analysis of the Board on the Operation of the Company during the Reporting Period – I. Discussion and Analysis of Operation – (IX) Use of proceeds from issuance of H shares” of this report.

On 5 February 2019, as required by the bondholders, the Company redeemed the Convertible Bonds with an aggregate principal amount of US\$240,000,000 pursuant to the terms and conditions of the Convertible Bonds. Upon the completion of abovementioned redemption, the H Share Convertible Bonds of an aggregate principal amount of US\$360,000,000 remained outstanding, representing 60% of the total principal amount of the Bonds originally issued. According to the adjusted conversion price of HK\$9.00 per H share as at 30 June 2020, the maximum number of H Shares that the Company can issue will be 311,608,000 H Shares if the Bonds are fully converted. The Company distributed a cash dividend of RMB0.15 per share (tax inclusive) to all shareholders pursuant to the 2019 profit distribution plan considered and approved at the general meeting held on 18 June 2020. The conversion price of the Convertible Bonds was adjusted to HK\$8.77 per H share from HK\$9.00 per H share pursuant to the terms and conditions of the Bonds with effect from 1 July 2020. Based on the adjusted conversion price of HK\$8.77 per H share, the maximum number of H shares issuable by the Company upon full conversion of the Convertible Bonds will be 319,780,159 H shares.

For details of the Convertible Bonds, please refer to the announcements dated 26 January 2016, 5 February 2016, 7 March 2016, 27 June 2016, 29 June 2017, 25 August 2017, 12 June 2018, 8 February 2019, 8 July 2019 and 30 June 2020 published by the Company on the websites of SSE and the Stock Exchange.

(I) Dilution impact of the Convertible Bonds on shares

As at 30 June 2020, the outstanding principal amount of the Convertible Bonds was US\$360,000,000. Based on the adjusted conversion price of HK\$9.00 per H share, the maximum number of H shares issuable by the Company upon full conversion of the Convertible Bonds will be 311,608,000 H shares. The following table sets out the shareholding structure of the Company upon full conversion of the Convertible Bonds with reference to the shareholding structure of the Company as at 30 June 2020 and assuming no further issuance of shares by the Company:

Name of shareholders	Number of shares	Percentage of issued share capital enlarged by the issuance of conversion shares
CRRCG and its associates ^{Note}	14,558,389,450 A shares	50.18%
Public shareholders:		
Subscribers of the Bonds	311,608,000 H shares	1.07%
Other public shareholders	4,371,066,040 H shares	15.07%
	9,769,408,598 A shares	33.68%
Issued share capital enlarged by the issuance of conversion shares	29,010,472,088 shares	100.00%

Note: CRRCG holds 128,871,427 A shares through CRRC Financial and Securities.

An analysis of the impact on the earnings per share if the Convertible Bonds were fully converted into shares of the Company as at 30 June 2020 is set out in “Note XIII. Other Significant Items – 5. Basic earnings per share and the calculation of diluted earnings per share” to the financial statements of this report.

(II) Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds are as follows:

1. Conversion right

The holders of the Convertible Bonds may convert the Convertible Bonds to shares of the Company at the applicable conversion price at any time during the conversion period between 17 March 2016 and 26 January 2021. The bondholders may exercise the conversion right attached to the Convertible Bonds at their option at any time (1) during the conversion period; or (2) no later than 10 days prior to the designated redemption date provided that such bonds are required to be redeemed by the Company prior to the maturity date. No conversion right may be exercised in respect of the Bonds where the bondholder shall have exercised its rights under the terms and conditions of the Bonds within the restricted conversion period (both days inclusive) to require the Company to redeem such bonds.

The initial conversion price of the Convertible Bonds is HK\$9.65 per share which is adjusted to HK\$9.50 per H share since 28 June 2016 as a result of the distribution of 2015 cash dividend; further adjusted to HK\$9.29 per H share since 30 June 2017 as a result of the distribution of 2016 cash dividend; further adjusted to HK\$9.15 per H share since 13 June 2018 as a result of the distribution of 2017 cash dividend; and further adjusted to HK\$9.00 per H share since 9 July 2019 as a result of the distribution of 2018 cash dividend. The Company distributed a cash dividend of RMB0.15 per share (tax inclusive) to all shareholders pursuant to the 2019 profit distribution plan considered and approved at the general meeting held on 18 June 2020. The conversion price of the Convertible Bonds was adjusted to HK\$8.77 per H share from the 2019 adjusted conversion price of HK\$9.00 per H share pursuant to the terms and conditions of the Bonds with effect from 1 July 2020. The number of shares that may be converted is determined by the principal amount of the Bonds divided by the conversion price of the Bonds at the time of conversion. The fixed exchange rate of US dollar against HK dollar is HK\$7.7902 to US\$1.00.

2. Redemption option of the issuer

(1) Redemption at maturity

Unless previously redeemed, converted, repurchased or cancelled, the Company will redeem all the outstanding Convertible Bonds at 100% of the outstanding principal amount on the maturity date.

(2) Conditional redemption

Based on specific conditions, the Company may, having given not less than 30 nor more than 60 days' notice of redemption to the trustee, bondholders and principal agents, redeem all the outstanding Convertible Bonds at 100% of their outstanding principal amount as at the relevant redemption date:

- a. at any time after 5 February 2019 and prior to the maturity date, no such redemption may be made unless the closing price of an H share translated into US dollars at the applicable prevailing rate, for any 20 Stock Exchange business days within a period of 30 consecutive business days (the last of such Stock Exchange business day shall occur not more than 10 business days prior to the date upon which notice of such redemption is given), was at least 130% of the then conversion price (translated into US dollars at the fixed exchange rate) for each of such 20 Stock Exchange business days. If there occurs an event giving rise to a change in the conversion price during any of such period of 30 consecutive Stock Exchange business days, appropriate adjustments for the relevant days approved by an independent investment bank shall be made for the purpose of calculating the closing price of the H shares for such days; or
- b. if the aggregate principal of the Convertible Bonds that have not been redeemed or converted is less than 10% of the aggregate principal originally issued prior to the date upon which such notice is given.

(3) Redemption at the option of the bondholders

Upon notice given by the holders of the Convertible Bonds of not less than 30 nor more than 60 days before redemption option date (i.e. 5 February 2019), the issuer will, at the option of the holders of the Convertible Bonds, redeem all or part of that holders' Convertible Bonds at 100% of their outstanding principal amount on the redemption option date.

(III) Accounting for the Convertible Bonds

The Convertible Bonds are comprised of debt component and derivative component with redemption option, conversion option and put-back option. The movements of the debt component and derivative component of the Convertible Bonds for the period are set out below:

Unit: '000 Currency: RMB

	Debt component	Derivative component	Total
1 January 2020	2,445,097	5,396	2,450,493
Amortization of premiums or discounts	30,746	–	30,746
Exchange gains or losses	36,313	44	36,357
Redemption during the current period	–	–	–
Gains or losses on changes in fair value	–	-5,419	-5,419
30 June 2020	2,512,156	21	2,512,177

(IV) Others

Pursuant to the terms and conditions of the Convertible Bonds, the implied internal rate of return of the Convertible Bonds is nil.

X. CORPORATE GOVERNANCE

During the reporting period, the Company has implemented its corporate governance in stringent compliance with requirements of the Company Law of the PRC, the Securities Law of the PRC and the Code of Corporate Governance for Listed Companies, as well as the relevant requirements of the SSE and the Stock Exchange. The Company has established a modern corporate governance structure featuring “three meetings and one management”. Through the establishment of an effective corporate governance mechanism, corporate governance and operation management were improved in a continuous manner, thus perfecting the corporate governance of the Company.

(I) Compliance with the Corporate Governance Code

The Board has reviewed the documents in relation to corporate governance adopted by the Company, and is of the opinion that, during the reporting period, the Company was in compliance with the principles and code provisions in the Corporate Governance Code, and adopted part of the recommended best practices specified therein. In certain aspects, the corporate governance practices adopted by the Company are more stringent than the code provisions set out in the Corporate Governance Code.

(II) Securities transactions by Directors and Supervisors

The Company has strictly complied with the relevant requirements of the Hong Kong Listing Rules (especially the Model Code) and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》), and published notices on a regular basis to inform important notes for securities transaction by the Directors and Supervisors. The Company also imposed similar requirements on those key personnel who may have knowledge of inside information. The Company has confirmed that, during the reporting period, all the Directors and Supervisors have complied with the requirements for securities transactions mentioned above.

(III) Review of the interim report by the Audit and Risk Management Committee

The Audit and Risk Management Committee has reviewed the Company's unaudited interim condensed consolidated financial statements and the interim report for the six months ended 30 June 2020, and has agreed on their submission to the Board for consideration and approval.

XI. OTHER SIGNIFICANT EVENTS**(I) Particulars of debt financing instruments**

1. On 13 March 2020, the Company issued 2020 First Tranche of 31-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 13 April 2020.
2. On 1 April 2020, the Company issued 2020 First Tranche of three-year Corporate Bonds in a total amount of RMB1 billion, which will be due on 1 April 2023.
3. On 10 April 2020, the Company issued 2020 Second Tranche of 31-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 11 May 2020.
4. On 14 April 2020, the Company issued 2020 Third Tranche of 90-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 13 July 2020.
5. On 7 May 2020, the Company issued 2020 Fourth Tranche of 29-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 5 June 2020.
6. On 7 June 2020, the Company issued 2020 Fifth Tranche of 59-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 6 August 2020.
7. On 19 June 2020, the Company issued 2020 Sixth Tranche of 31-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 20 July 2020.
8. On 19 June 2020, the Company issued 2020 Seventh Tranche of 90-day Super Short-term Financing Bills in a total amount of RMB3 billion, which will be due on 17 September 2020.
9. On 19 June 2020, the Company issued 2020 Eighth Tranche of 90-day Super Short-term Financing Bills in a total amount of RMB3 billion, which will be due on 17 September 2020.
10. On 27 July 2020, the Company issued 2020 Ninth Tranche of 30-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 26 August 2020.
11. On 12 August 2020, the Company issued 2020 Tenth Tranche of 30-day Super Short-term Financing Bills in a total amount of RMB3 billion, which will be due on 11 September 2020.
12. On 14 August 2020, the Company issued 2020 Eleventh Tranche of 30-day Super Short-term Financing Bills in a total amount of RMB3 billion, which will be due on 14 September 2020.

(II) Compared with the previous accounting period, the circumstances, reasons and their impacts of changes in accounting policies, accounting estimates and audit method

Compared with the previous accounting period, there were no changes in accounting policies, accounting estimates and audit method.

(III) Correction on significant accounting errors required to be restated, amended amounts, reasons and impact during the reporting period

During the reporting period, there were no significant accounting errors and corrections that need to be restated.

I. CHANGES IN SHARE CAPITAL

(I) Changes in shares

1. Changes in shares

During the reporting period, there were no changes in the total number of shares and share capital structure of the Company.

2. Public float

During the reporting period, the public float of the Company satisfied the requirement under Rule 8.08 of the Hong Kong Listing Rules.

3. Purchase, sale or redemption of securities of the Company

During the reporting period, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's securities under the Hong Kong Listing Rules.

4. Effect of changes in shares on financial indicators such as earnings per share and net assets per share within the period from the end of the reporting period to the disclosure date of the interim report

During the reporting period, there was no change in the shares of the Company and its subsidiaries.

(II) Changes in restricted shares

Unit: share

Name of shareholder	Number of restricted shares at the beginning of the period	Number of restricted shares expired during the reporting period	Increase in number of restricted shares during the reporting period	Number of restricted shares at the end of reporting period	Reasons for restrictions	Termination date of the lock-up period
CRRCG	705,052,878	705,052,878	-	-	36 months after the completion date of the Non-public Issuance	17 January 2020
Shanghai Xinghan Asset – Industrial Bank – China Industrial International Trust Limited (上海興瀚資產—興業銀行—興業國際信託有限公司)	235,017,626	235,017,626	-	-	36 months after the completion date of the Non-public Issuance	17 January 2020
China Development Bank Capital Corporation Limited (國開金融有限責任公司)	176,263,219	176,263,219	-	-	36 months after the completion date of the Non-public Issuance	17 January 2020
Shanghai Zhaoyin Equity Investment Fund Management Co., Ltd. (上海招銀股權投資基金管理有限公司)	117,508,813	117,508,813	-	-	36 months after the completion date of the Non-public Issuance	17 January 2020
China Development Bank Jingcheng (Beijing) Investment Fund Co., Ltd. (國開精誠(北京)投資基金有限公司)	117,508,813	117,508,813	-	-	36 months after the completion date of the Non-public Issuance	17 January 2020
China Development Bank Siyuan (Beijing) Investment Fund Co., Ltd. (國開思遠(北京)投資基金有限公司)	58,754,406	58,754,406	-	-	36 months after the completion date of the Non-public Issuance	17 January 2020
Total	1,410,105,755	1,410,105,755	-	-	/	/

The restricted shares held by the above Shareholders have been listed and traded on 17 January 2020. For details, please refer to the “Indicative Announcement on the Listing and Trading of the Restricted Shares from the Non-public Issuance of the A-Shares by CRRC Corporation Limited” of the Company dated 9 January 2020.

II. PARTICULARS OF SHAREHOLDERS**(I) Total number of shareholders:**

Total number of shareholders as at the end of the reporting period (shareholder) ^{Note} 780,117

Note: As at the end of the reporting period, the Company had 777,423 holders of A shares and 2,694 registered holders of H shares.

(II) Shareholdings of the top ten shareholders and the top ten holders of tradeable shares (or holders of shares not subject to trading moratorium) as at the end of the reporting period

Unit: share

Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Shareholdings of the top ten shareholders			
				Number of shares held subject to trading moratorium	Shares pledged or frozen	Number	Nature of shareholder
CRRCG	-	14,429,518,023	50.28	-	Nil	-	State-owned legal person
HKSCC NOMINEES LIMITED ^{note}	-165,743	4,359,955,346	15.19	-	Unknown	-	Overseas legal person
China Securities Finance Corporation Limited	-	858,958,326	2.99	-	Unknown	-	State-owned legal person
Hong Kong Securities Clearing Company Limited	-1,426,991	336,937,903	1.17	-	Unknown	-	Overseas legal person
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	-	304,502,100	1.06	-	Unknown	-	State-owned legal person
Shanghai Xingnan Asset – Industrial Bank – China Industrial International Trust Limited (上海興融資產—興業銀行—興業國際信託有限公司)	-	235,017,626	0.82	-	Unknown	-	State-owned legal person
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan (博時基金—農業銀行—博時中證金融資產管理計劃)	-	234,982,900	0.82	-	Unknown	-	Unknown
E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan (易方達基金—農業銀行—易方達中證金融資產管理計劃)	-	234,982,900	0.82	-	Unknown	-	Unknown
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities and Financial Assets Management Plan (大成基金—農業銀行—大成中證金融資產管理計劃)	-	234,982,900	0.82	-	Unknown	-	Unknown
Harvest Fund – Agricultural Bank of China – Harvest China Securities and Financial Assets Management Plan (嘉實基金—農業銀行—嘉實中證金融資產管理計劃)	-	234,982,900	0.82	-	Unknown	-	Unknown
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan (廣發基金—農業銀行—廣發中證金融資產管理計劃)	-	234,982,900	0.82	-	Unknown	-	Unknown
Zhong Ou Asset – Agricultural Bank of China – Zhongou China Securities and Financial Assets Management Plan (中歐基金—農業銀行—中歐中證金融資產管理計劃)	-	234,982,900	0.82	-	Unknown	-	Unknown
ChinaAMC – Agricultural Bank of China – ChinaAMC China Securities and Financial Assets Management Plan (華夏基金—農業銀行—華夏中證金融資產管理計劃)	-	234,982,900	0.82	-	Unknown	-	Unknown
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan (銀華基金—農業銀行—銀華中證金融資產管理計劃)	-	234,982,900	0.82	-	Unknown	-	Unknown
China Southern Asset Management – Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan (南方基金—農業銀行—南方中證金融資產管理計劃)	-	234,982,900	0.82	-	Unknown	-	Unknown
ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan (工銀瑞信基金—農業銀行—工銀瑞信中證金融資產管理計劃)	-	234,982,900	0.82	-	Unknown	-	Unknown

CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

Shareholdings of the top ten shareholders not subject to trading moratorium Class and number of shares

Name of shareholder	Number of tradable shares held not subject to trading moratorium	Class	Number
CRRCG	14,429,518,023	Ordinary shares denominated in RMB	14,429,518,023
HKSCC NOMINEES LIMITED ^{note}	4,360,121,089	Overseas listed foreign shares	4,360,121,089
China Securities Finance Corporation Limited	858,958,326	Ordinary shares denominated in RMB	858,958,326
Hong Kong Securities Clearing Company Limited	338,364,894	Ordinary shares denominated in RMB	338,364,894
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	304,502,100	Ordinary shares denominated in RMB	304,502,100
Shanghai Xingnan Asset – Industrial Bank – China Industrial International Trust Limited 上海興翰資產 – 興業銀行 – 興業國際信託有限公司	235,017,626	Ordinary shares denominated in RMB	235,017,626
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan (博時基金 – 農業銀行 – 博時中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan (易方達基金 – 農業銀行 – 易方達中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities and Financial Assets Management Plan (大成基金 – 農業銀行 – 大成中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Harvest Fund – Agricultural Bank of China – Harvest China Securities and Financial Assets Management Plan (嘉實基金 – 農業銀行 – 嘉實中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan (廣發基金 – 農業銀行 – 廣發中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Zhong Ou Asset – Agricultural Bank of China – Zhongou China Securities and Financial Assets Management Plan (中歐基金 – 農業銀行 – 中歐中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
ChinaAMC – Agricultural Bank of China – ChinaAMC China Securities and Financial Assets Management Plan (華夏基金 – 農業銀行 – 華夏中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan (銀華基金 – 農業銀行 – 銀華中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
China Southern Asset Management – Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan (南方基金 – 農業銀行 – 南方中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan (工銀瑞信基金 – 農業銀行 – 工銀瑞信中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900

Note: H shares held by HKSCC Nominees Limited are held on behalf of its various clients.

(III) Substantial shareholders' interests and short positions in the Company

As at 30 June 2020, the persons set out in the table below had an interest or short position in the Company's shares as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Capacity	H shares or A share	Nature of interest	Number of H shares or A shares held	Percentage of H shares or A shares held in the total issued H shares or total issued A shares (%)
CRRCG	Beneficial owner	A Shares	Long position	14,429,518,023	59.31
	Interest of corporation controlled by the substantial shareholder	A Shares	Long position	128,871,427	0.53
Citigroup Inc.	Interest of corporation controlled by the substantial shareholder, person having a security interest in shares, approved lending agent	H Shares	Long position	303,261,443	6.94
	Interest of corporation controlled by the substantial shareholder	H Shares	Short position	6,981,000	0.16
BlackRock, Inc.	Approved lending agent	H Shares	Shares in lending pool	275,742,049	6.31
	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	269,674,634	6.17
	Interest of corporation controlled by the substantial shareholder	H Shares	Short position	5,672,000	0.13

Note: As at 30 June 2020, CRRCG held 128,871,427 A shares through CRRC Financial and Securities.

Save as disclosed above, as far as the Directors are aware, as at 30 June 2020, no other person had interests and/or short positions in the shares or underlying shares (as the case may be) of the Company which were required to be recorded in the register pursuant to section 336 of Part XV of the SFO, or was otherwise a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

(IV) Strategic investors or ordinary legal persons who became top ten shareholders due to placing of shares

During the reporting period, no strategic investor or ordinary legal person has become top ten shareholders due to placing of shares.

III. CHANGES IN THE CONTROLLING SHAREHOLDER OR THE ULTIMATE CONTROLLER

During the reporting period, there was no change in the controlling shareholder or the ultimate controller.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN SHAREHOLDING

(I) Changes in shareholding by current and resigned Directors, Supervisors and Senior Management during the reporting period

During the reporting period, there was no change in the shareholding of current and resigned Directors, Supervisors and Senior Management.

(II) Share options granted to Directors, Supervisors and Senior Management during the reporting period

During the reporting period, no share option was granted to Directors, Supervisors or Senior Management.

(III) Shareholding interests of Directors, Supervisors and chief executive

As at 30 June 2020, the following Directors and Supervisors had interests in the A shares of the Company and relevant details are set out as follows:

Name	Position	Capacity	Type of shares	Number of shares
Liu Hualong	Chairman, Executive Director	Beneficial owner	A shares	50,000
Sun Yongcai	President, Executive Director	Beneficial owner	A shares	111,650

Save as disclosed above, as at 30 June 2020, none of the Directors, Supervisors or chief executives of the Company had interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register maintained by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code by the Directors or Supervisors.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change
Liu Zhiyong	Non-executive Director	Resignation
Wu Zhuo	Independent non-executive Director	Resignation
Shi Jianzhong	Independent non-executive Director	Election
Zhu Yuanchao	Independent non-executive Director	Election

Notes:

On 19 February 2020, Mr. Liu Zhiyong resigned his position with the Company as a non-executive Director, the vice chairman and member of the Strategy Committee, a member of the Audit and Risk Management Committee and a member of the Remuneration and Evaluation Committee due to his age.

On 18 June 2020, Mr. Wu Zhuo resigned his position with the Company as an independent non-executive Director, the chairman and member of the Remuneration and Evaluation Committee, a member of the Audit and Risk Management Committee and a member of the Nomination Committee due to his age.

At the 2019 annual general meeting of the Company held on 18 June 2020, Mr. Shi Jianzhong and Mr. Zhu Yuanchao were added as independent non-executive Directors for the second session of the Board and their term of office shall end on the date of expiry of the term of office of the second session of the Board.

At the twentieth meeting of the second session of the Board held on 18 June 2020, Mr. Lou Qiliang and Mr. Shi Jianzhong were added as members of the Strategy Committee, Mr. Zhu Yuanchao was added as a member of the Nomination Committee, Mr. Shi Jianzhong and Mr. Zhu Yuanchao were added as members of the Remuneration and Evaluation Committee, and Mr. Shi Jianzhong was elected as the chairman of the Remuneration and Evaluation Committee. Mr. Zhu Yuanchao was added as a member of the Audit and Risk Management Committee.

For details, please refer to the Announcement in relation to Resignation of Directors (《中國中車股份有限公司董事辭職公告》) of the Company dated 19 February 2020, the Announcement in relation to Resignation of Directors (《中國中車股份有限公司董事辭職公告》), the Announcement in relation to Resolutions Passed at the 2019 Annual General Meeting (《中國中車股份有限公司2019年年度股東大會決議公告》), and the Announcement in relation to Resolutions Passed at the Twentieth Meeting of the Second Session of the Board (《中國中車股份有限公司第二屆董事會第二十次會議決議公告》) of the Company dated 18 June 2020.

III. OTHER EXPLANATION

Employees of the Company and their remuneration and training

During the reporting period, there were no significant changes in the total number, composition, remuneration and training of the employees of the Group since the disclosure of the 2019 annual report.

I. BASIC INFORMATION OF CORPORATE BONDS

The Company currently holds a 2013 ten-year corporate bond of CSR Corporation Limited (first tranche) (13 CSR 02), a 2016 corporate bond of CRRC Corporation Limited (first tranche) (16 CRRC 01), and a publicly issued 2020 corporate bond of CRRC Corporation Limited (first tranche) (20 CRRC 01).

The 2013 ten-year corporate bond of CSR Corporation Limited (first tranche) was issued by CSR on 22 April 2013 and will expire on 22 April 2023. The outstanding balance of the bonds is RMB1,500 million and bears an interest rate of 5.00%. The interest on the bond will be paid annually and the principal will be repaid in one lump sum. The bond is listed and traded on the SSE.

The 2016 corporate bond of CRRC Corporation Limited (first tranche) was issued by CRRC on 30 August 2016 and will expire on 30 August 2021. The outstanding balance of the bond is RMB589.72 million and bears an interest rate of 3.40%. The interest on the bond will be paid annually and the principal will be repaid in one lump sum. The bond is listed and traded on the SSE.

The publicly issued 2020 corporate bond of CRRC Corporation Limited (first tranche) was issued by CRRC on 1 April 2020 and will expire on 1 April 2023. The outstanding balance of the bond is RMB1,000 million and bears an interest rate of 2.95%. The interest on the bond will be paid annually and the principal will be repaid in one lump sum. The bond is listed and traded on the SSE.

Interest payment for corporate bonds

The Company disclosed in the Announcement in relation to Interest Payment of 13 CSR 02 Corporate Bond of CRRC Corporation Limited (《中國中車股份有限公司關於13南車02公司債券的付息公告》) dated 15 April 2020 concerning payment of interest on 13 CSR 02 for the period from 22 April 2019 to 21 April 2020 on 22 April 2020. During the reporting period, no interest payment for 16 CRRC 01 and 20 CRRC 01 was incurred.

Description of other matters in relation to corporate bonds

Provisional Report of China International Capital Corporation Limited in relation to the Entrusted Management of Significant Events of Corporate Bonds of CRRC Corporation Limited (《中國國際金融股份有限公司關於中國中車股份有限公司公司債券重大事項受託管理事務臨時報告》) was issued by China International Capital Corporation Limited on 24 June 2020. As Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP, the former auditors of the Company, have provided services for the Company for 6 consecutive years, in order to ensure the independence and objectivity of the audit work of the Company, as well as meet the needs of the Company's business development, the Company proposed to change its auditors. Upon consideration and approval at the 2019 annual general meeting of the Company on 18 June 2020, KPMG Huazhen LLP was engaged by the Company as the financial report auditors and internal control auditors of the Company for the year 2020. The above matters in relation to changes in intermediaries will not have significant impact on the daily operation and solvency of the Company.

II. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY AS AT THE END OF THE REPORTING PERIOD AND THE END OF LAST YEAR (OR THE REPORTING PERIOD AND THE CORRESPONDING PERIOD LAST YEAR)

Unit: '000 Currency: RMB

Key indicator	End of the		Change between the end of the reporting period and the same period last year (%)
	reporting period	End of last year	
Current ratio (%)	1.20	1.26	-4.76
Quick ratio (%)	0.88	0.80	10.00
Gearing ratio (%)	62.34	58.59	Increased by 3.75 ppt
Loan repayment rate (%)	100	100	-

Key indicator	Reporting period (January to June)		Change between the reporting period and the same period last year (%)
	Reporting period (January to June)	Same period last year	
EBITDA interest coverage multiple	23.51	18.14	29.60
Interest coverage (%)	109.11	128.25	Decreased by 19.14 ppt

III. BANK CREDIT FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

The table below sets forth details on the amount of bank credit facilities, the utilized amount and the outstanding credit facilities of the Company as at 30 June 2020:

Unit: '000 Currency: RMB

No.	Name of granting bank	Total credit facilities	Outstanding credit facilities	
			as at 30 June 2020	Amount utilized as at 30 June 2020
1	China Development Bank	13,500,000	13,500,000	-
2	The Export-Import Bank of China	18,000,000	18,000,000	-
3	Bank of China Limited	20,000,000	18,506,739	1,493,261
4	China Minsheng Bank Co., Ltd.	15,000,000	9,297,825	5,702,175
5	Bank of Communications Co., Ltd.	10,000,000	10,000,000	-
6	China Construction Bank Corporation	10,000,000	2,931,715	7,068,285
7	China Merchants Bank Co., Ltd. Beijing Branch	10,000,000	8,827,359	1,172,641
8	Industrial and Commercial Bank of China Limited	5,170,200	2,170,190	3,000,010
9	China Zheshang Bank Co., Ltd.	6,000,000	6,000,000	-
10	Bank of Beijing Co., Ltd.	6,000,000	6,000,000	-
11	China Everbright Bank Co., Ltd.	6,600,000	6,600,000	-
12	Agricultural Bank of China Limited	4,260,000	3,960,000	300,000
13	China CITIC Bank Corporation Limited Beijing Branch	15,000,000	14,446,102	553,898

No.	Name of granting bank	Total credit facilities	Outstanding credit facilities as at 30 June 2020	Amount utilized as at 30 June 2020
14	Postal Savings Bank of China Co., Ltd.	4,000,000	4,000,000	–
15	Huaxia Bank Co., Ltd. Beijing Branch	4,000,000	4,000,000	–
16	Beijing Rural Commercial Bank Co., Ltd.	4,500,000	4,500,000	–
17	Industrial Bank Co., Ltd. Beijing Branch	3,000,000	3,000,000	–
18	Bank of Kunlun Co., Ltd.	1,000,000	1,000,000	–
19	Shanghai Pudong Development Bank Co., Ltd.	7,880,000	7,880,000	–
20	Societe Generale (China) Co., Ltd.	100,000	33,955	66,045
	Total	164,010,200	144,653,885	19,356,315

Unit: '000 Currency: USD

No.	Name of credit bank	Total credit facilities	Outstanding credit facilities as at 30 June 2020	Amount utilized as at 30 June 2020
1	Standard Chartered Bank (China) Limited Beijing Branch	30,000	21,923	8,077
2	DBS Bank	100,000	97,657	2,343
3	Citibank	124,500	124,500	–
	Total	254,500	244,080	10,420

IV. DESCRIPTION OF THE EXECUTION OF RELEVANT COVENANTS OR UNDERTAKINGS SET OUT IN THE PROSPECTUS OF CORPORATE BONDS OF THE COMPANY DURING THE REPORTING PERIOD

During the reporting period, the Company has paid interest and repaid principal to bondholders in respect of the 2013 ten-year corporate bond of CSR Corporation Limited (first tranche), the 2016 corporate bond of CRRC Corporation Limited (first tranche) and the publicly issued 2020 corporate bond of CRRC Corporation Limited (first tranche) in strict compliance with principal and interest repayment arrangements prescribed in the prospectus, without any breach of the relevant covenants or undertaking thereto.

V. SIGNIFICANT EVENTS OF THE COMPANY AND THEIR IMPACTS ON THE OPERATION AND SOLVENCY OF THE COMPANY

During the reporting period, there was no significant event which may have impact on the operation and solvency of the Company.

THE CONSOLIDATED BALANCE SHEET

30 JUNE 2020

RMB'000

ITEM	Note V	30 June 2020	31 December 2019
Current assets:			
Cash and bank balances	1	46,290,586	44,904,764
Placements with banks and other financial institutions	2	–	139,524
Held-for-trading financial assets	3	9,907,523	9,180,616
Bills receivable	4	9,507,108	14,245,965
Accounts receivable	5	82,778,274	59,712,424
Receivables at fair value through other comprehensive income	6	6,453,365	13,085,613
Prepayments	7	10,672,339	9,909,219
Other receivables	8	2,666,471	2,599,055
Inventories	9	76,282,599	60,833,768
Contract assets	10	22,175,924	16,364,966
Assets classified as held for sale		–	2,779
Non-current assets due within one year	11	14,113,579	14,416,293
Other current assets	12	5,343,483	5,820,129
Total current assets		286,191,251	251,215,115
Non-current assets:			
Loans and advances to customers	13	173,509	180,588
Debt investments	14	1,327,295	1,658,234
Long-term receivables	15	11,053,736	10,518,918
Long-term equity investments	16	15,706,691	15,570,696
Investments in other equity instruments	17	2,665,497	2,654,602
Other non-current financial assets	18	629,087	616,855
Investment properties	19	1,116,929	1,109,477
Fixed assets	20	57,335,004	59,090,886
Construction in progress	21	8,047,387	7,243,849
Right-of-use assets	22	1,204,799	1,261,467
Intangible assets	23	16,357,401	16,014,314
Development expenditure	24	408,959	334,394
Goodwill	25	313,850	462,158
Long-term prepayments		232,753	192,460
Deferred tax assets	26	3,641,835	3,400,751
Other non-current assets	27	15,118,134	12,047,721
Total non-current assets		135,332,866	132,357,370
TOTAL ASSETS		421,524,117	383,572,485

THE CONSOLIDATED BALANCE SHEET

30 JUNE 2020

ITEM	Note V	30 June 2020	31 December 2019
Current liabilities:			
Short-term borrowings	28	15,205,458	10,530,416
Deposits from banks and other financial institutions	29	2,793,359	5,577,269
Borrowings from the central bank		–	222,317
Bills payable	30	19,407,827	27,339,474
Accounts payable	31	123,384,334	106,602,413
Receipts in advance	32	10,564	5,827
Contract liabilities	33	32,968,149	28,167,471
Employee benefits payable	34	2,255,299	2,194,417
Taxes payable	35	1,502,483	2,554,947
Other payables	36	14,670,181	9,176,397
Non-current liabilities due within one year	37	6,777,820	3,778,474
Other current liabilities	38	19,203,226	4,015,089
Total current liabilities		238,178,700	200,164,511
Non-current liabilities:			
Long-term borrowings	39	3,427,606	2,589,644
Bonds payable	40	3,089,720	4,534,817
Lease liabilities	41	940,442	960,501
Long-term payables	42	85,484	85,484
Long-term employee benefits payable	43	3,750,325	3,686,239
Provisions	44	6,278,051	5,854,124
Deferred income	45	6,640,079	6,551,494
Deferred tax liabilities	26	205,395	142,756
Other non-current liabilities	46	167,947	174,433
Total non-current liabilities		24,585,049	24,579,492
TOTAL LIABILITIES		262,763,749	224,744,003
Shareholders' equity:			
Share capital	47	28,698,864	28,698,864
Capital reserve	48	40,769,903	40,747,823
Other comprehensive income	49	(1,140,561)	(1,084,770)
Special reserves	50	49,957	49,957
Surplus reserve	51	3,815,330	3,815,330
General risk reserve		551,265	551,265
Retained earnings	52	62,611,135	63,115,162
Total equity attributable to shareholders of the Company		135,355,893	135,893,631
Non-controlling interests		23,404,475	22,934,851
TOTAL SHAREHOLDERS' EQUITY		158,760,368	158,828,482
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		421,524,117	383,572,485

Legal Representative:
Liu Hualong

Chief Accountant:
Li Zheng

Person in Charge of the Accounting Department:
Wang Jian

THE COMPANY'S BALANCE SHEET

30 JUNE 2020

ITEM	Note XIV	RMB'000	
		30 June 2020	31 December 2019
Current assets:			
Cash and bank balances	1	17,719,791	12,375,161
Accounts receivable		107,203	225,077
Other receivables	2	18,686,159	17,081,153
Non-current assets due within one year		529,924	505,900
Other current assets		6,298	–
Total current assets		37,049,375	30,187,291
Non-current assets:			
Long-term receivables		4,205,701	4,481,919
Long-term equity investments	3	104,200,977	103,551,976
Investments in other equity instruments		50,000	25,000
Fixed assets		15,197	18,002
Construction in progress		87,895	75,261
Right-of-use assets		39,673	45,940
Intangible assets		86,086	95,638
Other non-current assets		374,940	374,940
Total non-current assets		109,060,469	108,668,676
TOTAL ASSETS		146,109,844	138,855,967
Current liabilities:			
Short-term borrowings		6,967,933	5,550,110
Accounts payable		93,169	226,571
Contract liabilities		11,180	11,180
Employee benefits payable		29,283	61,582
Taxes payable		244	10,850
Other payables		19,930,017	26,963,026
Non-current liabilities due within one year		2,557,612	71,729
Other current liabilities	V.38	15,016,840	–
Total current liabilities		44,606,278	32,895,048
Non-current liabilities:			
Bonds payable	V.40	3,089,720	4,534,817
Lease liabilities		37,403	33,534
Long-term payables		240	240
Long-term employee benefits payable		1,025	1,010
Other non-current liabilities		–	5,396
Total non-current liabilities		3,128,388	4,574,997
TOTAL LIABILITIES		47,734,666	37,470,045
Shareholders' equity:			
Share capital		28,698,864	28,698,864
Capital reserve		62,808,135	62,803,844
Other comprehensive income		(16,063)	(10,037)
Surplus reserve		3,815,330	3,815,330
Retained earnings		3,068,912	6,077,921
TOTAL SHAREHOLDERS' EQUITY		98,375,178	101,385,922
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		146,109,844	138,855,967

Legal Representative:
Liu Hualong

Chief Accountant:
Li Zheng

Person in Charge of the Accounting Department:
Wang Jian

THE CONSOLIDATED INCOME STATEMENT

FROM JANUARY TO JUNE 2020

RMB'000

ITEM	Note V	January-June 2020	January-June 2019
I. Total operating income	53	89,403,326	96,147,021
II. Total operating costs		84,095,324	88,983,545
Including: Operating costs	53	70,373,477	74,544,370
Taxes and surcharges	54	636,292	730,523
Selling expenses	55	2,796,099	3,016,082
Administrative expenses	56	5,380,319	5,990,813
Research and development expenses	57	4,422,787	4,388,411
Financial expenses	58	486,350	313,346
Including: Interest expenses		404,137	470,313
Interest income		498,283	286,388
Add: Other income	59	574,181	356,207
Investment income	60	171,330	203,508
Including: Gains from investments in associates and joint ventures		109,904	149,310
Loss arising from derecognition of financial assets measured at amortised cost		(74,182)	(67,751)
Gains from changes in fair value	61	62,271	168,370
Impairment losses under expected credit loss model	62	(493,257)	(982,716)
Assets impairment losses	63	(255,863)	(239,896)
Gains/(loss) on disposal of assets	64	19,195	(14,893)
III. Operating profit		5,385,859	6,654,056
Add: Non-operating income	65	520,269	220,627
Less: Non-operating expenses	66	354,568	56,200
IV. Total profit		5,551,560	6,818,483
Less: Income tax expenses	67	1,057,184	1,253,839
V. Net profit		4,494,376	5,564,644
(I) Net profit classified by operating continuity			
1. Net profit from continuing operations		4,494,376	5,564,644
(II) Net profit classified by ownership			
1. Net profit attributable to shareholders of the Company		3,692,655	4,780,641
2. Net profit attributable to non-controlling interests		801,721	784,003

FROM JANUARY TO JUNE 2020

ITEM	Note V	January-June 2020	January-June 2019
VI. Other comprehensive income, net of income tax	49	71,687	11,611
(I) Other comprehensive income attributable to shareholders of the Company, net of income tax		52,357	17,068
1. Items that will not be reclassified to profit or loss		58,651	(65,022)
(1) Remeasurement of the changes in net liabilities or net assets of defined benefit plan		(1,939)	–
(2) Changes in fair value of investment in other equity instruments		60,590	(65,022)
2. Items that may be reclassified to profit or loss		(6,294)	82,090
(1) Other comprehensive income that may be reclassified to profit or loss under equity method		3,533	102,195
(2) Changes in fair value of other debt investments		91,405	9,162
(3) Provision for credit impairments of other debt investments		64	11
(4) Translation differences arising from translation of foreign currency financial statements		(101,296)	(29,278)
(II) Other comprehensive income attributable to non-controlling interests, net of income tax		19,330	(5,457)
VII. Total comprehensive income		4,566,063	5,576,255
(I) Total comprehensive income attributable to shareholders of the Company		3,745,012	4,797,709
(II) Total comprehensive income attributable to non-controlling interests		821,051	778,546
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/per share)		0.13	0.17
(II) Diluted earnings per share (RMB/per share)		0.13	0.16

Legal Representative:
Liu Hualong

Chief Accountant:
Li Zheng

Person in Charge of the Accounting Department:
Wang Jian

THE COMPANY'S INCOME STATEMENT

FROM JANUARY TO JUNE 2020

RMB'000

ITEM	Note XIV	January-June 2020	January-June 2019
I. Operating income		16,714	1,622
Less: Operating costs		7,053	–
Taxes and surcharges		2,013	1,342
Selling expenses		8	1,859
Administrative expenses		92,470	93,850
Research and development expenses		12,708	48,146
Financial expenses		(112,926)	(50,745)
Including: Interest expenses		406,519	384,622
Interest income		513,252	442,575
Add: Other income		–	–
Investment income	4	1,274,753	1,177,165
Including: Income from investment in associates and joint ventures		73,176	7,377
Losses from derecognition of financial assets measured at amortised cost		–	–
Gains from changes in fair value		5,419	125,792
Impairment losses under expected credit loss model		(1,805)	–
II. Operating profit		1,293,755	1,210,127
Add: Non-operating income		2,066	4,407
Less: Non-operating expenses		–	–
III. Total profit		1,295,821	1,214,534
Less: Income tax expenses		–	–
IV. Net profit		1,295,821	1,214,534
(I) Net profit from continuing operations		1,295,821	1,214,534
V. Other comprehensive income, net of tax		(6,026)	102,195
(I) Items that may be reclassified to profit or loss		(6,026)	102,195
1. Other comprehensive income that can be reclassified to profit or loss under equity method		(6,026)	102,195
VI. Total comprehensive income for the year		1,289,795	1,316,729

Legal Representative:
Liu Hualong

Chief Accountant:
Li Zheng

Person in Charge of the Accounting Department:
Wang Jian

THE CONSOLIDATED CASH FLOW STATEMENT

FROM JANUARY TO JUNE 2020

RMB'000

ITEM	Note V	January-June 2020	January-June 2019
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services		98,314,340	81,896,877
Net increase in placements from banks and other financial institutions		–	2,185,045
Net decrease in placements with banks and other financial institutions		139,524	–
Receipts of tax refunds		537,603	655,327
Other cash receipts relating to operating activities	68	2,465,896	4,246,981
Sub-total of cash inflows from operating activities		101,457,363	88,984,230
Cash payments for goods purchased and services received		92,667,431	73,613,433
Net decrease in deposits from banks and other financial institutions		2,783,910	1,002,431
Net increase in placements with banks and other financial institutions		–	1,194,203
Cash payments to and on behalf of employees		11,806,931	13,606,216
Payment of various taxes		3,965,393	6,943,584
Other cash payments relating to operating activities	68	5,019,116	6,014,529
Sub-total of cash outflows from operating activities		116,242,781	102,374,396
Net cash flow used in operating activities	69	(14,785,418)	(13,390,166)
II. Cash flows from investing activities:			
Cash receipts from recovery of investments		23,833,364	18,917,893
Cash receipts from investment income		262,120	365,327
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		251,888	94,550
Other cash receipts relating to investing activities		–	–
Sub-total of cash inflows from investing activities		24,347,372	19,377,770
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		2,774,360	2,706,890
Cash payments to acquire investments		38,672,965	22,976,548
Cash payments for other investing activities		–	121,264
Sub-total of cash outflows from investing activities		41,447,325	25,804,702
Net cash flow used in investing activities		(17,099,953)	(6,426,932)
III. Cash flows from financing activities:			
Cash receipts from capital contributions		36,707	796,011
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		36,707	796,011
Cash receipts from borrowings		16,210,235	55,608,495
Cash receipts from bonds issuing		26,500,000	12,000,000
Other cash receipts relating to financing activities		–	900
Sub-total of cash inflows from financing activities		42,746,942	68,405,406
Cash repayments of borrowings		20,459,991	57,834,540
Cash payments for distribution of dividends or profits or settlement of interest expenses		268,013	636,478
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		89,464	318,700
Cash payments for acquisition of non-controlling interests in subsidiaries		–	81,584
Other cash payments relating to financing activities		76,590	211,566
Sub-total of cash outflows from financing activities		20,804,594	58,764,168
Net cash flow from financing activities		21,942,348	9,641,238
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
		(282,351)	89,301
V. Net Decrease in Cash and Cash Equivalents			
	69	(10,225,374)	(10,086,559)
Add: Opening Balance of Cash and Cash Equivalents	69	35,819,586	30,290,094
VI. Closing Balance of Cash and Cash Equivalents			
	69	25,594,212	20,203,535

Legal Representative:
Liu Hualong

Chief Accountant:
Li Zheng

Person in Charge of the Accounting Department:
Wang Jian

THE COMPANY'S CASH FLOW STATEMENT

FROM JANUARY TO JUNE 2020

RMB'000

ITEM	Note XIV	January-June 2020	January-June 2019
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services		134,699	74,382
Receipts of tax refunds		15,793	22,020
Other cash receipts relating to operating activities		3,062,908	4,003,304
Sub-total of cash inflows from operating activities		3,213,400	4,099,706
Cash payments for goods purchased and services received		146,869	86,027
Cash payments to and on behalf of employees		83,100	92,417
Payment of various taxes		7,530	11,176
Other cash payments relating to operating activities		2,412,875	4,004,155
Sub-total of cash outflows from operating activities		2,650,374	4,193,775
Net cash flow generated from (used in) operating activities	5	563,026	(94,069)
II. Cash flows from investing activities:			
Cash receipts from recovery of investments		8,303,400	19,488,753
Cash receipts from investment income		2,544,309	2,497,742
Sub-total of cash inflows from investing activities		10,847,709	21,986,495
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		12,939	5,849
Cash payments to acquire investments		24,284,910	25,503,890
Other cash payments relating to investing activities		–	121,264
Sub-total of cash outflows from investing activities		24,297,849	25,631,003
Net cash flow used in investing activities		(13,450,140)	(3,644,508)
III. Cash flows from financing activities:			
Cash receipts from borrowings		32,976,590	45,853,590
Cash receipts from bonds issuing		25,000,000	12,000,000
Other cash receipts relating to financing activities		12,100,000	17,711,585
Sub-total of cash inflows from financing activities		70,076,590	75,565,175
Cash repayments of borrowings		40,559,077	55,291,844
Cash payments for distribution of dividends or profits or settlement of interest expenses		190,952	415,797
Other cash payments relating to financing activities		23,779,086	22,258,784
Sub-total of cash outflows from financing activities		64,529,115	77,966,425
Net cash flow generated from (used in) financing activities		5,547,475	(2,401,250)
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
		980	2,996
V. Net Decrease in Cash and Cash Equivalents	5	(7,338,659)	(6,136,831)
Add: Opening Balance of Cash and Cash Equivalents	5	11,369,799	7,470,296
VI. Closing Balance of Cash and Cash Equivalents	5	4,031,140	1,333,465

Legal Representative:
Liu Hualong

Chief Accountant:
Li Zheng

Person in Charge of the Accounting Department:
Wang Jian

THE CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

FROM JANUARY TO JUNE 2020

RMB'000

ITEM	January-June 2020									
	Equity attributable to shareholders of the Company								Non-controlling interests	Total shareholders' equity
Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	General risk reserve	Retained earnings	Sub-total			
I. Balance at the end of the previous period	28,698,864	40,747,823	(1,084,770)	49,957	3,815,330	551,265	63,115,162	135,893,631	22,934,851	158,828,482
II. Balance at the beginning of the current period	28,698,864	40,747,823	(1,084,770)	49,957	3,815,330	551,265	63,115,162	135,893,631	22,934,851	158,828,482
III. Changes for the period	-	22,080	(55,791)	-	-	-	(504,027)	(537,738)	469,624	(68,114)
(I) Total comprehensive income	-	-	52,357	-	-	-	3,692,655	3,745,012	821,051	4,566,063
(II) Shareholders' contributions and reduction in capital	-	22,080	-	-	-	-	-	22,080	(48,172)	(26,092)
1. Capital contribution from shareholders	-	-	-	-	-	-	-	-	27,771	27,771
2. Others	-	22,080	-	-	-	-	-	22,080	(75,943)	(53,863)
(III) Profit distribution	-	-	-	-	-	-	(4,304,830)	(4,304,830)	(303,255)	(4,608,085)
1. Distributions to owners (or shareholders)	-	-	-	-	-	-	(4,304,830)	(4,304,830)	(303,255)	(4,608,085)
(IV) Transfers within shareholders' equity	-	-	(108,148)	-	-	-	108,148	-	-	-
1. Other comprehensive income carried forward to retained earnings	-	-	(108,148)	-	-	-	108,148	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-
1. Appropriation of special reserves	-	-	-	140,252	-	-	-	140,252	36,467	176,719
2. Amount utilised in the period	-	-	-	(140,252)	-	-	-	(140,252)	(36,467)	(176,719)
IV. Balance at the end of the period	28,698,864	40,769,903	(1,140,561)	49,957	3,815,330	551,265	62,611,135	135,355,893	23,404,475	158,760,368

THE CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

FROM JANUARY TO JUNE 2020

ITEM	January-June 2019								Non-controlling interests	Total shareholders' equity
	Equity attributable to shareholders of the Company									
	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	General risk reserve	Retained earnings	Sub-total		
I. Balance at the end of the previous period	28,698,864	40,628,708	(866,748)	49,957	3,279,992	551,265	56,115,657	128,457,695	21,226,932	149,684,627
II. Balance at the beginning of the current period	28,698,864	40,628,708	(866,748)	49,957	3,279,992	551,265	56,115,657	128,457,695	21,226,932	149,684,627
III. Changes for the period	-	(14,249)	26,810	-	-	-	459,944	472,505	1,196,118	1,668,623
(I) Total comprehensive income	-	-	17,068	-	-	-	4,780,641	4,797,709	778,546	5,576,255
(II) Shareholders' contributions and reduction in capital	-	(14,249)	-	-	-	-	(6,125)	(20,374)	736,272	715,898
1. Capital contribution from shareholders	-	-	-	-	-	-	-	-	796,011	796,011
2. Others	-	(14,249)	-	-	-	-	(6,125)	(20,374)	(59,739)	(80,113)
(III) Profit distribution	-	-	-	-	-	-	(4,304,830)	(4,304,830)	(318,700)	(4,623,530)
1. Distributions to owners (or shareholders)	-	-	-	-	-	-	(4,304,830)	(4,304,830)	(318,700)	(4,623,530)
(IV) Transfers within shareholders' equity	-	-	9,742	-	-	-	(9,742)	-	-	-
1. Other comprehensive income carried forward to retained earnings	-	-	9,742	-	-	-	(9,742)	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-
1. Appropriation of special reserves	-	-	-	162,535	-	-	-	162,535	10,904	173,439
2. Amount utilised in the period	-	-	-	(162,535)	-	-	-	(162,535)	(10,904)	(173,439)
IV. Balance at the end of the period	28,698,864	40,614,459	(839,938)	49,957	3,279,992	551,265	56,575,601	128,930,200	22,423,050	151,353,250

Legal Representative:
Liu Hualong

Chief Accountant:
Li Zheng

Person in Charge of the Accounting Department:
Wang Jian

THE COMPANY'S STATEMENT OF CHANGES IN OWNERS' EQUITY

FROM JANUARY TO JUNE 2020

RMB'000

ITEM	January-June 2020					
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at the end of the previous period	28,698,864	62,803,844	(10,037)	3,815,330	6,077,921	101,385,922
II. Balance at the beginning of the current period	28,698,864	62,803,844	(10,037)	3,815,330	6,077,921	101,385,922
III. Changes in equity during the period	-	4,291	(6,026)	-	(3,009,009)	(3,010,744)
(I) Total comprehensive income	-	-	(6,026)	-	1,295,821	1,289,795
(II) Shareholders' contributions and reduction in capital	-	4,291	-	-	-	4,291
1. Other changes in equity of associates	-	4,291	-	-	-	4,291
(III) Profit distribution	-	-	-	-	(4,304,830)	(4,304,830)
1. Distributions to shareholders	-	-	-	-	(4,304,830)	(4,304,830)
IV. Balance at the end of the period	28,698,864	62,808,135	(16,063)	3,815,330	3,068,912	98,375,178

ITEM	January-June 2019					
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at the end of the previous period	28,698,864	62,804,362	(32,989)	3,279,992	5,564,707	100,314,936
II. Balance at the beginning of the period	28,698,864	62,804,362	(32,989)	3,279,992	5,564,707	100,314,936
III. Changes in equity during the period	-	(105)	102,195	-	(3,090,296)	(2,988,206)
(I) Total comprehensive income	-	-	102,195	-	1,214,534	1,316,729
(II) Shareholders' contributions and reduction in capital	-	(105)	-	-	-	(105)
1. Other changes in equity of associates	-	(105)	-	-	-	(105)
(III) Profit distribution	-	-	-	-	(4,304,830)	(4,304,830)
1. Distributions to shareholders	-	-	-	-	(4,304,830)	(4,304,830)
IV. Balance at the end of the period	28,698,864	62,804,257	69,206	3,279,992	2,474,411	97,326,730

Legal Representative:
Liu Hualong

Chief Accountant:
Li Zheng

Person in Charge of the Accounting Department:
Wang Jian

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

I. BASIC INFORMATION ABOUT THE COMPANY

1. General information

CSR Corporation Limited (“CSR”) was incorporated in the PRC on 28 December 2007 as a joint stock company with limited liability under the Company Law of the PRC. CSR’s A shares were listed on the Shanghai Stock Exchange (the “SSE”) on 18 August 2008 and CSR’s H shares were listed on the main board of The Stock Exchange of Hong Kong Limited on 21 August 2008. CSR non-public issued A-share ordinary shares in 2012, and the ordinary shares increased to 13,803,000,000 shares after the non-public issuing.

China CNR Corporation Limited (“CNR”) was incorporated in the PRC on 26 June 2008 as a joint stock company with limited liability under the Company Law of the PRC. CNR made an initial public offering of A shares which were listed on the SSE on 29 December 2009. H shares of CNR were listed on the Main Board of the HKSE on 22 May 2014. As at 31 December 2014, CNR has issued total shares of 12,259,780,303.

CSR and CNR published a joint announcement on 30 December 2014, announcing that the two companies entered into a merger agreement with respect to a merger proposal (“2015 Business Combination”). CSR and CNR would merge by CSR issuing, on the basis of a single exchange ratio, CSR A shares and CSR H shares to holders of CNR A shares and CNR H shares respectively in exchange for all of the issued shares of CNR. The exchange proportion was 1:1.10, meaning that each CNR A share should be exchanged for 1.10 CSR A shares to be issued by CSR and that each CNR H share should be exchanged for 1.10 CSR H shares to be issued by CSR. As all of the conditions of the above agreement as specified in the merger agreement had been satisfied, the merger agreement became effective on 28 May 2015. CSR issued 2,347,066,040 H shares and 11,138,692,293 A shares on 26 May 2015 and 28 May 2015 respectively. CNR A shares were deregistered from the SSE and CNR H shares were deregistered from the Main Board of HKSE. After the completion of the merger, CSR assumed all the assets, liabilities and business of CNR and CNR was deregistered according to law. On 1 June 2015, the name of CSR was changed from “CSR Corporation Limited” to “CRRC Corporation Limited” (“CRRC” or the “Company”).

On 5 August 2015, the respective holding companies of the Company, namely CSR Group (formerly China South Locomotive and Rolling Stock Industry (Group) Corporation) and China Northern Locomotive & Rolling Stock Industry (Group) Corporation (“CNR Group”) concluded the Merger Agreement by which CNR Group merged CSR Group with the latter deregistered and then was renamed to CRRC Group (later renamed to CRRC Group Co., Ltd., “CRRCG”). All assets, liabilities, business, employees, contracts, qualifications and other rights and obligations of CSR Group shall be inherited by CRRCG after the merger.

As proposed and approved in the Company’s 2015 annual general meeting of shareholders as well as approved by the China Securities Regulatory Commission (“CSRC”) on *Reply on the Approval of Non-public Issuance of Stocks by CRRC Corporation Limited* (Zheng Jian Xu Ke [2016] No. 3203), the Company completed the non-public offering 1,410,105,755 A shares with par value RMB1.00 each to specific investors in January 2017. The number of share capital has increased to 28,698,864,088, and CRRC Group remains the controlling shareholder of the Company.

The address of the Company’s registered office is No.16 Central West Fourth Ring Road, Haidian District, Beijing, the PRC.

The Company and its subsidiaries (collectively the “Group”) are principally engaged in the research and development, design, manufacture, refurbishment and service of locomotives (including multiple units), metro cars, engineering machinery, mechanical and electric equipment, electronic equipment and related components products, electronic appliances and environmental protection equipment, as well as sales, technical services and equipment leasing of related products; information consultation; industrial investment of the above business; assets management; imports and exports.

I. BASIC INFORMATION ABOUT THE COMPANY *(continued)*
2. Scope of consolidated financial statements

No.	Company name	Principal place of business	Registered office	Type of legal entity	Legal representative	Business scope/ Nature of business	Unified social credit code	Paid-in capital (RMB'000)	Shareholding proportion (%)	Voting proportion (%)
1	CRRC Changchun Railway Vehicles Co. Ltd. ("CRRC Changchun")	China	Changchun	limited liability company	Wang Run	Manufacturing	91220000735902224D	5,807,947	93.54	93.54
2	CRRC Zhuzhou Institute Co., Ltd. ("CRRC Zhuzhou Institute")	China	Zhuzhou	limited liability company	Li Donglin	Manufacturing	9143020044517525X1	8,446,840	100.00	100.00
3	CRRC Zhuzhou Locomotive Co., Ltd. ("CRRC Zhuzhou Locomotive")	China	Zhuzhou	limited liability company	Zhou Qinghe	Manufacturing	914302007790310965	4,868,336	100.00	100.00
4	CRRC Qingdao Sifang Co., Ltd. ("CRRC Qingdao Sifang")	China	Qingdao	limited liability company	Tian Xuehua	Manufacturing	91370200740365750X	4,071,272	97.81	97.81
5	CRRC Tangshan Co., Ltd. ("CRRC Tangshan")	China	Tangshan	limited liability company	Hou Zhigang	Manufacturing	911302216636887669	3,990,000	100.00	100.00
6	CRRC Dalian Co., Ltd. ("CRRC Dalian")	China	Dalian	limited liability company	Lin Cunzeng	Manufacturing	91210200241283929E	4,180,000	100.00	100.00
7	CRRC Qiqihar Group Co., Ltd. ("CRRC Qiqihar Group")	China	Qiqihar	limited liability company	Gu Chunyang	Manufacturing	91230200057435769W	7,000,000	100.00	100.00
8	CRRC Yangtze River Transportation Equipment Group Co., Ltd. ("CRRC Yangtze River Group")	China	Wuhan	limited liability company	Hu Haiping	Manufacturing	91420115MA4KYAEH3B	5,661,409	100.00	100.00
9	CRRC Investment & Leasing Co., Ltd. ("CRRC Investment & Leasing")	China	Beijing	limited liability company	Yang Ruixin	Trading and financing lease	911100007109247853	2,909,285	100.00	100.00
10	CRRC Qishuyan Co., Ltd. ("CRRC Qishuyan")	China	Changzhou	limited liability company	Yao Guosheng	Manufacturing	913204006638182170	2,255,243	100.00	100.00
11	CRRC Qishuyan Institute Co., Ltd. ("CRRC Qishuyan Institute")	China	Changzhou	limited liability company	Wang Hongnian	Manufacturing	91320400137168058A	2,060,000	100.00	100.00
12	CRRC Capital Management Co., Ltd. ("CRRC Capital Management")	China	Beijing	limited liability company	Lu Jianzhou	Finance	91110108MA00314Q4L	2,500,000	100.00	100.00
13	CRRC Nanjing Puzhen Co., Ltd. ("CRRC Nanjing Puzhen")	China	Nanjing	limited liability company	Li Dingnan	Manufacturing	91320191663764650N	2,255,630	100.00	100.00
14	CRRC Hong Kong Capital Management Co., Ltd. ("CRRC Hong Kong Capital Management") (Note 2)	China	Hongkong	limited liability company	Li Jin	Investment and capital operation	N/A	3,503,568	100.00	100.00
15	CRRC Construction Engineering Co., Ltd. ("CRRC Construction Engineering")	China	Beijing	limited liability company	Wang Hongwei	Housing industry	91110106590663663T	1,500,000	100.00	100.00
16	CRRC Yongji Moto Co., Ltd. ("CRRC Yongji Moto") (Note 1)	China	Yongji	limited liability company	Xiao Anhua	Manufacturing	91140881664458751J	1,290,000	100.00	100.00
17	CRRC Sifang Institute Co., Ltd. ("CRRC Sifang Institute")	China	Qingdao	limited liability company	Kong Jun	Manufacturing	91370200264582788W	1,690,000	100.00	100.00
18	CRRC Finance Co., Ltd. ("CRRC Finance")	China	Beijing	limited liability company	Dong Xuzhang	Finance	911100000573064301	2,200,000	91.36	91.36
19	CRRC Zhuzhou Moto Co., Ltd. ("CRRC Zhuzhou Moto")	China	Zhuzhou	limited liability company	Zhou Junjun	Manufacturing	9143020076071871X7	1,342,200	100.00	100.00

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

I. BASIC INFORMATION ABOUT THE COMPANY (continued)

2. Scope of consolidated financial statements (continued)

No.	Company name	Principal place of business	Registered office	Type of legal entity	Legal representative	Business scope/ Nature of business	Unified social credit code	Paid-in capital (RMB'000)	Shareholding proportion (%)	Voting proportion (%)
20	CRRC Ziyang Co., Ltd. ("CRRC Ziyang")	China	Ziyang	limited liability company	Chen Zhixin	Manufacturing	91512000786693055N	2,026,533	99.73	99.73
21	CRRC Beijing Nankou Co., Ltd. ("CRRC Beijing Nankou")	China	Beijing	limited liability company	Sun Kai	Manufacturing	91110000664625580F	805,000	100.00	100.00
22	CRRC Datong Electric Locomotive Co., Ltd. (CRRC Datong)	China	Datong	limited liability company	Huang Qichao	Manufacturing	91140200602161186E	656,000	100.00	100.00
23	CRRC Dalian Institute Co., Ltd. ("CRRC Dalian Institute")	China	Dalian	limited liability company	Jiang Dong	Manufacturing	91210200243024402A	350,000	100.00	100.00
24	CRRC Sifang Co., Ltd. ("CRRC Sifang")	China	Qingdao	limited liability company	Lan Yuzhen	Manufacturing	9137020016357624X1	343,095	100.00	100.00
25	CRRC Logistics Co., Ltd. ("CRRC Logistics")	China	Beijing	limited liability company	Du Pengyuan	Logistics and trade	91110108737682982M	760,000	100.00	100.00
26	CRRC Industrial Institute Co., Ltd. ("CRRC Industrial Institute")	China	Beijing	limited liability company	Gong Ming	Manufacturing	911101063066897448	200,000	100.00	100.00
27	CRRC International Co., Ltd. ("CRRC International")	China	Beijing	limited liability company	Luo Chongfu	Trading	911101067109217367	700,000	100.00	100.00
28	Beijing CNR CR Transportation Equipment Co., Ltd. ("Beijing CNR CR Transportation Equipment")	China	Beijing	limited liability company	Zhang Yan	Manufacturing	91110106684367734P	20,000	51.00	51.00
29	CRRC Information Technology Co., Ltd. ("CRRC Information Technology")	China	Beijing	limited liability company	Tang Xiankang	Software development	91110108700035941C	50,000	100.00	100.00
30	CRRC SA (PTY) LTD	South Africa	South Africa	limited liability company	Han Xiaobo	Manufacturing	N/A	ZAR 1,000	66.00	66.00
31	CRRC Financial Leasing CO., LTD. ("CRRC Financial Leasing")	China	Tianjin	limited liability company	Xu Weifeng	Financial Services	91120118MA06J91H6K	3,000,000	81.00	81.00
32	Zhuzhou CRRC Times Electric CO., LTD. ("CRRC Times Electric") (Note 3)	China	Zhuzhou	Company limited by shares	Li Dongjin	Manufacturing	914300007808508659	1,175,477	53.19	53.19
33	Zhuzhou Times New Material Technology CO., LTD. ("Zhu Zhou Times New Material") (Note 4)	China	Zhuzhou	Company limited by shares	Yang Jun	Manufacturing	91430200712106524U	802,798	39.55	51.02

Note 1: During the period, CRRC Yongji Moto Co., Ltd, a subsidiary of the company, is entrusted by the Company to conduct overall management of CRRC Dalian R&D Co., Ltd., on the basis of holding 50% equity of CRRC Dalian R&D.

Note 2: During the period, the Company injected its 69.62% equity in CRRC Hong Kong Co., Ltd. in the form of non-monetary assets to CRRC Hong Kong Capital Management Co., Ltd., a wholly-owned subsidiary of the Company. Upon the completion of capital injection, CRRC Hong Kong became a wholly-owned subsidiary of CRRC Hong Kong Capital Management, with its financial statements consolidated accordingly.

Note 3: ZTE is a subsidiary of Zhuzhou Institute. In 2018, CRRC Hong Kong Capital Management, a subsidiary of the Company, purchased 4,066,800 shares of ZTE on the open market. As at 31 December 2018, the Group's shareholding in ZTE was 52.38%. In 2019, CRRC Hong Kong Capital Management purchased 9,526,400 shares of ZTE in the open market. As at 30 June 2020, the Group's shareholding ratio in ZTE is 53.19%.

Note 4: ZTNM is a subsidiary of Zhuzhou Institute. The equity interests of ZTNM held by the Company was 39.55%. Since CRRCG held 11.47% equity interest of ZTNM and has authorized the Company to exercise its voting rights, the voting rights of ZTNM held by the Company became 51.02%.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The Group has adopted the Accounting Standards for Business Enterprises and relative regulations (“ASBE”) issued by the Ministry of Finance (the “MOF”).

According to *Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong* and other relevant *Security Listing Rules* Amendments issued by the Hong Kong Stock Exchange (Hong Kong Listing Rules) in December 2010, also referring to the relevant provisions issued by the MoF and the China Securities Regulatory Commission (“CSRC”), and approved by the 10th meeting of the second board of directors of the Company and the General Meeting of the Company, from 2019 fiscal year, the Company no longer provides the financial statements prepared in accordance with the ASBE and the International Financial Reporting Standards (the “IFRS”) separately to stockholders of A shares and H shares. Instead, the Company provides the financial statements prepared in accordance with the ASBE to all stockholders, taking the relevant disclosure standards of Hong Kong Companies Ordinance and Hong Kong Listing Rules into consideration.

The financial data in this report are prepared based on ASBE.

In addition, the Company also discloses relevant financial information in accordance with *Information Disclosure and Preparation Rules for Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting* (revised by CSRC in 2014).

2. Going concern

The Group evaluated the going concern capability for the next twelve months from 30 June 2020 and found no matters or circumstances that could raise serious doubts about the going concern capability. These financial statements have been prepared on a going concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

SPECIFIC ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with the ASBE

These financial statements are in compliance with the ASBE to truly and completely reflect consolidated and the Company's financial position as at 30 June 2020, and consolidated and the Company's operating results and cash flows for the period ended 30 June 2020.

2. Accounting period

The Company has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

3. Business cycle

Business cycle refers to the period since purchasing assets for production till the realisation of cash or cash equivalents. The Group's business cycle is 12 months in general.

4. Reporting currency

The functional currency of the Company is RMB and is adopted to prepare the financial statements. Except for particular explanations, all items are presented in RMB'000. The functional currency of the Company's subsidiaries, joint ventures and associates is selected based on economic environment where they operate.

5. Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement. When assets are impaired, impairment provisions for assets are recognised in accordance with relevant requirements.

The historical cost of an asset when it is acquired or created is the value of the costs incurred in acquiring or creating the asset, comprising the fair value of consideration paid to acquire or create the asset. The historical cost of a liability when it is incurred or taken on is the value of the consideration received to incur or take on the liability, or the contractual amount for taken current obligations, or the amount of cash and cash equivalents expected to be paid to settle the liabilities in normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurements date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and disclosure in the financial statements are determined according to the above basis.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than inputs within Level 1, that are observable for the asset or liability;
- Level 3 inputs are unobservable inputs for the asset or liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

6. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations includes business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

(1) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, on the combination date, the party that obtains control of another entity in the combination is the acquirer, while the other entity is the acquiree. The combination date is the date on which the acquirer obtains control of the acquiree.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate par value of the shares issued as consideration) is adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

(2) Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the fair values of the assets paid, liabilities incurred or bore, and equity instruments issued by the acquirer for the purpose of achieving the control of the acquiree. The intermediary cost such as audit, legal services, valuation and consulting services and other related administrative expenses that are directly attributable to the business combination by the acquirer are charged to profit or loss in the period in which they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination not involving enterprises under common control shall be measured at fair value at the date of acquisition.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

The goodwill arising on a business combination should be separately disclosed in the consolidated financial statement and measured by the amount of costs deducted by the accumulative provision for impairment.

FOR THE SIX MONTHS ENDED 30 JUNE 2020

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

7. Basis for preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is achieved when the company has power over the investee; is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. A subsidiary is an enterprise that is controlled by the Company. The financial positions, operating results, and cash flow of subsidiaries are included in consolidated financial statement from acquisition date to termination date of control.

For subsidiaries acquired through a business combination involving enterprises under common control, they will be fully consolidated into consolidated financial statements from the date on which subsidiary was ultimately under common control by the same party or parties. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows appropriately.

For a subsidiary acquired through a business combination not involving enterprises under common control, the acquired subsidiaries are consolidated in consolidated financial statement on the basis of fair value of identifiable assets and liabilities recognised on the date of acquisition.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity, profits or losses and comprehensive income that is attribute to their non-controlling shareholders is separately presented under "shareholders' equity" in the consolidated balance sheet, and "net profit" and "total comprehensive income" in the consolidated income statement.

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is still allocated against non-controlling interests.

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under shareholders' equity. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost, and offset goodwill simultaneously. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

8. Classification of joint arrangements and accounting methods for joint management

The joint arrangement includes joint operations and joint ventures. The classification is determined by considering the structure, legal form and contract terms of the arrangement according to the rights and obligations of the joint party in the joint arrangement. Joint operation refers to whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint venture arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

The Group's joint arrangements are joint ventures, which are accounted for using the equity method, and are set out in Note III, 14.

9. Recognition criteria of cash and cash equivalent

Cash equivalents are the Company's short-term (it generally expires within three months from the date of purchase), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

10. Translation of transactions and financial statements denominated in foreign currencies

For foreign currency transactions, the Group translate the amount of foreign currency into RMB.

Foreign currency transactions are initially recorded using the functional currency spot exchange rate at the date of the transactions. At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rate at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalised as part of the cost of the qualifying asset during the capitalization period; (2) exchange differences arising from changes in the carrying amounts (other than the amortised cost) of monetary items measured at fair value through other comprehensive income are recognised as other comprehensive income.

Foreign currency non-monetary items measured at historical cost are translated into the amounts in functional currencies at the spot exchange rates at the transaction dates. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or as other comprehensive income.

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: all the assets and liability items in the balance sheet are translated using the spot exchange rates at the balance sheet date, shareholders' equity items except of "retained earnings" are translated at the spot exchange rates at the date on which such items arose; income and expense items in the income statement are translated at the average exchange rates during the period in which the transaction occurs. Translation differences of financial statements denominated in foreign currencies arising hereby are recognized as other comprehensive income. When a foreign operation is disposed of, other comprehensive income associated with such foreign operation is transferred to profit or loss for the period in which it is disposed of. In case of a disposal or other reason that leads to the reduction of the proportion of foreign operation interests held but does not result in the Group losing control of a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to non-controlling interests and are not recognized in profit and loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

10. Translation of transactions and financial statements denominated in foreign currencies *(continued)*

Foreign currency cash flows and the cash flows of foreign subsidiaries are translated using the average exchange rate for the year during which the cash flows occur. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as effect of foreign exchange rate changes on cash and cash equivalents.

11. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts. When the Group recognises the accounts receivable excluding significant financing components or does not consider the financing components in the contracts within one year in accordance with the *Accounting Standards for Business Enterprises No. 14 – Revenue* ("Revenue Standards"), the initial recognition is measured at transaction price defined in Revenue Standards.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over each accounting period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability, or where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (i.e. pre-repayment, extension, call option or other similar options, etc.) without considering future impairment losses under expected credit loss model.

The amortised cost of a financial asset or a financial liability is an accumulatively amortised amount arising from the initially recognised amount of the financial asset or the financial liability deducting repaid principals plus or less amortisation of balances between the initially recognised amount on initial recognition and the amount on maturity date using the effective interest method, and then deducting accumulated provisions for losses (only applicable to financial assets).

(1) Classification and measurement of financial assets

Subsequent to initial recognition, the Group's various financial assets are subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows, the Group classify the financial asset into financial asset measured at amortised cost. Such financial assets include cash and bank balances, bills and accounts receivable, other receivables, placements with banks and other financial institutions, some non-current assets due within one year, loans and advances to customers, debt investments and long-term receivables.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(1) Classification and measurement of financial assets *(continued)*

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, the Group classify the financial asset into the financial assets at fair value through other comprehensive income ("FVTOCI"). Accounts receivable and bills receivable that are classified at fair value through other comprehensive income at the time of acquisition are presented in the receivables at fair value through other comprehensive income; the remaining items are presented in other current assets if they are within one year (inclusive) at the time of acquisition.

Financial assets at fair value through profit and loss ("FVTPL") include financial assets classified at fair value through profit and loss and those designated as at fair value through profit or loss.

- Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are recognised into FVTPL.
- Upon initial recognition, to eliminate or significantly reduce accounting mismatches, the Group may irrevocably designate financial assets as measured at FVTPL.

Financial assets at fair value through profit and loss are presented under held-for-trading financial assets. Financial assets due over one year since the balance sheet date or without a fixed expiring date are presented under other non-current financial assets.

Upon initial recognition, the Group may irrevocably designate non-tradable equity instrument investment as financial assets measured at FVTOCI, except for contingent considerations recognised in the business combination not under the common control. Such type of financial assets shall be presented as investment in other equity instruments.

Financial assets meeting one of the following requirements indicate that the financial assets held by the Group are for trading:

- The purpose of obtaining relevant financial assets is mainly for sale or buy-back in the near future;
- Relevant financial assets are part of the identifiable financial instrument combination under centralized management upon initial recognition and there is objective evidence indicating that exists recently a short-term profit model;
- Relevant financial assets are derivatives, except for derivatives meet the definition of financial guarantee contracts as well as derivatives designated as effective hedging instruments.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(1) Classification and measurement of financial assets *(continued)*

(a) Financial assets measured at amortised cost

Financial assets are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognised in profit or loss.

For financial assets measured at amortised cost the Group recognises interest income using the effective interest method. The Group calculates and recognises interest income through book value of financial assets multiplying effective interest, except for the following circumstances:

- For the purchased or originated credit loss occurred financial assets, the Group calculates and recognises their interest income based on amortised cost and credit-adjusted effective interest rate of such financial assets since initial recognition.
- For the purchased or originated financial assets without credit-impairment but subsequently incurred credit-impairment, the Group calculates and recognises their interest income based on amortised costs and effective interest rate of such financial assets. If the credit impairment risk is reduced during the subsequent periods and credit impairment does not exist and the improvement is relevant to an event incurred subsequent to the application of above provisions, the Group recognises interest income based on book value of financial assets multiplying effective interest rate.

(b) Categorized into FVTOCI

Impairment losses or gains related to financial assets categorized into FVTOCI, interest income measured using effective interest method and exchange gains or losses are recognised into profit or loss for the current period. Except for the above circumstances, changes in fair value of the financial assets are included in other comprehensive income. The amount includes in profit or loss of certain financial assets is equal to the amount that the financial assets is recognised at amortised cost over each period. When the financial asset is derecognized, the cumulative gains or losses previously recognised in other comprehensive income shall be removed from other comprehensive income and recognised in profit or loss.

(c) Designated as FVTOCI

The Group designated non-tradable equity investments as FVTOCI, changes in fair value of certain financial assets should be recognised in other comprehensive income, when the financial assets are derecognized, the accumulative gains or losses previously recognised in other comprehensive income shall be removed from other comprehensive income and recognised in retained earnings. During the period that the Group holds these non-tradable equity instrument, the Group has established the right of collecting dividends, whose economic benefit is probably flow into the Group, and the amount of the dividends can be reliably measured, then the Group will recognise dividends in profit or loss.

(d) FVTPL

The Group subsequently measured financial assets at FVTPL at fair value, gains or losses arising from changes in the fair value and dividend and interest income related to these financial assets shall be recognised into profit or loss for the period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(2) Impairment of financial assets and other items

The Group recognises impairment losses for expected credit losses on financial instruments measured at amortised cost, categorized into FVTOCI, lease receivables, contract assets, loan commitments and financial guarantee contracts.

The Group makes a loss allowance against amount of expected credit losses during the whole life of the contract assets, accounts receivables and lease receivable arising from the transactions under *Accounting Standards for Business Enterprises No. 21 – Lease*.

For other financial instruments, except for those impaired when purchased or originated, the Group re-evaluate changes in credit risk of relevant financial instruments since initial recognition at each balance sheet date. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of full lifetime; if credit risk of the financial instrument does not increase significantly since initial recognition, the Group recognises loss allowance based on 12-month expected credit loss of the financial instrument. Increase or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment. Except for the financial assets classified as FVTOCI, financial guarantee contract and loan commitment, credit loss allowance offsets the carrying amount of financial assets. For the financial assets classified as FVTOCI, the Group recognises credit loss allowance in other comprehensive income, which does not decrease the carrying amount of such financial assets in the balance sheet.

The Group has made a loss allowance against amount of expected credit losses during the whole life in the prior accounting period. However, at the balance sheet date, the credit risk on a financial instrument has not increased significantly since initial recognition; the Group will measure the loss allowance for that financial instrument at an amount in the future 12-month expected credit losses. Reversed amount of loss allowance arising from such circumstances shall be included in profit or loss as impairment gains.

(a) Significant increases in credit risk

The Group will make use of reasonable and supportable forward-looking information that is available to determine whether credit risk has increased significantly since initial recognition through comparing the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. For financial guarantee contracts, when applying the provision of impairment of financial instruments, the Group shall take the date when it becomes the party making an irrevocable undertaking as the initial recognition date.

The Group will take the following factors into consideration when assessing whether credit risk has increased significantly:

- Significant changes in internal price indicators as a result of a change in credit risk;
- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the balance sheet date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage);
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life;
- An actual or expected significant change in the financial instrument's external credit rating.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(2) Impairment of financial assets and other items *(continued)*

(a) Significant increases in credit risk *(continued)*

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations.
- An actual or expected significant change in the operating results of the debtor.
- Significant increases in credit risk on other financial instruments of the same debtor.
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor.
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.
- Significant changes in the expected performance and behaviour of the debtor.
- Changes in the Group's credit management approach related to the financial instrument;

At the balance sheet date, if the Group judges that the financial instruments solely are exposed to lower credit risk, the Group will assume that the credit risk of the financial instruments has not been significantly increased since initial recognition. If the risk of default on financial instruments is low, the borrower's ability to meet its contractual cash flow obligations in the short term is strong, and even if the economic situation and operating environment are adversely changed over a long period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligations, the financial instrument is considered to have a lower credit risk.

(b) Credit-impaired financial assets

When the Group expected occurrence of one or more events which may cause adverse impact on future cash flows of a financial asset, the financial asset will become a credit-impaired financial asset. Objective evidence that a financial asset is impaired includes the following observable events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting a concession to the debtor;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- The purchase or origination of a financial asset with a large scale of discount, which reflects the facts of credit losses incurred.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(2) Impairment of financial assets and other items *(continued)*

(c) Determination of expected credit losses

Except that the Group recognises credit loss for financial assets, contract assets, lease receivables, loan commitment and financial guarantee contracts that are individually significant or credit impaired on an individual asset/contract basis, the Group recognises credit loss of relevant financial instruments on a collectively basis using a provision matrix. The Group classifies financial instruments into different groups based on common risk characteristics. Shared credit risk characteristics include type of financial instruments, credit risk rating, type of collateral, remaining contractual maturity, industry of debtors, geographical location of debtors and the value of collateral relative to financial assets, etc.

The Group determines expected credit losses of relevant financial instruments using the following methods:

- For a financial asset, credit loss is the present value of difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive.
- For a lease receivable, credit loss is the present value of difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive.
- For undrawn loan commitments, the credit loss is the present value of the difference between the contract cash flow to be received by the Group and the expected cash flow, under the condition that the loan commitment holder withdraws the corresponding loans. The Group's estimate of the expected credit loss on the loan commitment is consistent with the expected withdrawal of the loan commitment.
- For a financial guarantee contract, credit loss is the present value of difference between the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.
- For credit-impaired financial assets other than the purchased or originated credit-impaired financial assets at the balance sheet date, credit loss is difference between the carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

The factors reflected in methods of measurement of expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; time value of money; reasonable and supportable information about past events, current conditions and forecasts on future economic status at the balance sheet date without unnecessary additional costs or efforts.

(d) Write-off of financial assets

The Group shall directly write down the carrying amount of a financial asset when the Group has no longer reasonably expect that the contractual cash flows of financial assets can be collected in aggregate or in part, which constitutes derecognition of relevant financial assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(3) Transfer of financial assets

The Group derecognizes a financial asset if one of the following conditions is satisfied: (i) the contractual rights to the cash flows from the financial asset expire; or (ii) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (iii) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, the Group will recognise the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. Relevant liabilities are measured using the following methods:

- For transferred financial assets recognised at amortised cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement deducted amortised cost of the Group's retained rights (if the Group retains relevant rights due to transfer of financial assets) with addition of amortised cost of obligations undertaken by the Group (if the Group undertakes relevant obligations upon transfer of financial assets). Relevant liabilities shall not be designated as financial liabilities at fair value through profit or loss.
- For transferred financial assets recognised at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement deducted fair value of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of fair value of obligations undertaken by the Group (if the Group undertakes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, for financial asset categorized into those measured at amortised cost and FVTOCI, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss. For non-trading equity instruments designated as financial assets at FVTOCI, cumulative gains or losses previously recognised in other comprehensive income should be removed from other comprehensive income and be recognised in retained earnings.

For a part of transfer of a financial asset that satisfies the derecognition criteria, the carrying amount of the transferred financial asset is allocated between the part that is derecognized and the part that is continuously involved, based on the respective fair values of those parts on transfer date. The difference between (1) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognised in other comprehensive income; and (2) the carrying amount allocated to the part derecognized on derecognition date; is recognised in profit or loss or retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group continues to recognise the transferred financial asset in its entirety. The consideration received should be recognised as a financial liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(4) Classification of liabilities and equity

Financial instruments issued by the Group are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instruments on initial recognition.

(a) Classification and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

(i) *Financial liabilities at fair value through profit or loss*

Financial liabilities at FVTPL consist of financial liabilities held for trading (including derivative instruments classified as financial liabilities) and those designated as at FVTPL. Financial liabilities at FVTPL are presented as held-for-trading financial liabilities/other non-current liabilities based on its liquidity.

It is indicated that the Group's purpose of undertaking the financial liabilities is for trading if the financial liabilities meet one of the following conditions:

- The purpose for undertaking relevant financial liabilities is mainly for recent repurchase;
- The relevant financial liabilities are part of the centrally managed identifiable financial instrument portfolio at initial recognition, and there is objective evidence that there is a short-term profits presence in the near future;
- Related financial liabilities are derivatives, except for derivatives that meet the definition of a financial guarantee contract and that are designated as effective hedging instruments.

Financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses paid related to the financial liabilities are recognised in profit or loss.

(ii) *Other financial liabilities*

Other financial liabilities, except for financial guarantee contracts, are classified as financial liabilities measured at amortised cost, which is subsequently measured at amortised cost, any gains or losses arising from derecognition or amortisation are recognised in profit or loss for the period.

If the Group amends or renegotiates a contract with the counterparty which does not result in derecognition of financial liabilities subsequently measured at amortised cost but results in changes in the contractual cash flow, the Group shall recalculate the carrying amount of the financial liabilities and account for the relevant profit or loss as current profit or loss. The Group determines the recalculated carrying amount of the financial liabilities based on the present value of the contractual cash flow to be renegotiated or modified according to the discounted original effective interest rate of financial liabilities. For all the costs or expenses arising from an amended or renegotiated contract, the Group shall adjust the book value of the financial liabilities and amortise them for the remaining life of the financial liabilities.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(4) Classification of liabilities and equity *(continued)*

(a) Classification and measurement of financial liabilities *(continued)*

(ii) Other financial liabilities *(continued)*

A financial guarantee contract is a contract by which the issuer is required to compensate specific amount to the contract holder who suffers from losses when the specific debtor cannot repay the debts in accordance with the initial or revised debt instrument terms upon maturity of debts. Financial guarantee contracts that are not designated as financial liabilities at FVTPL are measured at the higher of: (i) the loss provision after initial recognition, and (ii) balance of amount recognised initially deducting the accumulated amortisation amount determined on the basis of relevant revenue standards.

(b) Derecognition of Financial Liabilities

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing debtor) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

(c) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognised as changes in equity. Change of fair value of equity instruments is not recognised by the Group. The related transaction costs are deducted from equity.

The Group recognises the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders' equity.

(5) Derivatives and embedded derivatives

Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value.

For hybrid contract constituted by embedded derivatives and host contract, if the host contract is a financial asset, the embedded derivative shall not be separated from the hybrid contract, and the hybrid contract shall be taken as a whole to apply to the accounting standards for the classification of financial assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(5) Derivatives and embedded derivatives *(continued)*

If the host contract included in the hybrid contract is not a financial asset and satisfies all the following criteria, the embedded derivative shall be separated from the hybrid contract and treated as an individual derivative.

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- The individual instrument has the same terms as the embedded derivative conforms to the definition of a derivative.
- The hybrid instrument is not designated as a financial asset or financial liability at FVTPL.

If the embedded derivative is separated from the hybrid contract, the host contract shall be accounted for in accordance with the appropriate accounting standards.

Changes in fair value of derivative financial instruments are included in profit or loss for the period.

(6) Convertible Bonds

Convertible bonds issued by the Group that contain both debt and multiple embedded derivatives (including conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments, redemption options and repurchase options) are classified separately into respective items on initial recognition. Multiple embedded derivatives are generally treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other. At the date of issue, both the debt and the derivative components are recognised at fair value.

In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component is charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

(7) Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

12. Inventories

Inventories include raw materials, work in progress, finished goods, commissioned processing materials and turnover materials, etc.

Inventories are initially measured at cost. Cost of inventories include purchase costs, processing cost and other costs. The actual costs of inventories are determined on specific identification, first-in, first-out, or weighted average methods depending on business types. Turnover materials include low cost and short-lived consumables, packaging materials, etc., which are amortised using either one-off amortisation method or multiple-stage amortisation method.

The perpetual inventory system is maintained for stock system.

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the cost of inventories is higher than the net realisable value, a provision for decline in value of inventories is recognised in profit or loss. If factors that previously resulted in the provision for decline in value of inventories no longer exist, the amount of the write-down is reversed. The reversal is limited to the amount originally provided for the provision for the decline in value of inventories, and is recognised in profit or loss of the current period.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

For inventories that relate to a product series that is produced and marketed in the same geographical area, have the same or similar uses or purposes, and cannot be practicably evaluated separately from other items, provision for decline in value of inventories can be determined on an aggregate basis. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis.

13. Assets held for sale

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the carrying amount through a sale (including an exchange of nonmonetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy both of the following conditions: (1) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

The Group measures the non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognised in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of held-for-sale assets are made. When there is increase in the net amount of fair value of assets classified as held for sale less costs to sell at the balance sheet date, the original deduction should be reversed in impairment loss of assets recognised after the classification of held-for-sale category, and the reverse amount is included in profit or loss for the period.

Non-current assets classified as held-for-sale or disposal groups are not depreciated or amortised, interest and other costs of liabilities of disposal group classified as held for sale continue to be recognised.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)***14. Long-term equity investments****(1) Judgment criteria for joint control and significant influence**

Control is achieved when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity 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 over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

(2) Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the share of the carrying amount of the shareholders' equity of the acquiree attributable to the ultimate controlling party at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. For a business combination not involving enterprises under common control achieved in stages that involves multiple exchange transactions, the initial investment cost is carried at the aggregate of the carrying amount of the acquirer's previously held equity interest in the acquiree and the new investment cost incurred on the acquisition date. Except for long-term equity investment acquired through a business combination, other equity investment is initially measured at cost.

The expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services and other related administrative expenses attributable to the business combination are charged in profit or loss in the period in which they are incurred.

(3) Subsequent measurement and recognition of profit or loss**(a) Long-term equity investment measured under the cost method**

The Company's financial statements measured the long-term equity investments of subsidiaries under the cost method. A subsidiary is the investee controlled by the Group.

Under the cost method, a long-term equity investment initial recognised at cost. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

14. Long-term equity investments *(continued)*

(3) Subsequent measurement and recognition of profit or loss *(continued)*

(b) Long-term equity investment measured under the equity method

The Group measured investments in associates and joint ventures under the equity method. An associate is an entity over which the Group has significant influence, and a joint venture is an entity over which the Group has joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and other comprehensive income for the period. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments to be confirmed with the Group's accounting policies and accounting period. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures shall be eliminated when recognised investment income or loss to the extent that those attributable to the Group's equity interest. However, unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated if the trading assets do not form a business. Unrealised losses are resulted from the Group's transactions with its associates and joint ventures, the impairment losses on the transferred assets are not eliminated. Changes in other equity of the investee other than net profit or loss, other comprehensive income and profit distribution shall be included in capital reserve, with the carrying amount of long-term equity investment correspondingly adjusted.

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently realised by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

(c) Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognised in profit or loss for the period. For long-term equity investment measured under the equity method, the portion of other comprehensive income recognised before the Group had controlled over the investee under equity method or the financial assets recognition and measurement standard should be treated referring to the same fundamental of disposing related assets and liabilities.

(d) Methods of impairment assessment approach and provision for impairment are set out in Note III, 20.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)***15. Investment properties**

The properties held by the Group for the purpose of earning rentals or for capital appreciation or for both purposes are categorised to investment property. The Group measures investment property under cost model, namely, investment properties are presented in balance sheet by cost deducting accumulated depreciation, amortisation and impairment loss. The investment properties are depreciated over its useful life by straight-line method after deducting estimated net residual value. The useful life, residual value rate and annual depreciation rate for various investment properties are as follows:

Item	Estimated useful life (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	20-50	3-5	1.90-4.85
Land use rights	50	–	2.00

If the Group has conclusive evidence that the purpose for holding properties has changed and if one of the following conditions is met, the investment properties shall be converted into other assets, or other assets shall be converted into investment properties:

- The purpose for holding the property is changed to self-use;
- The self-use buildings or land use rights are stopped self-using, and changed to held for earning rentals or capital appreciation;
- Self-use structures stopped self-using, and changed to for renting.

Under the cost model, the carrying amounts of the buildings remain unchanged before and after the purpose change.

Methods of impairment assessment and provision for impairment are set out in Note III, 20.

16. Fixed assets**(1) Recognition criteria**

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year.

The initial cost of purchased fixed assets includes purchase cost, relevant taxes and expenses attributable to the asset incurred before it reaches ready-to-use condition. The initial cost of self-constructed fixed assets is recognised in accordance with Note III, 17. The components of fixed assets, which have various useful life or contribute economic benefits to the Group in different ways, or at different depreciation rate or via different depreciation methods, will be recognised as individual fixed assets by the Group. The subsequent expenditure of fixed assets (including amount paid for replace certain component of fixed assets), is recognised into cost of fixed assets if it qualifies recognition criteria. Meanwhile, the carrying amount of replaced component is deducted. The expense relating to routine maintenance of fixed assets is included in profit or loss when it is incurred. Fixed assets are presented on the balance sheet at cost less accumulated depreciation and impairment losses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

16. Fixed assets *(continued)*

(2) Depreciation method

Except for land use right owned by the Group, fixed asset is depreciated using the straight-line method. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation method	Depreciation period (year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	Straight-line method	10-50	3-5	1.90-9.70
Machinery and equipment	Straight-line method	6-28	3-5	3.39-16.17
Office equipment and other equipment	Straight-line method	5-12	3-5	7.92-19.40
Transportation vehicles	Straight-line method	5-15	3-5	6.33-19.40

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period. The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at the end of each fiscal year, and makes adjustments when necessary. The Group does not make depreciation for overseas land ownership, which has no residual value.

(3) Methods of impairment assessment and provision for impairment are set out in Note III, 20.

17. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs.

Construction in progress is transferred to a fixed asset when it is ready for intended use.

Methods of impairment assessment and provision for impairment are set out in Note III, 20.

18. Borrowing Costs

Borrowing costs are interests and other costs incurred by the Group in connection with the borrowing of funds. Borrowing costs include interests, amortisation of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised. The amounts of other borrowing costs incurred are recognised as an expense in the period in which they are incurred. Qualifying assets are assets that necessarily take a substantial period of time for construction or production to get ready for their intended use or sale.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

18. Borrowing Costs *(continued)*

The capitalization of borrowing costs commences only when all of the following conditions are satisfied:

- Expenditures for the asset have incurred; and
- Borrowing costs are being incurred; and
- Activities relating to the construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

During the capitalization period, the amount of interest to be capitalised for each accounting period shall be determined as follows:

- Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.
- Where funds are borrowed under general-purpose borrowings, the amount of interest to be capitalised on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use or sale, when the interruption is for a continuous period of more than 3 months. Borrowing costs incurred during these periods are recognised as an expense of the current period until the acquisition, construction or production is resumed.

Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Any borrowing costs incurred subsequently are recognised as an expense in the period in which they are incurred.

19. Intangible assets

(1) Valuation method, useful life and impairment test

A purchased intangible asset is measured initially at cost. An intangible asset acquired in the combination not involving enterprises under common control, it shall be separately recognised as an intangible asset at its fair value on the acquisition date.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit period over which the asset is expected to generate economic benefits for the Group.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

19. Intangible assets *(continued)*

(1) Valuation method, useful life and impairment test *(continued)*

The useful lives of the intangible assets are as follows:

Item	Useful life
Land use rights	50-70 years
Proprietary technology and technical know-how	3-10 years
Software use rights	2-10 years
Customer relationship	7-15 years
Backlogs and technical service preferential orders	The period in which the services are rendered agreed in the contract

Land use rights acquired by the Group are accounted for as intangible assets. For buildings such as plants that are developed and constructed by the Group, the relevant land use rights and buildings are accounted for as intangible assets and fixed assets respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if the payments cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.

An intangible asset with a finite useful life is amortised using the straight-line method over its useful life. For an intangible asset with a finite useful life, the Group reviews the useful life and the amortisation method at least at the end of each fiscal year and makes adjustment if necessary.

An intangible asset with an indefinite useful life is not amortised and its useful life is reviewed in each accounting period. If there is an evidence indicating that the useful life of the intangible asset is finite, it is accounted for using the above accounting policies applicable to intangible assets with finite useful lives.

(2) Accounting policies for internal research and development expenditure

The Group classifies the expenditure on an internal research and development project into research expenditures and development expenditures.

Research expenditure is recognised as an expense in the period in which it is incurred.

Development expenditures which meet the criteria set out below shall capitalised, that is, it is technically feasible to complete the intangible asset so that it will be available for use or sale; the Group has the intention to complete the intangible asset and use or sell it; the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of 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 need to be proved; the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and the expenditure attributable to the intangible asset during its development phase can be reliably measured. Expenditure on the development phase that does not meet the above criteria is recognised in profit or loss for the period in which it is incurred.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognises all of them in profit or loss for the period.

Methods of impairment assessment and provision for impairment are set out in Note III, 20.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

20. Impairment of long-term assets

The Group assesses at each balance sheet date whether there is any indication that long-term equity investment, fixed assets and construction in progress, investment properties, development expenditure, long-term prepayments and some other non-current assets under cost method, right-of-use assets and intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on the basis of individual asset. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset is the higher of its fair value less disposal costs and the present value of the future cash flows expected to be derived from the asset.

If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Goodwill is tested for impairment at least at each year end. When conduct impairment test for goodwill, it should be considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Once the above impairment loss is recognised, it cannot be reversed in any subsequent accounting periods.

21. Long-term deferred expenses

Long-term prepayments are expenses incurred that should be amortised over the current and subsequent periods (amortisation period of more than one year). Long-term prepayments are amortised using the straight-line method over the expected periods in which benefits are derived.

22. Employee benefits

Employee benefits are all forms of remuneration and compensation given by an entity in exchange for services rendered by employees or for the termination of employment and other remunerations. Employee benefits include short-term benefit, retirement benefits, termination benefits and other long-term employee benefits. The benefits the Group provided to employees' spouse, children, dependent, and families of deceased employees also belong to employee benefits.

(1) Accounting for short-term employee benefits

During the accounting period in which the employees provide services, the Group's actual short-term remuneration is recognised as liabilities and included in the profits or losses of the current year or recognised as respective assets costs.

Regarding to the health insurance, industrial injury insurance, maternity insurance and other social insurances, housing fund and labour union expenditure and personnel education that the Group paid for employees, the Group should recognise corresponding employees benefits payable and include these expenses in the profits or losses of the current year or recognised as respective assets costs.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

22. Employee benefits *(continued)*

(2) Accounting for retirement benefits

Retirement benefits are classified into defined contribution plans and defined benefit plans.

In an accounting period in which an employee has rendered service to the Group, the amount payable calculated in accordance with the defined contribution plan is recognised as a liability and charged to profit or loss in the period, or included in cost of related assets.

For defined benefit plans, the independent actuary makes actuarial estimation to determine cost of benefits offered and attributable period by using projected unit credit method. Defined benefit costs are categorized as follows:

- (i) Service costs include current service cost, past service cost, as well as gains and losses on and settlements. Current service cost refers to the increase amount of present value of defined benefit obligation arising from service rendered in current year; past service cost refers to the change of present value of defined benefit obligation arising from modification of defined benefit plans;
- (ii) Net interest expense or income net of liabilities or assets (including interest income of planned assets, interest expenses of defined benefit plan liabilities and effect of asset ceiling);
- (iii) Changes arising from remeasurement of net liabilities or net assets of defined benefit plans (including actuarial gains and losses).

Unless benefits costs recognised in the cost of assets are required or permitted by other standards, the Group presents the above (i) and (ii) in profit or loss while (iii) in other comprehensive income, which will not be reversed to the profit or loss during the subsequent accounting period.

The defined benefit plans provided by the Group are set out in Note V, 43.

(3) Accounting for termination benefits

When the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision shall be recognised for the compensation arising from termination of employment relationship with employees, with a corresponding charge to the profit or loss for the current year, at the earlier of when:

- (i) The Group cannot unilaterally withdraw from the termination plan or the redundancy offer; or
- (ii) The Group recognises costs relating to termination benefits payment in respect of restructuring.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

23. Provisions

Except for contingent consideration arising and contingent liabilities undertaken in business combinations, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied: (i) the obligation is a present obligation of the Group; (ii) it is probable that an outflow of economic benefits will be required to settle the obligation; and; (iii) the amount of the obligation can be measured reliably. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at each balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

Provisions are recognised when the Group has a present obligation related to a contingency such as warranty provisions/onerous contract/outstanding litigations, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into consideration of the factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

24. Revenue

(1) Accounting policy for recognition and measurement of revenue from contracts with customers

The revenue of the Group is mainly generated from business types as follows:

- (i) Revenue from selling of goods;
- (ii) Revenue from rendering of services.

The Group shall recognise revenue when the Group satisfies a performance obligation in the Contract, namely, when the customer obtains control over relevant goods or services, which is based on the transaction price allocated to the performance obligation. A performance obligation represents the commitment that a good and service that is distinct shall be transferred by the Group to the customer. Transaction price refers to the consideration that the Group is expected to receive due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the Group expects to return to the customer.

Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following conditions is met: (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (ii) the customer is able to control goods in the progress during the Group's performance; (iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognised at a point of time when the customer obtains control over the relevant goods or services.

For performance obligations performed over time, the Group adopts input method to determine the appropriate progress of performance, that is, the progress of the performance is determined according to the Group's input for fulfilling its performance obligations. Where the progress cannot be determined reasonably, the revenue is recognised based on the amount of cost that is expected to be compensated based on the cost already incurred, until the progress of performance is reasonably determined.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

24. Revenue *(continued)*

(1) Accounting policy for recognition and measurement of revenue from contracts with customers *(continued)*

If the contract includes two or more performance obligations, at contract inception, the Group allocates the transaction price to single performance obligation according to relative proportion of the stand-alone selling prices of the goods or services promised by single performance obligation. However, where there is conclusive evidence that the contract discount or variable consideration is only related to one or more (not all) performance obligations in the contract, the Group shall allocate the contract discount or variable consideration to relevant one or more performance obligations. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group shall consider all information that is reasonably available to the Group and maximize the use of observable inputs and apply estimation methods consistently in similar circumstances.

If the contract includes consideration payable to a customer (for example, supplier nomination fee, etc.), the Group shall account for consideration payable to a customer as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service, and recognised the reduction of revenue when (or as) the later of either of the following events occurs: 1) the Group recognises revenue for the transfer of the related goods or services to the customer; and 2) the Group pays or promises to pay the consideration.

For sales with quality assurance terms, if the quality assurance provides a separate service to the customer other than ensuring that the goods or services sold meet the established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group will account for the quality assurance responsibility in accordance with the Accounting Standards for Business Enterprises No. 13 – Contingencies.

If the contract contains a significant financing component, the Group determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when “control” of the goods or services is obtained by the customer. The difference between the transaction price and the contract consideration shall be amortised within the contract period using effective interest rate. If the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Group needs not to consider the significant financing component.

The Group determines whether it is a principal or an agent at the time of the transaction based on whether it owns the “control” of the goods or services before the transfer of such goods or services to the customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and the revenue shall be recognised based on the total consideration received or receivable; otherwise, the Group is an agent, and the revenue shall be recognised based on the amount of commission or handling fee that is expected to be charged, and such amount is determined based on the net amount of the total consideration received or receivable after deducting the prices payable to other related parties or according to the established commission amount or proportion.

When the Group collects amounts of sold goods or services in advance from the customer, the Group will firstly recognise the amounts as a liability and then transfer to revenue until satisfying relevant performance obligations.

Contract asset refers to the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Accounting policies relating to contract asset are specified in Note III, 11. The Group’s unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

24. Revenue *(continued)*

(1) Accounting policy for recognition and measurement of revenue from contracts with customers *(continued)*

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Contract assets and contract liabilities under the same contract are presented at net amount.

Except for the income arising from contracts with customers, income of the Group includes interest income and lease income from daily operating activities. Relevant accounting policies are detailed in Note III, 11 and 27.

25. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

(1) Judgment basis and accounting treatments for government grants related to assets

If the government grant is a compensation for constructing or forming long-term assets, the government grant is recognised as government grants related to assets.

A government grant related to an asset is recognised as deferred income and included in profit or loss over the useful life of the related asset. Where the relevant asset is sold, transferred, scrapped or damaged prior to the end of its useful life, the related undistributed deferred income is transferred to the profit or loss of the disposal period.

(2) Judgment basis and accounting treatments for government grants related to income

Government grants other than government grants related to assets are government grants related to income.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income and recognised in profit or loss over the periods in which the related costs or losses are recognised; If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period. The Group classifies government grants that are difficult to be distinguished as government grants related to income aggregately.

A government grant related to the Group's daily activities is recognised in other income based on the substance of economic activities; a government grant not related to the Group's daily activities is recognised in non-operating income and expenses.

Discount interest on preferential loans obtained by the Group is directly allocated to the Group, with the corresponding interest discounts offsetting related borrowing costs.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

26. Deferred tax assets/deferred tax liabilities

The income tax expenses include current income tax and deferred tax. Except for that (1) goodwill arising from the business combination or (2) the current income tax and deferred income tax related to transactions or events recognised in other comprehensive income or shareholders' equity are included in other comprehensive income or shareholders' equity, other current income tax and deferred income tax expenses or gains are included in profit or loss for the period.

(1) Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

(2) Deferred tax assets/deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

A deferred tax liability is recognised for all taxable temporary differences, except:

- Where taxable temporary differences arise from the initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, it affects neither accounting profit nor taxable profit or loss.
- For taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, carry forward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of deductible tax losses and tax credits can be utilised, except:

- Where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, neither affects the accounting profit nor taxable profit or loss.
- Deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

At the balance sheet date, deferred income tax assets and liabilities are measured, subject the tax laws, at the applicable rate in the period in which deferred tax assets or liabilities are expected to be realized or settled, and the tax effects arising from the expected reversal of assets or liabilities are reflected at the balance sheet date.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

26. Deferred tax assets/deferred tax liabilities *(continued)*

(2) Deferred tax assets/deferred tax liabilities *(continued)*

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognized deferred tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

Deferred tax assets and deferred tax liabilities are offset and presented on a net basis if the Group has a legal right to set off the current tax assets against current tax liabilities on a net basis and the deferred taxes relate to the same taxable entity and the same taxation authority.

27. Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into on the date of initial application, the Group assesses whether a contract is or contains a lease at commencement date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(1) As a lessee

(a) Allocation

For a contract that contains one or more lease component and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use asset is initially measured at cost. This cost includes:

- The initial measurement amount of the lease liabilities;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Group; and
- An estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, 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, excluding the costs that are incurred to produce inventories.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

27. Leases *(continued)*

(1) As a lessee *(continued)*

(b) Right-of-use assets *(continued)*

After the commencement date of the lease, the carrying amount of right-of-use assets shall be adjusted when lease liability is remeasured.

The Group makes depreciation for the right-of-use assets in accordance with the relevant depreciation regulations under the *Accounting Standards for Business Enterprises No. 4-Fixed Assets*. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

For the method of testing the impairment of the right-of-use asset and the method of determining impairment provision, please refer to Note III.20 for details.

(c) Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payment refers to the amount paid by the Group to the lessor relating to the right to use an underlying asset during the lease term, including:

- Fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate;
- The exercise price of a purchase option reasonably certain to be exercised by the Group;
- Payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate; and
- Amounts expected to be paid under residual value guarantees.

The variable lease payments, depending on the index or ratio, are determined at the initial measurement based on the index or proportion at the beginning of the lease term. The variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss or related asset costs when incurred.

After the commencement date of the lease term, the Group calculates the interest expense of the lease liabilities for each period of the lease term based on a fixed periodic interest rate, and includes it in profit and loss or related asset costs.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

27. Leases *(continued)*

(1) As a lessee *(continued)*

(c) Lease liabilities *(continued)*

After the commencement date of the lease term, the Group re-measures the lease liabilities and adjusts the corresponding right-of-use asset in the following circumstances. If the book value of the right-of-use asset has been reduced to zero, while the lease liabilities still need to be further reduced, the difference shall be included in the profit and loss.

- The Group re-measures the lease liabilities based on the present value of the post-change lease payments and the revised discount rate as a result of changes in the lease term or changes in the purchase option;
- The Group re-measures the lease liabilities based on the present value of the changed lease payments and the original discount rate, based on the amount of the amount payable or the index or proportion used to determine the lease payments. If the change in lease payments comes from changes in floating interest rates, the revised discount rate shall be adopted to calculate the present value.

(d) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to short-term leases of housing and buildings, machinery and equipment, motor vehicles, office equipment and other equipment and leases of low-value assets. Short-term leases are leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

A lease of low value asset refers to a single lease asset, when new, is of low value. Lease payments on short-term leases and leases of low-value assets are recognised in profit or loss or the cost of underlying assets on a straight-line basis over the lease term.

(e) Lease modifications

The Group accounts for a lease modification as a separate lease if there is a lease modification and both of the following apply:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

If the scope of the lease is narrowed or the lease term is shortened as a result of the lease modification, the Group reduces the carrying amount of the right-of-use assets accordingly, and record the relevant gains or losses of partial or complete termination of the lease into the current profit and loss. In case of remeasurement of lease liabilities due to other lease modifications, the Group adjusts the carrying amount of the right-of-use assets accordingly.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

27. Leases *(continued)*

(2) As a lessor

(a) Allocation

Where the contract includes both the lease and non-lease components, the Group apportions the contract consideration according to the provisions of Note III.24 on the transaction price sharing. The basis of the apportionment is the individual selling price of the leased part and the non-lease part.

(b) Classification of lease

A lease that has substantially transferred almost all the risks and rewards related to the ownership of the leased asset is a financial lease. Leases other than finance leases are operating leases.

(i) The Group records the operating lease business as a lessor

During each period of the lease term, the Group uses the straight-line method to recognise the lease payments from operating leases as rental income. The initial direct costs incurred by the Group in relation to the operating leases are capitalised at the time of the acquisition, and are recognised in profit or loss.

(ii) The Group records the finance leasing business as a lessor

The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The amount of the lease receivable refers to the amount that the Group should collect from the lessee for the purpose of transferring the leased assets during the lease term, including:

- The fixed payment amount and the substantial fixed payment amount to be paid by the lessee, if there is a lease incentive, the amount related to the lease incentive is deducted;
- Variable lease payments depending on the index or ratio;
- The exercise price of the purchase option, provided that it is reasonably determined that the lessee will exercise the option;
- The lessee exercises the amount to be paid for the termination of the lease option, provided that the lease period reflects the lessee's exercise of the option to terminate the lease;
- The residual value of the guarantee provided by the lessee, the party concerned with the lessee and the independent third party with the financial ability to perform the guarantee obligation.

The Group calculates and recognises interest income for each period of the lease term based on a fixed periodic interest rate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)***27. Leases** *(continued)***(2) As a lessor** *(continued)***(c) Lease modification**

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

If the finance lease changes and meets the following conditions, the Group will account for the change as a separate lease:

- The modification expands the scope of the lease by increasing the right to use one or more leased assets;
- The increased consideration is equal to the individual price of the expanded portion of the lease, as adjusted by the contractual situation.

If the modification of the finance lease is not treated as a separate lease, the Group will deal with the lease modification in the following cases:

- If the lease is classified as an operating lease when the change becomes effective on the lease start date, the Group begins accounting as a new lease from the effective date of the lease change and uses the net lease investment before the effective date of the lease change as the book value of the leased asset;
- If the change is effective on the lease start date and the lease is classified as a finance lease, the Group performs accounting treatment in accordance with the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” provisions for the modification or re-arrangement of contracts.

(3) Sales and leaseback**(a) The Group acts as the seller and lessee**

The Group determines whether the asset transfer in the sale and leaseback transaction is a sale in accordance with Note III.24. If the transfer of assets is not a sale, the Group continues to recognise the transferred assets and recognises a financial liability equal to the transfer income, and accounts for the financial liabilities in accordance with Note III.11. Where the transfer of assets belongs to sales, the Group measures the right-of-use assets formed by the sale and leaseback based on the portion of the original asset's book value that is related to the use rights obtained from the leaseback, and only recognises the relevant gains or loss of the rights to transfer to the lessor.

(b) The Group acts as the buyer and lessor

If the asset transfer in the sale and leaseback transaction is not a sale, the Group does not recognise the transferred asset, but recognises a financial asset equal to the transfer income and performs accounting treatment on the financial asset in accordance with Note III.11. If the asset transfer belongs to sales, the Group will account for the asset purchase according to other applicable accounting standards and conduct accounting treatment for the asset lease.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28. Other significant accounting policies and accounting estimates

(1) Profit distribution

The proposed dividend distribution after balance sheet date will not be included in liabilities on balance sheet date, and will be disclosed individually in notes.

(2) Production safety expenses

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in the statement of profit or loss and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

(3) Debt restructuring

Recognize debt restructuring obligation as a creditor

When a debt is settled by assets in a debt restructuring, the assets other than the transferred financial assets are initially recognised and measured at cost, including other costs such as the fair value of abandoned creditor's rights and taxes directly attributable to the asset. The difference between the fair value and the carrying amount of the abandoned creditor's right is included in the current profit or loss.

Where debt restructuring is carried out by modifying other terms, the Group recognises and measures the debt restructuring in accordance with the accounting policies described in Note III, 11.

(4) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the state and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

29. Significant accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions, which will affect the presented amounts of revenue, cost, assets and liabilities and the disclosure of contingent liabilities on balance sheet date. However, the uncertainty of assumptions and estimates may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

The following is key assumption and uncertainty in accounting estimates at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

29. Significant accounting estimates and judgements *(continued)*

(1) Impairment of goodwill

For goodwill arising from business combination, the Group tests it for impairment at the year end. Impairment test requires an estimate of the recoverable amount of the relevant asset group containing goodwill, that is, the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. In determining the present value of the future cash flows of the relevant asset group or the fair value of such asset group under equity method, the Group needs to properly determine the expected growth rate of future cash flow prediction of related asset group, the gross profit margin, the investment income proportion of long-term assets, average growth rate and reasonable discount rate, etc. When the market conditions change, the recoverable amount of the relevant asset group may differ from the existing estimates, which will affect the profit and loss for the period. Relevant details of impairment of goodwill are set out in Note V, 25.

(2) Credit loss allowance for receivables and contract assets

Except for that the Group recognises credit loss for receivables and contract assets that are individually significant or have credit impaired on an individually basis, the Group determines the expected credit loss of receivables and contract assets on a collectively basis using a provision matrix. For receivables and contract assets whose credit loss are determined individually, the Group determines the credit loss by estimating the expected cash flows based on reasonable and evidenced information available on the balance sheet date with forward-looking information taken into consideration. For receivables and contract assets other than the above, the Group, based on the historical collection condition, determines the proportion of corresponding loss provision for each type of receivables and contract assets with similar credit risk characteristics on a portfolio basis. The provision matrix is based on the Group's historical credit loss experience and is based on reasonable and evidence-based forward-looking information that is available without undue cost or effort. As at 30 June 2020, the Group has reassessed the historical actual credit loss rate and considered changes in forward-looking information.

(3) Depreciation and amortisation of investment properties, fixed assets and intangible assets

Investment properties, fixed assets and intangible assets with a definite life are depreciated and amortised in their useful lives respectively by the Group after considering residual values. The Group reviews useful life of assets periodically so as to determine the amounts for depreciation and amortisation in each reporting period. The useful life of assets is determined on the basis of previous experiences and estimated technology upgrading. If prior estimates change significantly, make adjustment to depreciation and amortisation expenses.

(4) Supplementary pension benefits and other supplementary benefits plan liabilities

The Group has recognised supplementary pension benefits and other supplementary benefits plan as liabilities. The estimated amounts of such benefits expenses and liabilities are calculated on the basis of various assumption conditions, including discount rate, growth rate of related benefits and others. The difference between actual results and actuarial assumption may affect the accuracy of accounting estimations. The changes in above assumptions will affect amount of liabilities for supplementary pension benefits and other supplementary benefits plan liabilities, even though the management considers the assumptions are reasonable.

(5) Provision for impairment of inventories

The Group determines the write-down for obsolescence and slow movement of inventories. These estimates are made with reference to aged inventory analyses, projections of expected future salability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable values. Due to changes in market conditions, actual salability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

29. Significant accounting estimates and judgements *(continued)*

(6) Deferred tax assets

Besides the exceptions that have been illustrated in the Note III,26, deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(7) Long-term assets impairment (excluding goodwill)

The Group determines if there is any indication showing impairment in long-term assets other than goodwill on balance sheet date. If there is any indication that it is unlikely to recover the carrying amount, the Group will make impairment assessment. Where the carrying amount of assets or assets group is higher than recoverable amount, namely the higher of net amount of fair value less disposal expense, and the present value of future estimated cash flow, the Group determines that impairment exists. The management must make estimation on future cash flow of such assets or assets group, and select reasonable discount rate to determine the present value of future cash flow.

(8) Warranties for product quality

Based on the recent experience in product maintenance, the Group will estimate the provisions for after-sales quality maintenance commitment provided to customers for the sale, maintenance and transformation of locomotives, vehicles and spare parts. As the recent maintenance experience may not reflect the maintenance situation of the sold products in the future, the management's judgments are required to estimate the provisions. Any increase or decrease in the provision would affect profit or loss in future years.

30. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

There were no significant changes in accounting policies during the period.

(2) Changes in significant accounting estimates

There were no significant changes in accounting estimates during the period.

IV. TAXES

1. Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
VAT	Output VAT is calculated by applying applicable rate to the taxable income, less deductible input VAT of the current period	6-13%
City maintenance and construction tax	Computed by value added tax payable	5-7%
Enterprise income tax	Computed by taxable income	25%

2. Tax incentive

(1) VAT

According to The *Notice of the MoF and the State Administration of Taxation on the Policy of Value Added Tax on Software Products* (Cai Shui [2011] No. 100), the part of the actual tax burden of VAT exceeding 3% was levied and refunded upon collection, when CRRC Information Technology, CRRC Zhuzhou Institute and its holding subsidiaries sell their self-developed and self-produced software products in 2020.

(2) Enterprise income tax

As approved by relevant Provincial Department of Science and Technology, Provincial Department of Finance, Provincial Office of the State Administration of Taxation, and Provincial Local Taxation Bureau, CRRC Changchun, CRRC Zhuzhou Institute, CRRC Zhuzhou Locomotive, CRRC Tangshan, CRRC Qishuyan, CRRC Qishuyan Institute, CRRC Yongji Moto, CRRC Zhuzhou Moto and CRRC Datong obtained high-tech enterprise certificate in 2017, and is subject to an enterprise income tax at a reduced rate of 15% from 2017 to 2019. The Group was applying for the high-tech enterprise certificate for 2020, and expected that they would remain the reduced rate of 15% in 2020.

As approved by relevant Municipal Department of Science and Technology, Municipal Department of Finance, Municipal Office of the State Administration of Taxation, and Municipal Local Taxation Bureau, CRRC Qingdao Sifang, CRRC Sifang Institute and CRRC Dalian Institute obtained high-tech enterprise certificate in 2017, and is subject to an enterprise income tax at a reduced rate of 15% from 2017 to 2019. The Group was applying for the high-tech enterprise certificate for 2020, and expected that they would remain the reduced rate of 15% in 2020.

As approved by relevant Provincial Department of Science and Technology, Provincial Department of Finance, Provincial Office of the State Administration of Taxation, and Provincial Local Taxation Bureau, CRRC Nanjing Puzhen and CRRC Industrial Institute obtained high-tech enterprise certificate in 2018, and is subject to an enterprise income tax at a reduced rate of 15% from 2018 to 2020.

IV. TAXES *(continued)*

2. Tax incentive *(continued)*

(2) Enterprise income tax *(continued)*

As approved by relevant Municipal Department of Science and Technology, Municipal Department of Finance, Municipal Office of the State Administration of Taxation, and Municipal Local Taxation Bureau, CRRC Sifang and CRRC Dalian obtained high-tech enterprise certificate in 2018, and is subject to an enterprise income tax at a reduced rate of 15% from 2018 to 2020.

As approved by Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and Beijing Local Taxation Bureau, CRRC Information Technology, obtained high-tech enterprise certificate in 2019, and is subject to an enterprise income tax at a reduced rate of 15% from 2019 to 2021.

According to the *Notice of the MoF, the General Administration of Customs and the State Administration of Taxation on Tax Policy Issues concerning Further Implementing the Western China Development Strategy* (Cai Shui [2011] No. 58), From 1 January 2011 to 31 December 2020, the enterprise income tax on an enterprise in an encouraged industry established in western China shall be paid at the reduced rate of 15%. As approved by Sichuan State Taxation Bureau, the principal operations of CRRC Ziyang are defined as state encouraged projects which levied at a reduced rate of 15%.

According to the *PRC Enterprise Income Tax Law* and its implementing regulations, as well as the *Notice of the MoF and the State Administration of Taxation on Extending the Period for Carry-over of Losses of High-tech Enterprises and Small and Medium-sized Technological Enterprises* (Cai Shui [2018] No.76), the enterprises with the qualification of high-tech enterprises or small and medium-sized technological enterprises (hereinafter referred to as "qualification") in 2018, are allowed to carry forward the losses occurred from 2013 to 2017 that have not yet been covered to subsequent years, regardless of whether they are the enterprises with the qualification from 2013 to 2017. The maximum carry-over period is 10 years. Enterprises that are qualified from the year after 2018 carry forward losses to offset tax on the same basis. A number of companies under the Group, as high-tech enterprises, will carry forward the deductible losses for 10 years since 2018 according to the provisions.

According to the *Notice of Increasing the Proportion of the Weighted Pre-tax Deduction of Research and Development Expenses* (Cai Shui [2018] No. 99), during the period from 1 January 2018 to 31 December 2020, the R&D expenses, which do not form intangible assets and are included in the current P/L, can be deducted in accordance with provisions, with 75% of the actual amount is deducted before tax additionally. If intangible assets are formed, the 175% of R&D expenditures can be deducted before tax during the aforementioned period with the aim of motivating R&D activities.

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Item	RMB'000	
	30 June 2020	31 December 2019
Cash on hand	5,311	2,027
Bank deposits	44,660,886	40,656,503
Other cash and bank balances	1,624,389	4,246,234
Total	46,290,586	44,904,764
Including: Total amount deposited overseas	4,411,489	5,171,079

Other descriptions:

Restricted funds of the Group:

Item	RMB'000	
	30 June 2020	31 December 2019
Statutory reserve deposited by CRRC Finance at central bank	1,283,034	1,513,236
Guarantee deposits for acceptances	578,389	1,137,930
Guarantee deposits for letter of credit	27,928	16,942
Guarantee deposits for letter of guarantee	259,258	294,707
Pledge of bank borrowings for the Group	1,076	809
Deposits subject to government regulation or special restrictions and others (Note)	816,500	2,795,807
Total	2,966,185	5,759,431

Note: Approximately RMB1.879 billion (31 December 2019: RMB2.2 billion) among the closing balance of deposits subject to government regulation or special restrictions represents the funds frozen by South African Reserve Bank relating to alleged contraventions of the Exchange Control Regulations in South Africa in relation to overseas remittances by the Group's subsidiary in South Africa during the period 1 April 2014 to 20 January 2017 in respect of certain locomotive procurements involving Transnet. Among which, RMB0.709 billion is recognized in cash and bank balances, and RMB1.17 billion is recognized in other non-current assets. (Please refer to Note XI, 2(2)).

As at 30 June 2020, the term deposits that have not been pledged or restricted for use for three months or over three months is RMB17,730,189,000 (as at 31 December 2019: RMB3,325,747,000).

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Placements with other financial institutions

Item	RMB'000	
	30 June 2020	31 December 2019
Placements with other financial institutions of CRRC Finance	–	139,524

Note: Placements with other financial institutions are the placements of CRRC Finance in other financial institutions.

3. Held-for-trading financial assets

Item	RMB'000	
	30 June 2020	31 December 2019
Investments in equity instruments	1,291,067	1,174,225
Derivatives	2,400	2,550
Others (Note)	8,614,056	8,003,841
Total	9,907,523	9,180,616

Note: Others are mainly short-term floating income wealth management products and monetary funds purchased by the Group.

4. Bills receivable

(1) Category of bills receivable:

Item	RMB'000	
	30 June 2020	31 December 2019
Bank acceptances	2,495,993	5,098,282
Commercial acceptances	7,023,782	9,189,560
Less: Credit loss allowance	(12,667)	(41,877)
Total	9,507,108	14,245,965

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Bills receivable (continued)

(2) Bills receivable pledged at the end of the period:

	RMB'000
Item	Pledged as at 30 June 2020
Bank acceptances	267,531
Commercial acceptances	14,985
Total	282,516

(3) Bills receivable endorsed or discounted but not matured at the balance sheet date:

	RMB'000
Item	Amount not derecognised as at 30 June 2020
Bank acceptances	1,160,324
Commercial acceptances	2,749,268
Total	3,909,592

(4) Details of provision for credit loss allowance

	RMB'000	
Credit loss allowance	12-month ECL (No credit loss occurred)	Total
At 1 January 2020	41,877	41,877
Provision	12,667	12,667
Reversal	(41,877)	(41,877)
At 30 June 2020	12,667	12,667

(5) As at 30 June 2020, bills receivable due from related parties are set out in Note X, 6.

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
5. Accounts receivable
(1) Aging analysis of accounts receivable

	RMB'000	
Ageing	30 June 2020	31 December 2019
Within 1 year	75,852,548	54,186,217
1-2 years	6,241,194	4,754,799
2-3 years	2,272,534	2,274,474
3-4 years	1,152,375	1,202,072
4-5 years	1,147,199	1,434,048
Over 5 years	1,719,375	1,736,162
Sub-total	88,385,225	65,587,772
Less: Credit loss allowance	(5,606,951)	(5,875,348)
Total	82,778,274	59,712,424

The aging of accounts receivable of the Group is classified based on the related invoice dates.

(2) Analysis of accounts receivable by categories based on method of provision for credit loss allowance.

	30 June 2020					31 December 2019				
Category	Book value		Credit loss allowance		Carrying amount	Book value		Credit loss allowance		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision on individual basis	10,353,393	11.7	(3,787,748)	36.6	6,565,645	10,279,644	15.7	(4,092,819)	39.8	6,186,825
Provision on portfolio basis	78,031,832	88.3	(1,819,203)	2.3	76,212,629	55,308,128	84.3	(1,782,529)	3.2	53,525,599
Total	88,385,225	100.0	(5,606,951)	/	82,778,274	65,587,772	100.0	(5,875,348)	/	59,712,424

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
5. Accounts receivable *(continued)*
(2) Analysis of accounts receivable by categories based on method of provision for credit loss allowance. *(continued)*
(i) Analysis of accounts receivable for which credit loss allowance is provided on an individual basis:

RMB'000

Name	30 June 2020			Reason for provision
	Book value	Credit loss allowance	Proportion (%)	
Accounts receivable 1	213,676	(213,676)	100.0	Note
Accounts receivable 2	177,790	(177,790)	100.0	Note
Accounts receivable 3	311,673	(156,217)	50.1	Note
Accounts receivable 4	150,712	(150,712)	100.0	Note
Accounts receivable 5	220,814	(120,768)	54.7	Note
Others	9,278,728	(2,968,585)	32.0	Note
Total	10,353,393	(3,787,748)	/	/

Note: The Group considered the reasonable and evidenced information (including forward-looking information) available in relation to the counterparty, assessed the expected credit losses and accrued loss allowance.

(ii) Analysis of accounts receivable for which credit loss allowance is provided on a portfolio basis:

Items provided on a portfolio basis:

RMB'000

Ageing	Expected credit loss rate (%)	Book value at 30 June 2020	Credit loss allowance	Carrying amount at 30 June 2020
Within 1 year	0.1-2.0	69,564,583	(490,116)	69,074,467
1 to 2 years	1.0-10.0	5,542,503	(299,365)	5,243,138
2 to 3 years	5.0-25.0	1,132,921	(171,479)	961,442
3 to 4 years	20.0-30.0	559,106	(154,396)	404,710
4 to 5 years	35.0-50.0	625,719	(291,786)	333,933
Over 5 years	60.0-70.0	607,000	(412,061)	194,939
Total	/	78,031,832	(1,819,203)	76,212,629

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Accounts receivable (continued)

(3) Details of provision for credit loss allowance:

RMB'000

Credit loss allowance	Lifetime ECL (No credit loss occurred)	Lifetime ECL (Credit loss occurred)	Total
At 1 January 2020	1,956,289	3,919,059	5,875,348
Transfer to Phase 2	19,742	(19,742)	–
Transfer to Phase 3	(20,056)	20,056	–
Provision	214,249	13,864	228,113
Reversal	(166,657)	–	(166,657)
Write-off	–	(287,301)	(287,301)
Other changes	(279)	(42,273)	(42,552)
At 30 June 2020	2,003,288	3,603,663	5,606,951

(4) Five largest accounts receivable by debtor at the end of the period:

RMB'000

Company name	Relationship with the Group	30 June 2020	Proportion to total accounts receivable (%)
Top five accounts receivable	Third party	51,930,704	58.8

(5) Accounts receivable derecognised due to transfer of financial assets:

RMB'000

Item	Ways to transfer accounts receivable	Amount derecognised as during January to June 2020
CRRC Trust Assets-backed Notes	Securitisation	1,046,043
Accounts receivable factoring	Factoring	658,650
Total	/	1,704,693

(6) As at 30 June 2020, the Group has accounts receivable with carrying amount equivalent to RMB53,000,000 (31 December 2019: RMB53,105,000) as pledge for bank loans.

(7) As at 30 June 2020, amounts due from related parties of the Group are set out in Note X, 6.

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
6. Receivables at FVTOCI

Item	RMB'000	
	30 June 2020	31 December 2019
Bills receivable	5,326,138	11,494,707
Accounts receivable	1,127,227	1,590,906
Total	6,453,365	13,085,613

(1) Fair value measurement:

Item	RMB'000
	30 June 2020
Cost	6,534,435
Fair value	6,453,365
Fair value changes accumulated included in other comprehensive income	(81,070)

(2) Bills receivable pledged at the end of the period:

Item	RMB'000
	Pledged as at 30 June 2020
Bank acceptances	237,917

(3) Bills receivable endorsed or discounted but not matured at the balance sheet date:

Item	RMB'000
	Amount derecognised as at 30 June 2020
Bank acceptances	4,527,693
Commercial acceptances	30,000
Total	4,557,693

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Receivables at FVTOCI (continued)

(4) Credit loss allowance for receivables at fair value through other comprehensive income

RMB'000

Credit loss allowance	Phase 1 12-month ECL (No credit loss occurred)	Total
At 1 January 2020	7,054	7,054
Provision	1,490	1,490
Reversal	(885)	(885)
At 30 June 2020	7,659	7,659

(5) As at 30 June 2020, amounts due from related parties of the Group are set out in Note X, 6.

7. Prepayments

(1) Prepayments presented by aging

RMB'000

Ageing	30 June 2020		31 December 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	8,612,025	80.7	7,708,551	77.8
1 to 2 years	447,412	4.2	860,367	8.7
2 to 3 years	600,471	5.6	383,324	3.9
Over 3 years	1,012,431	9.5	956,977	9.6
Total	10,672,339	100.0	9,909,219	100.0

(2) Details of prepayments with Top five closing balance

RMB'000

Company name	Relationship with the Group	At 30 June 2020	Proportion to total prepayments (%)
Top five prepayments	Third party	1,333,366	12.49

(3) As at 30 June 2020, prepayments made to related parties of the Group are set out in Note X, 6.

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Other receivables

Presented by item

Item	RMB'000	
	30 June 2020	31 December 2019
Interest receivable	12,006	45,355
Dividends receivable	166,665	148,563
Other receivables	2,487,800	2,405,137
Total	2,666,471	2,599,055

Interest receivable

(1) Interest receivable by category

Item	RMB'000	
	30 June 2020	31 December 2019
Bonds investment	8,562	16,656
Others	3,444	28,699
Total	12,006	45,355

Dividends receivable

(1) Dividends receivable

Item (or investee)	RMB'000	
	30 June 2020	31 December 2019
Related party	164,234	92,074
Third party	2,431	56,489
Total	166,665	148,563

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Other receivables (continued)

Other receivables

(1) Analysis by aging

	RMB'000	
Aging	30 June 2020	31 December 2019
Within 1 year	1,733,998	1,756,099
1 to 2 years	502,775	725,883
2 to 3 years	506,602	294,238
3 to 4 years	198,991	54,800
4 to 5 years	36,699	58,588
Over 5 years	559,572	572,822
Sub-total	3,538,637	3,462,430
Less: Credit loss allowance	(1,050,837)	(1,057,293)
Total	2,487,800	2,405,137

(2) Categorised by nature

	RMB'000	
Nature	30 June 2020	31 December 2019
Advances paid for others	978,691	840,371
Deposits and securities	486,457	525,761
Land transfer receivables	51,525	51,525
Others	971,127	987,480
Total	2,487,800	2,405,137

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Other receivables (continued)

Other receivables (continued)

(3) Provision for credit loss allowance

RMB'000

Credit loss allowance	12-month ECL	Lifetime ECL (No credit loss occurred)	Lifetime ECL (Credit loss occurred)	Total
At 1 January 2020	31,062	7,772	1,018,459	1,057,293
Transfer to Phase 2	–	8	(8)	–
Transfer to Phase 3	(2,272)	(5,981)	8,253	–
Provision	7,443	–	12,120	19,563
Reversal	(5,782)	(1,799)	–	(7,581)
Write-off	–	–	(18,480)	(18,480)
Other changes	42	–	–	42
At 30 June 2020	30,493	–	1,020,344	1,050,837

(4) Details of other receivables from debtors with Top 5 closing balance

RMB'000

Company name	Nature	At 30 June 2020	Ageing	Proportion to total closing balance of other receivables (%)	Closing balance of provision for bad and doubtful debts
Top 5 other receivables	Related party/ Third party	801,885	/	22.7	/

(5) As at 30 June 2020, other receivables due from related parties of the Group are set out in Note X, 6.

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
9. Inventories
(1) Category of inventories

RMB'000

Item	30 June 2020			31 December 2019		
	Book value	Provision for impairment of inventories	Carrying amount	Book value	Provision for impairment of inventories	Carrying amount
Raw materials	25,806,004	(887,311)	24,918,693	18,130,578	(876,486)	17,254,092
Work in progress	38,104,239	(1,131,192)	36,973,047	33,453,471	(1,126,267)	32,327,204
Finished goods	14,792,131	(697,898)	14,094,233	11,606,037	(675,696)	10,930,341
Turnover materials	235,608	(17,844)	217,764	202,546	(15,307)	187,239
Commissioned processing materials	79,438	(576)	78,862	135,468	(576)	134,892
Total	79,017,420	(2,734,821)	76,282,599	63,528,100	(2,694,332)	60,833,768

(2) Provision for impairment of inventories

RMB'000

Item	1 January 2020	Increase			Decrease		30 June 2020
		Provision	Others	Reversal	Write-off	Others	
Raw materials	876,486	48,402	-	24,665	5,891	7,021	887,311
Work in progress	1,126,267	30,337	2,255	27,667	-	-	1,131,192
Finished goods	675,696	41,416	869	10,023	10,060	-	697,898
Turnover materials	15,307	2,576	-	39	-	-	17,844
Commissioned processing materials	576	-	-	-	-	-	576
Total	2,694,332	122,731	3,124	62,394	15,951	7,021	2,734,821

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Contract assets

(1) Details of contract assets

RMB'000

Item	30 June 2020	31 December 2019
Sale of goods related (Note 1)	31,109,991	23,824,746
Project contracting related (Note 2)	3,524,826	2,312,863
Less: Credit loss allowance on contract assets	(295,197)	(231,803)
Sub-total	34,339,620	25,905,806
Less: Contract assets presented under other non-current assets (Note V, 27)	(12,163,696)	(9,540,840)
Total	22,175,924	16,364,966

Note 1: For the sales of goods provided by the Group, it is agreed in the contract that the Group shall pay separately at different stages according to the proportion. The Group recognises the revenue at the time of acceptance and delivery of goods, and the right to receive consideration that does not meet the unconditional right to receive payment is recognised as contract assets/other non-current assets according to the liquidity.

Warranty provisions from the Group sales contracts, the Group has the unconditional right to collect consideration from customers after the expiration of the warranty period without material quality problems. Therefore, the contract assets formed from this part of the warranty provisions should be recognised as receivable after the end of the quality guarantee period without material quality problems.

Note 2: Revenue from project contracting services provided by the Group shall be recognised based on the performance progress, and the contract consideration shall be collected after the customer completes the acceptance check and work settlement. The difference between the revenue recognised based on the performance progress and such consideration shall be recognised as contract assets and presented under contract assets/other non-current assets according to the liquidity.

Warranty provisions from project contracting services provided by the Group and customer settlement, the Group has the unconditional right to collect consideration from customers after the expiration of the warranty period without material quality problems. Therefore, the contract assets formed from this part of the warranty provisions should be recognised as receivable after the end of the quality guarantee period without material quality problems.

(2) Credit loss allowance on contract assets for the period

RMB'000

Credit loss allowance	Lifetime ECL (No credit loss occurred)	Lifetime ECL (Credit loss occurred)	Total
At 1 January 2020	230,536	1,267	231,803
Transfer to Phase 2	303	(303)	-
Provision	61,091	14,460	75,551
Reversal	(9,451)	-	(9,451)
Other changes	(2,706)	-	(2,706)
At 30 June 2020	279,773	15,424	295,197

(3) As at 30 June 2020, book value of contract assets of related parties of the Group are set out in Note X, 6.

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Non-current assets due within one year

Item	RMB'000	
	30 June 2020	31 December 2019
Debt investments due within one year	211,376	34,863
Long-term receivables due within one year	5,493,858	6,415,374
Loans and advances due within one year	8,408,345	7,966,056
Total	14,113,579	14,416,293

12. Other current assets

Item	RMB'000	
	30 June 2020	31 December 2019
Withholding VAT	4,844,841	5,157,028
Bond investment	424,998	567,789
Others	73,644	95,312
Total	5,343,483	5,820,129

13. Loans and advances to customers

Item	RMB'000	
	30 June 2020	31 December 2019
Loans and advances made by CRRC Finance	8,718,684	8,272,417
Less: Credit loss allowance	(136,830)	(125,773)
Sub-total	8,581,854	8,146,644
Including: Loans and advances due within one year (Note V, 11)	8,408,345	7,966,056
Loans and advances due after one year	173,509	180,588

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Debt investments

(1) Details of debt investments

Item	RMB'000					
	30 June 2020			31 December 2019		
	Book value	Credit loss allowance	Carrying amount	Book value	Credit loss allowance	Carrying amount
Five-year USD Notes of China Merchants Group	212,365	–	212,365	209,285	–	209,285
Five-year Medium Term Notes of Minsheng Financial Leasing Co., Ltd.	210,096	–	210,096	209,284	–	209,284
Three-year Bonds of Tongfang Co., Ltd.	211,376	–	211,376	207,719	–	207,719
Seven-year Medium Term Notes of China Aircraft Leasing Group Holdings Limited	190,721	–	190,721	187,673	–	187,673
Related to “Built – transfer” – Nanjing Qilin Modern Tram Construction Co., Ltd.	–	–	–	174,660	–	174,660
Five-year Medium Term Notes of China Aircraft Leasing Group Holdings Limited	148,829	–	148,829	145,952	–	145,952
Five-year Bonds of Qingdao City Construction Investment (Group) Co., Ltd.	141,443	–	141,443	139,387	–	139,387
Others	424,441	(600)	423,841	419,737	(600)	419,137
Sub-total	1,539,271	(600)	1,538,671	1,693,697	(600)	1,693,097
Less: Debt investment included in non-current assets due within one year (Note V, 11)	(211,376)	–	(211,376)	(34,863)	–	(34,863)
Total	1,327,895	(600)	1,327,295	1,658,834	(600)	1,658,234

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
14. Debt investments *(continued)*
(2) Provision for credit loss allowance

	RMB'000	
Credit loss allowance		Phase 1 12-month ECL (No credit loss occurred)
		Total
At 1 January 2020 and 30 June 2020	600	600

15. Long-term receivables
(1) Details of long-term receivables

	30 June 2020			31 December 2019			Discount rate interval
	Book value	Credit loss allowance	Carrying amount	Book value	Credit loss allowance	Carrying amount	
Financing lease	14,320,756	(3,325,988)	10,994,768	14,437,312	(2,947,657)	11,489,655	4.9%-14%
Sales by installment	3,219,177	(578,781)	2,640,396	3,015,135	(535,743)	2,479,392	4%-6%
Construction payment and Built- transfer receivables	3,171,325	(258,895)	2,912,430	3,217,432	(252,187)	2,965,245	3.5%-6%
Total	20,711,258	(4,163,664)	16,547,594	20,669,879	(3,735,587)	16,934,292	/
Less: Long-term receivables due within one year (Note V, 11)	/	/	(5,493,858)	/	/	(6,415,374)	/
Long-term receivables due after one year	/	/	11,053,736	/	/	10,518,918	/

(2) Provision for credit loss allowance

	RMB'000		
Credit loss allowance		Phase 2 Lifetime ECL (Not credit impaired)	Phase 3 Lifetime ECL (Credit impaired)
		Total	
At 1 January 2020	331,364	3,404,223	3,735,587
Provision	117,512	278,272	395,784
Reversal	(2,874)	-	(2,874)
Other changes	(2,455)	37,622	35,167
At 30 June 2020	443,547	3,720,117	4,163,664

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*15. Long term receivables *(continued)*

(3) Financing lease receivable

Item	RMB'000	
	30 June 2020	31 December 2019
The minimum amount of the lease receivable:		
1st year after the balance sheet date	9,454,947	10,581,337
2nd year after the balance sheet date	3,151,505	2,231,130
3rd year after the balance sheet date	1,596,676	1,807,093
4th year after the balance sheet date	1,177,755	1,088,612
5th year after the balance sheet date	633,481	624,604
Years afterward	1,044,753	922,540
Total of the minimum amount of the lease receivable	17,059,117	17,255,316
Less: Unrealised financing income	(2,738,361)	(2,818,004)
Credit loss allowance	(3,325,988)	(2,947,657)
Financing lease receivable	10,994,768	11,489,655
Including: Financing lease receivable due within one year	4,962,498	5,840,285
Financing lease receivable due after one year	6,032,270	5,649,370

As at 30 June 2020, the Group has long-term receivables with carrying amount equivalent to RMB532,387,000 (31 December 2019: RMB371,694,000) as pledge for the Group to obtain bank loans.

As at 30 June 2020, long-term receivables (inclusive of the portion due within one year) due from related parties of the Group are set out in Note X, 6.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Long-term equity investments

Investee	1 January 2020	Increasing investment	Investment gains or losses under equity method	Changes for the period		Announcement of cash dividends or profits	Provision for impairment loss	30 June 2020
				Adjustment of other comprehensive income	Other equity changes			
I. Joint ventures								
Wuhu Yunda Rail Transit Construction And Operation Co., Ltd. ("Wuhu Yunda")	473,000	-	-	-	-	-	-	473,000
Dalian Toshiba Locomotive Electric Equipment Co., Ltd.	371,251	-	(11,393)	-	-	-	-	359,858
Changchun Bombardier Railway Vehicles Company Ltd.	277,614	-	35,720	-	-	-	-	313,334
Zhuzhou CRRC Times High-tech Investment & Trusting Co., Ltd.	207,642	-	3,751	-	-	-	-	211,393
Zhuzhou Times Mitsubishi Transportation Equipment Co., Ltd.	208,280	-	2,769	-	-	-	-	211,049
Qingdao Sifang Faiveley Railway Brake Co., Ltd.	113,819	-	16,837	-	-	-	-	130,656
Others	1,163,119	-	(10,516)	2,398	-	(1,331)	(1,602)	1,152,068
Sub-total	2,814,725	-	37,168	2,398	-	(1,331)	(1,602)	2,851,358
II. Associates								
China United Insurance Holding Company ("China United Insurance")	5,145,343	-	82,312	(6,026)	-	(22,000)	-	5,199,629
CRRC Hunan Times Electric Vehicle Co., Ltd.	1,797,733	-	(66,034)	-	-	-	-	1,731,699
Jinan-Qingdao High-speed Railway Co., Ltd.	1,256,381	-	-	-	-	-	-	1,256,381
CRRC Ziyang Electric Technology Co., Ltd.	488,905	-	(5,743)	-	-	-	-	483,162
CRRC Foshan Investment Development Co., Ltd.	317,500	-	-	-	-	-	-	317,500
Tianjin Electric Locomotive Co., Ltd. ("Tianjin Electric Locomotive")	316,734	-	(12,863)	-	4,382	-	-	308,253
CRRC Tianjin Jinpu Industrial Park Management Co., Ltd.	264,310	-	(6,649)	-	-	-	-	257,661
Shanghai Alstom Communications Electric Co. Ltd.	166,748	-	20,186	-	-	-	-	186,934
Huaneng Tieling Daxing Wind Power Co., Ltd.	149,990	-	6,172	-	-	-	-	156,162
Others	2,852,327	39,116	55,355	-	17,033	(5,879)	-	2,957,952
Sub-total	12,755,971	39,116	72,736	(6,026)	21,415	(27,879)	-	12,855,333
Total	15,570,696	39,116	109,904	(3,628)	21,415	(29,210)	(1,602)	15,706,691

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
17. Investment in other equity instruments
(1) Category of investment in other equity instruments:

	RMB'000	
Item	30 June 2020	31 December 2019
Listed equity instruments at FVTOCI	1,272,880	1,398,150
Unlisted equity instruments at FVTOCI	1,392,617	1,256,452
Total	2,665,497	2,654,602

(2) Details of investment in other equity instruments:

	RMB'000					
Item	Dividend income recognised in this period	Accumulative gains	Accumulative losses	Amount of other comprehensive income transferred to retained earnings	Reason for being designated as at FVTOCI	Reason of other comprehensive income transferred to retained earnings
Listed equity instrument investments	22,957	207,697	(882,044)	46,745	/	Disposal
Unlisted equity instruments	3,241	40,109	(26,727)	61,403	Note	Disposal

Note: The unlisted equity instrument investments of the Group are investments planned to be held for the long term for the strategic purpose of the Group. Therefore, the above investments are designated as financial assets at FVTOCI by the Group.

18. Other non-current financial assets

	RMB'000	
Item	30 June 2020	31 December 2019
Financial assets investments: such as preference shares	629,087	616,855
Total	629,087	616,855

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
19. Investment properties

Item	RMB'000		
	Buildings	Land use rights	Total
I. COST			
1. Opening balance	1,294,956	107,444	1,402,400
2. Increases	35,934	378	36,312
(1) Additions	3,147	–	3,147
(2) Transfer from construction in progress	4,078	–	4,078
(3) Transfer from fixed assets	28,709	–	28,709
(4) Transfer from intangible assets	–	378	378
3. Decreases	6,367	–	6,367
(1) Transfer to fixed assets	863	–	863
(2) Translation differences arising from translation of foreign currency financial statements	5,504	–	5,504
4. Closing balance	1,324,523	107,822	1,432,345
II. Accumulated depreciation and amortisation			
1. Opening balance	261,298	19,564	280,862
2. Increases	26,687	1,191	27,878
(1) Provision or amortisation	20,352	1,077	21,429
(2) Transfer from fixed assets	6,335	–	6,335
(3) Transfer from intangible assets	–	114	114
3. Decreases	5,385	–	5,385
(1) Transfer to fixed assets	415	–	415
(2) Translation differences arising from translation of foreign currency financial statements	4,970	–	4,970
4. Closing balance	282,600	20,755	303,355
III. Provision for impairment			
1. Opening balance	12,061	–	12,061
2. Closing balance	12,061	–	12,061
IV. Carrying amount			
1. Carrying amount at the end of the period	1,029,862	87,067	1,116,929
2. Carrying amount at the beginning of the period	1,021,597	87,880	1,109,477

20. Fixed assets
Presented by item

Item	RMB'000	
	30 June 2020	31 December 2019
Fixed assets	57,307,719	59,065,583
Disposal of fixed assets	27,285	25,303
Total	57,335,004	59,090,886

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)
20. Fixed assets (continued)

Presented by item (continued)

(1) Details of fixed assets

RMB'000

Item	Land assets	Buildings	Machinery and equipments	Transportation vehicles	Office equipments and other equipments	Total
I. COST						
1. Opening balance	285,454	48,187,601	47,197,070	2,740,775	5,868,537	104,279,437
2. Increases	3,834	491,539	874,469	35,535	208,105	1,613,482
(1) Additions	-	33,151	287,598	27,696	106,481	454,926
(2) Transfer from construction in progress	-	410,121	566,804	7,674	98,643	1,083,242
(3) Transfer from investment properties	-	863	-	-	-	863
(4) Translation differences arising from translation of foreign currency financial statements	3,834	47,404	20,067	165	2,981	74,451
3. Decreases	-	166,440	558,902	28,405	56,497	810,244
(1) Disposal or retirement	-	69,253	507,001	27,268	51,765	655,287
(2) Transfer to construction in progress	-	31,009	23,275	-	2,131	56,415
(3) Transfer to investment properties	-	28,709	-	-	-	28,709
(4) Translation differences arising from translation of foreign currency financial statements	-	37,469	28,626	1,137	2,601	69,833
4. Closing balance	289,288	48,512,700	47,512,637	2,747,905	6,020,145	105,082,675
II. Accumulated depreciation						
1. Opening balance	-	12,525,355	26,562,741	1,832,878	3,836,951	44,757,925
2. Increases	-	862,521	1,798,210	91,570	291,743	3,044,044
(1) Provision	-	850,474	1,786,429	91,437	289,553	3,017,893
(2) Transfer from investment properties	-	415	-	-	-	415
(3) Translation differences arising from translation of foreign currency financial statements	-	11,632	11,781	133	2,190	25,736
3. Decreases	-	62,519	341,792	21,848	43,769	469,928
(1) Disposal or retirement	-	41,626	318,588	21,112	41,756	423,082
(2) Transfer to construction in progress	-	12,319	9,658	-	482	22,459
(3) Transfer to investment properties	-	6,335	-	-	-	6,335
(4) Translation differences arising from translation of foreign currency financial statements	-	2,239	13,546	736	1,531	18,052
4. Closing balance	-	13,325,357	28,019,159	1,902,600	4,084,925	47,332,041

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Fixed assets (continued)

Presented by item (continued)

(1) Details of fixed assets (continued)

Item	Land assets	Buildings	Machinery and equipments	Transportation vehicles	Office equipments and other equipments	Total
III. Provision for impairment						
1. Opening balance	-	58,876	348,275	44,687	4,091	455,929
2. Increases	-	-	105	-	-	105
(1) Provision	-	-	-	-	-	-
(2) Translation differences arising from translation of foreign currency financial statements	-	-	105	-	-	105
3. Decreases	-	2,717	9,993	91	318	13,119
(1) Disposal or retirement	-	-	6,738	-	222	6,960
(2) Translation differences arising from translation of foreign currency financial statements	-	2,717	3,255	91	96	6,159
4. Closing balance	-	56,159	338,387	44,596	3,773	442,915
IV. Carrying amount						
1. Carrying amount at the end of the period	289,288	35,131,184	19,155,091	800,709	1,931,447	57,307,719
2. Carrying amount at the beginning of the period	285,454	35,603,370	20,286,054	863,210	2,027,495	59,065,583

(2) Details of rent-out fixed assets under operating leases

RMB'000

Item	30 June 2020
Machinery and equipments	151,783
Transportation vehicles	43,655
Other equipments	202,663
Total	398,101

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Fixed assets (continued)

Presented by item (continued)

(3) Details of fixed assets of which property right certificates had not been obtained yet

RMB'000

Item	Carrying amount	Reasons for having not to obtain the property right certificates
Buildings	4,466,079	In process

Disposal of fixed assets

RMB'000

Item	30 June 2020	31 December 2019
Buildings	8,925	8,489
Machinery and equipments	13,645	12,445
Transportation vehicles	1,172	889
Office equipments and other equipments	3,543	3,480
Total	27,285	25,303

Other description: As at 30 June 2020, the Group had buildings, machinery, and equipments with carrying amount equivalent to RMB175,630,000 (31 December 2019: RMB134,440,000) as collateral for the Group to obtain bank loans. Except for the fixed assets used as collateral, there was no other restriction on the ownership of fixed assets.

21. Construction in progress

Presented by item

RMB'000

Item	30 June 2020	31 December 2019
Construction in progress	7,991,816	7,193,679
Materials for construction of fixed assets	55,571	50,170
Total	8,047,387	7,243,849

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Construction in progress (continued)

Presented by item (continued)

(1) Details of construction in progress

RMB'000

Item	30 June 2020			31 December 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Construction in progress	7,997,527	(5,711)	7,991,816	7,199,664	(5,985)	7,193,679

(2) Changes in significant construction in progress for the period

RMB'000

Name of projects	Budget	Opening balance	Increases	Transfer to fixed assets	Transfer to intangible assets	Transfer to investment properties	Transfer from fixed assets	Others	Closing balance	Proportion of accumulated investment to the budget (%)	Project progress (%)	Cumulative capitalisation of interests	Including: capitalisation of interests for the period	Capitalisation rate of interests (%)	Source of funds
Lishun project	4,774,000	1,794,506	126,278	(163,012)	-	-	-	-	1,757,772	74.65	74.65	252,395	30,499	5.25	Loan
Construction of new plant in Shajingyi	1,700,000	618,038	159,821	-	-	-	-	-	777,859	46.00	46.00	45,770	13,219	3.70	Loan
Panjin Shenghua Property project	552,654	419,685	-	-	-	-	-	(29,178)	390,507	75.94	75.94	-	-	-	Self-raised
Camel hill wind power plant	347,285	330,921	2,584	-	-	-	-	-	333,505	96.03	96.03	161	87	4.35	self-raised
Heavy axle load casting and forging project	850,000	263,129	9,779	-	-	-	-	-	272,908	79.15	79.15	51,335	2,857	5.25	Loan
Beijing Enqi rail vehicle industrial park construction project	480,000	219,372	11,504	(1,006)	-	-	-	-	230,270	70.00	70.00	14,333	6,396	4.41	Loan
New base project (phase I)	320,000	109,863	19,675	-	-	-	-	-	129,538	40.00	40.00	-	-	-	Self-raised
Harmony six-year inspection and construction project	190,000	120,862	2,923	(3,317)	-	-	-	-	120,468	95.03	95.03	12,467	1,749	4.90	Loan, self-raised
Guangdong CRRC rail transit vehicle repair base construction project	1,100,000	23,972	79,335	(2,429)	-	-	-	-	100,882	90.11	90.11	-	-	-	Self-raised
Others	19,429,030	3,299,316	1,473,188	(913,482)	(33,710)	(4,078)	33,956	28,648	3,883,818	/	/	63,037	1,889	/	Self-raised, loan
Total	29,742,969	7,199,664	1,885,467	(1,083,242)	(33,710)	(4,078)	33,956	(530)	7,997,527	/	/	439,498	56,636	/	/

Materials for construction of fixed assets

RMB'000

Item	30 June 2020		31 December 2019	
	Book value	Carrying amount	Book value	Carrying amount
Specialised materials	12	12	2	2
Specialised equipments	54,951	54,951	49,560	49,560
Others	608	608	608	608
Total	55,571	55,571	50,170	50,170

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Right-of-use assets

RMB'000

Item	Buildings	Machinery and equipments	Transportation vehicles	Office equipments and other equipments	Total
I. COST					
1. Opening balance	1,217,534	288,202	60,214	10,384	1,576,334
2. Increases	94,750	29,541	6,029	3,845	134,165
(1) Newly rented	93,781	29,288	3,453	3,798	130,320
(2) Translation differences arising from translation of foreign currency financial statements	969	253	2,576	47	3,845
3. Decreases	14,114	4,701	427	63	19,305
(1) Expiration of early termination of lease contract	6,982	4,458	163	-	11,603
(2) Translation differences arising from translation of foreign currency financial statements	7,132	243	264	63	7,702
4. Closing balance	1,298,170	313,042	65,816	14,166	1,691,194
II. Accumulated depreciation					
1. Opening balance	202,150	89,832	19,888	2,997	314,867
2. Increases	143,101	32,475	8,801	6,343	190,720
(1) Provision	142,381	32,431	8,600	6,322	189,734
(2) Translation differences arising from translation of foreign currency financial statements	720	44	201	21	986
3. Decreases	5,365	6,270	309	7,248	19,192
(1) Expiration of early termination of lease contract	2,177	6,190	-	7,217	15,584
(2) Translation differences arising from translation of foreign currency financial statements	3,188	80	309	31	3,608
4. Closing balance	339,886	116,037	28,380	2,092	486,395
III. Carrying amount					
1. Carrying amount at the end of the period	958,284	197,005	37,436	12,074	1,204,799
2. Carrying amount at the beginning of the period	1,015,384	198,370	40,326	7,387	1,261,467

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Intangible assets

(1) Details of intangible assets

Item	RMB'000					Total
	Land use rights	Proprietary technology and industrial properties	Software licences	Customer relationship	Backlog orders and service contracts	
I. COST						
1. Opening balance	16,486,329	4,628,099	2,890,306	357,838	54,371	24,416,943
2. Increases	982,197	79,096	80,922	5,427	-	1,147,642
(1) Additions	975,599	36,291	54,325	-	-	1,066,215
(2) Transfer from construction in progress	6,544	1,429	25,737	-	-	33,710
(3) Internal research and development	-	3,199	-	-	-	3,199
(4) Translation differences arising from translation of foreign currency financial statements	54	38,177	860	5,427	-	44,518
3. Decreases	200,495	210,168	3,367	54	-	414,084
(1) Disposal	200,117	210,168	3,367	54	-	413,706
(2) Transfer to investment properties	378	-	-	-	-	378
4. Closing balance	17,268,031	4,497,027	2,967,861	363,211	54,371	25,150,501
II. Accumulated amortisation						
1. Opening balance	3,200,540	2,529,189	1,952,343	194,377	54,371	7,930,820
2. Increases	267,449	140,593	119,259	3,146	-	530,447
(1) Provision	266,046	94,858	119,259	401	-	480,564
(2) Translation differences arising from translation of foreign currency financial statements	1,403	45,735	-	2,745	-	49,883
3. Decreases	38,375	97,839	1,319	-	-	137,533
(1) Disposal	38,030	97,839	680	-	-	136,549
(2) Transfer to investment properties	114	-	-	-	-	114
(3) Other transfers out	231	-	639	-	-	870
4. Closing balance	3,429,614	2,571,943	2,070,283	197,523	54,371	8,323,734
III. Provision for impairment						
1. Opening balance	-	349,100	1,731	120,978	-	471,809
2. Increases	-	-	-	1,792	-	1,792
(1) Provision	-	-	-	-	-	-
(2) Translation differences arising from translation of foreign currency financial statements	-	-	-	1,792	-	1,792
3. Decreases	-	4,235	-	-	-	4,235
(1) Disposal	-	4,235	-	-	-	4,235
4. Closing balance	-	344,865	1,731	122,770	-	469,366
IV. Carrying amount						
1. Carrying amount at the end of the period	13,838,417	1,580,219	895,847	42,918	-	16,357,401
2. Carrying amount at the beginning of the period	13,285,789	1,749,810	936,232	42,483	-	16,014,314

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Intangible assets (continued)

(2) Details of land use rights of which property right certificates had not been obtained

RMB'000

Item	Carrying amount	Reasons for having not to obtain the property right certificates
Project land	194,064	In progress

(3) As at 30 June 2020, the Group had intangible assets with a carrying amount of RMB21,375,000 (31 December 2019: Nil) as collateral for the Group to obtain bank loans.

24. Development expenditures

RMB'000

Item	January 1, 2020	Increases		Decreases		June 30, 2020
		Internal development expenditures	Translation differences arising from translation of foreign currency financial statements	Recognised as intangible assets (Note V, 23)	Transfer to profit or loss	
Development expenditures	334,394	4,502,573	(2,022)	3,199	4,422,787	408,959

25. Goodwill

(1) Book value of goodwill

RMB'000

Name of investee	1 January 2020	Increases	Decreases	Exchange fluctuation	30 June 2020
CRRC Zhuzhou and its subsidiaries	20,156	-	-	-	20,156
CRRC ZELRI and its subsidiaries	1,401,864	-	-	11,047	1,412,911
CRRC Tangshan and its subsidiaries	36,379	-	-	-	36,379
Others	21,519	-	-	-	21,519
Total	1,479,918	-	-	11,047	1,490,965

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. Goodwill *(continued)*

(2) Provision for impairment losses of goodwill

Name of investee or items forming goodwill	RMB'000				
	1 January 2020	Increases	Decreases	Exchange fluctuation	30 June 2020
CRRC Zhuzhou and its subsidiaries	20,156	–	–	–	20,156
CRRC ZELRI and its subsidiaries	995,790	154,724	–	4,631	1,155,145
Others	1,814	–	–	–	1,814
Total	1,017,760	154,724	–	4,631	1,177,115

As of 30 June 2020, the Group assessed the recoverable amount of the asset group giving rise to SMD goodwill, and identified that SMD goodwill suffered from impairment, the provision amounted to RMB154,724,000 for the current period (provision for impairment for 2019: RMB68,000,000). The major factor for the goodwill suffered from impairment was due to the impact of COVID-19 which led to the decline in the world economic environment and that affected the overall development of SMD's future business. The asset group does not have other assets which are needed for provision for impairment.

The recoverable amount of SMD's goodwill is determined based on the present value of expected future cash flows of the asset group. The management prepares the cash flow forecast for the next five years based on the latest financial budget. The pre-tax discount rate used to calculate the recoverable amount is 16.0% (31 December 2019: 16.0%), and the revenue growth rate of the calculation period is 2.0% (31 December 2019: 2.0%).

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Deferred tax assets/Deferred tax liabilities

(1) Deferred tax assets before offsetting

RMB'000

Item	30 June 2020		31 December 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Expected warranty provisions	7,277,521	1,143,299	7,407,903	1,144,234
Provision for assets impairment	1,508,956	293,147	1,260,148	244,811
Provision for credit losses	3,336,600	514,938	2,998,742	492,422
Unrealised profit from internal transactions	2,277,702	369,257	1,952,416	316,522
Estimated losses	740,899	111,134	740,896	111,134
Government grants	2,140,682	330,543	1,879,857	290,269
Accrued expenses	1,486,338	285,079	1,678,424	303,107
Unpaid employee salaries	318,558	51,002	336,906	53,940
Deductible losses	1,181,193	177,882	1,015,736	152,965
Changes in fair value of investment in other equity instruments	739,408	132,885	374,880	67,372
Changes in fair value of receivables through FVTOCI	49,574	8,691	207,103	36,307
Others	1,475,319	306,669	1,316,519	273,661
Total	22,532,750	3,724,526	21,169,530	3,486,744

(2) Deferred tax liabilities before offsetting

RMB'000

Item	30 June 2020		31 December 2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Adjustment on fair value of acquisition of subsidiaries	434,658	78,511	437,099	78,952
Depreciation difference due to inconsistency of depreciation period between tax law and accounting	589,258	95,918	577,311	93,973
Changes in fair value of investment in other equity instruments	241,007	48,201	207,055	35,764
Gains on changes in fair value during the holding period of the financial assets at fair value through profit or loss	105,983	26,496	75,110	18,778
Others	229,178	38,960	8,091	1,282
Total	1,600,084	288,086	1,304,666	228,749

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V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
26. Deferred tax assets/Deferred tax liabilities *(continued)*
(3) Deferred tax assets/liabilities after offsetting

Item	RMB'000			
	Amount of offsetting of deferred tax assets and liabilities at the end of the period	Balances of deferred tax assets or liabilities after offsetting at the end of the period	Amount of offsetting of deferred tax assets and liabilities at the beginning of the period	Balances of deferred tax assets or liabilities after offsetting at the beginning of the period
Deferred tax assets	82,691	3,641,835	85,993	3,400,751
Deferred tax liabilities	82,691	205,395	85,993	142,756

(4) Details of unrecognised deferred tax assets

Item	RMB'000	
	30 June 2020	31 December 2019
Deductible temporary differences	10,864,408	10,784,601
Deductible tax losses	16,493,075	15,704,049
Total	27,357,483	26,488,650

(5) Deductible tax losses, for which no deferred tax assets were recognised, will expire in the following years

Year	RMB'000	
	30 June 2020	31 December 2019
2020	585,539	582,286
2021	1,258,153	1,163,430
2022	877,805	936,888
2023	3,674,037	3,681,772
2024	2,520,005	2,537,718
2025	2,121,354	1,503,714
2026	1,506,996	1,506,996
2027	1,461,674	1,461,674
2028	1,184,584	1,184,627
2029	1,144,944	1,144,944
2030	157,984	-
Total	16,493,075	15,704,049

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)**27. Other non-current assets**

Item	RMB'000	
	30 June 2020	31 December 2019
Contract assets	12,163,696	9,540,840
Prepayment of intangible assets	285,555	1,150,429
Prepayment of engineering equipments	1,135,690	974,921
Restricted funds	1,170,000	–
Others	363,193	381,531
Sub-total	15,118,134	12,047,721
Less: Other non-current assets due within one year (Note V, 11)	–	–
Total	15,118,134	12,047,721

As at 30 June 2020, prepayments made to related parties of the Group in the balance of other non-current assets are set out in Note X, 6.

As at 30 June 2020, restricted funds are set out in Note V, 1.

28. Short-term borrowings**(1) Category of short-term borrowings**

Item	RMB'000	
	30 June 2020	31 December 2019
Credit loans	13,770,129	8,519,291
Guaranteed loans	1,293,396	1,612,939
Pledged loans	141,933	398,186
Total	15,205,458	10,530,416

As at 30 June 2020, the guaranteed loans were guaranteed by the Group and its subsidiaries.

As at 30 June 2020, the annual interest rate of short-term borrowings ranged from 0.16%-6.1% (31 December 2019: 0.16%-5.9%).

As at 30 June 2020, short-term borrowings from related party of the Group are set out in Note X, 6.

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Customer deposits and deposits from banks and other financial institutions

Item	RMB'000	
	30 June 2020	31 December 2019
Customer deposits of CRRC Finance	2,793,359	5,577,269
Total	2,793,359	5,577,269

As at 30 June 2020, details of related parties deposits are set out in Note X, 6.

30. Bills payable

Category	RMB'000	
	30 June 2020	31 December 2019
Bank acceptances	16,715,079	23,693,154
Commercial acceptances	2,692,748	3,646,320
Total	19,407,827	27,339,474

As at 30 June 2020, details of related party bills payable due to related parties are set out in Note X, 6.

31. Accounts payable

(1) Details of accounts payable

Item	RMB'000	
	30 June 2020	31 December 2019
Related party	4,921,458	5,390,015
Third party	118,462,876	101,212,398
Total	123,384,334	106,602,413

The aging of accounts payable of the Group is classified based on the invoicing date.

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Accounts payable (continued)

(2) Aging analysis of accounts payable

Item	RMB'000	
	30 June 2020	31 December 2019
Within 1 year	116,868,178	100,026,536
1-2 years	4,218,451	4,572,376
2-3 years	932,867	641,717
Over 3 years	1,364,838	1,361,784
Total	123,384,334	106,602,413

(3) As at 30 June 2020, details of accounts payable due to related parties are set out in Note X, 6.

32. Receipts in advance

Details of receipts in advance

Item	RMB'000	
	30 June 2020	31 December 2019
Related party	2,000	2,000
Third party	8,564	3,827
Total	10,564	5,827

As at 30 June 2020, details of receipts in advance due to related parties of the Group are set out in Note X, 6.

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Contract liabilities

(1) Details of contract liabilities

Item	RMB'000	
	30 June 2020	31 December 2019
Sale of goods related (Note 1)	33,016,916	27,930,959
Project contracting services related (Note 2)	46,123	328,820
Sub-total	33,063,039	28,259,779
Less: Contract liabilities presented under other non-current liabilities	(94,890)	(92,308)
Total	32,968,149	28,167,471

Note 1: As at 30 June 2020, the acceptance and transfer of certain sales of goods of the Group was later than the customer's payment, generating contract liabilities related to the contract on sales of goods.

Note 2: As at 30 June 2020, the Group's contract liabilities related to the project contracting service contracts represented the excess of the settled amount over revenue recognised based on the progress of construction.

- (2) As at 30 June 2020, details of current account balances with related parties included in the balance of contract liabilities are set out in Note X, 6.

34. Employee benefits payable

(1) Details of employee benefits payable

Item	RMB'000			
	1 January 2020	Increases	Decreases	30 June 2020
I. Short-term employee benefits	1,886,191	10,616,594	10,520,800	1,981,985
II. Post-employment benefits – Defined contribution plan	60,154	1,182,287	1,160,396	82,045
III. Labour expenditures	5,376	436,500	435,280	6,596
IV. Post-employment benefits due within one year – Net liabilities in defined benefit plan (Mainland China)	219,041	25,113	77,233	166,921
V. Post-employment benefits due within one year – Net liabilities in defined benefit plan (other countries and regions)	23,655	80,048	85,951	17,752
Total	2,194,417	12,340,542	12,279,660	2,255,299

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
34. Employee benefits payable *(continued)*
(2) Presentation of short-term employee benefits

RMB'000

Item	1 January 2020	Increases	Decreases	30 June 2020
I. Salaries, bonuses, allowances and subsidies	730,962	8,128,459	7,959,372	900,049
II. Welfare benefits	348,507	435,505	421,746	362,266
III. Social insurances	75,672	637,673	614,696	98,649
Including: Medical insurance	68,252	575,327	557,672	85,907
Employment injury insurance	6,941	42,838	37,918	11,861
Maternity insurance	479	19,508	19,106	881
IV. Housing funds	34,957	976,269	967,911	43,315
V. Employee union funds and staff education funds	267,369	228,748	196,794	299,323
Others	428,724	209,940	360,281	278,383
Total	1,886,191	10,616,594	10,520,800	1,981,985

(3) Details of defined contribution plan

RMB'000

Item	1 January 2020	Increases	Decreases	30 June 2020
I. Basic pension insurance	39,303	787,389	775,593	51,099
II. Unemployment insurance	3,980	32,018	29,228	6,770
III. Enterprise annuity	16,871	362,880	355,575	24,176
Total	60,154	1,182,287	1,160,396	82,045

35. Tax payable

RMB'000

Item	30 June 2020	31 December 2019
VAT	688,295	1,204,332
Enterprise income tax	572,253	801,829
Individual income tax	55,298	221,642
City maintenance and construction tax	42,006	91,099
Educational surcharge	30,985	66,501
Property tax	37,690	39,088
Land use tax	24,090	23,033
Others	51,866	107,423
Total	1,502,483	2,554,947

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. Other payables

(1) Presented by item

Item	RMB'000	
	30 June 2020	31 December 2019
Interests payable	627	43,113
Dividends payable	4,903,719	385,098
Other payables	9,765,835	8,748,186
Total	14,670,181	9,176,397

(2) Interests payable

Item	RMB'000	
	30 June 2020	31 December 2019
Loan interests	627	41,412
Interests on corporate bonds	–	1,701
Total	627	43,113

(3) Dividends payable

Item	RMB'000	
	30 June 2020	31 December 2019
Related party	2,164,428	18,144
Third party	2,739,291	366,954
Total	4,903,719	385,098

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
36. Other payables *(continued)*
(4) Other payables

Item	RMB'000	
	30 June 2020	31 December 2019
Collections on behalf other parties	2,713,525	2,472,203
Payments for equipment and projects	1,707,260	1,608,739
Deposits and securities, housing fund, and public facilities maintenance funds	1,435,101	1,183,157
Technology royalties and research expenditures	853,394	681,060
Utilities, repair and transportation expenses	325,507	399,646
Others	2,731,048	2,403,381
Total	9,765,835	8,748,186

(5) As at 30 June 2020, details of other payables due to related parties are set out in Note X, 6.

37. Non-current liabilities due within one year

Item	RMB'000	
	30 June 2020	31 December 2019
Long-term borrowings due within one year	1,415,147	699,809
Bonds payable due within one year	2,549,427	58,279
Lease liabilities due within one year	382,107	297,387
Long-term payables due within one year	4,703	4,897
Provisions due within one year	2,419,755	2,712,162
Other non-current liabilities due within one year	6,681	5,940
Total	6,777,820	3,778,474

As at 30 June 2020, details of current account balances with related parties included in the balance of non-current liabilities due within one year are set out in Note X, 6.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Other current liabilities

Item	RMB'000	
	30 June 2020	31 December 2019
Super short-term financing bills	15,517,890	500,000
Output VAT tax to be transferred and received VAT in advance	3,599,193	3,515,089
Others	86,143	–
Total	19,203,226	4,015,089

Change in super short-term financing bills:

Name of bonds	Par value	Issuing date	Bond duration (days)	Issuing amount	1 January 2020	Issued in the period	Accrued interests at par value	Repayment in the period	30 June 2020
									RMB'000
Times New Material's Phase II Super short-term financing bills in 2019	500,000	25/11/2019	90	500,000	500,000	–	4,303	(504,303)	–
Times New Material's Phase I Super short-term financing bills in 2020	500,000	19/02/2020	30	500,000	–	500,000	1,209	(501,209)	–
Times New Material's Phase II Super short-term financing bills in 2020	500,000	16/03/2020	90	500,000	–	500,000	3,723	(503,723)	–
Times New Material's Phase III Super short-term financing bills in 2020	500,000	02/06/2020	90	500,000	–	500,000	1,050	–	501,050
CRRC's Phase I Super short-term financing bills in 2020	3,000,000	13/03/2020	31	3,000,000	–	3,000,000	4,459	(3,004,459)	–
CRRC's Phase II Super short-term financing bills in 2020	3,000,000	10/04/2020	31	3,000,000	–	3,000,000	3,695	(3,003,695)	–
CRRC's Phase III Super short-term financing bills in 2020	3,000,000	14/04/2020	90	3,000,000	–	3,000,000	9,740	–	3,009,740
CRRC's Phase IV Super short-term financing bills in 2020	3,000,000	07/05/2020	29	3,000,000	–	3,000,000	2,860	(3,002,860)	–
CRRC's Phase V Super short-term financing bills in 2020	3,000,000	07/06/2020	59	3,000,000	–	3,000,000	2,200	–	3,002,200
CRRC's Phase VI Super short-term financing bills in 2020	3,000,000	19/06/2020	31	3,000,000	–	3,000,000	1,500	–	3,001,500
CRRC's Phase VII Super short-term financing bills in 2020	3,000,000	19/06/2020	90	3,000,000	–	3,000,000	1,700	–	3,001,700
CRRC's Phase VIII Super short-term financing bills in 2020	3,000,000	19/06/2020	90	3,000,000	–	3,000,000	1,700	–	3,001,700
Total	/	/	/	26,000,000	500,000	25,500,000	38,139	(10,520,249)	15,517,890

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)**39. Long-term borrowings****(1) Category of long-term borrowings**

Item	RMB'000	
	30 June 2020	31 December 2019
Credit loans	4,124,845	2,711,906
Pledged loans	578,240	436,554
Mortgage loans	132,965	133,880
Guaranteed loans	6,703	7,113
Total	4,842,753	3,289,453
Less: Long-term borrowings due within one year (Note V, 37)	(1,415,147)	(699,809)
Including: Credit loans	(1,385,397)	(653,398)
Pledged loans	(18,813)	(32,065)
Mortgage loans	(10,937)	(14,346)
Guaranteed loans	–	–
Long-term borrowings due after one year	3,427,606	2,589,644
Including: Credit loans	2,739,448	2,058,508
Pledged loans	559,427	404,489
Mortgage loans	122,028	119,534
Guaranteed loans	6,703	7,113

As at 30 June 2020, the guaranteed loans were guaranteed by the Group and its subsidiaries.

As at 30 June 2020, the annual interest rate of long-term borrowings ranged from 0.16 % to 9.00 % (31 December 2019: 0.16%-9.00%).

40. Bonds payable**(1) Bonds payable**

Item	RMB'000	
	30 June 2020	31 December 2019
2016 Convertible Bonds	2,512,156	2,445,097
Corporate bonds	3,126,991	2,147,999
Total	5,639,147	4,593,096
Less: Bonds payable due within one year (Note V, 37)	(2,549,427)	(58,279)
Bonds payable due after one year	3,089,720	4,534,817

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
40. Bonds payable *(continued)*
(2) Changes in bonds payable

RMB'000

Name of bonds	Par value	Issuing date	Bond duration	Issuing amount	Opening balance	Issued in the period	Accrued interests at par value	Amortisation of premium/discount	Exchange fluctuation	Repayment in the period	Closing balance
CSR 2013 Corporate Bonds (Phase II) (Ten-year Term)	1,500,000	22/04/2013	10 years	1,500,000	1,551,145	-	36,667	-	-	(75,000)	1,512,812
CRRC 2016 Phase I Corporate Bonds	2,000,000	30/08/2016	5 years	2,000,000	596,854	-	9,970	-	-	-	606,824
2016 Convertible Bonds	3,918,840	05/02/2016	5 years	3,918,840	2,445,097	-	-	30,746	36,313	-	2,512,156
CRRC 2020 Phase I Corporate Bonds	1,000,000	01/04/2020	3 years	1,000,000	-	1,000,000	7,355	-	-	-	1,007,355
Total	/	/	/	8,418,840	4,593,096	1,000,000	53,992	30,746	36,313	(75,000)	5,639,147
Less: Bonds payable due within one year	/	/	/	/	(58,279)	/	/	/	/	/	(2,549,427)
Bonds payable due after one year	/	/	/	/	4,534,817	/	/	/	/	/	3,089,720

(3) Description of conditions and timing of conversion for convertible bonds

As at 5 February 2016, the Company issued convertible bonds (“2016 Convertible Bonds”) amounting to USD600,000,000 in total, the maturity of which is 5 February 2021. Each convertible bond has a face value of USD250,000, issued at 100% of the face value with a coupon rate of nil. Main terms of 2016 Convertible Bonds are as follows:

(i) Right of conversion

Holders of 2016 Convertible Bonds have the right to convert convertible bonds under their names into shares at any time during the conversion period at applicable price of conversion. The conversion period for 2016 Convertible Bonds is from 17 March 2016 to 26 January 2021. Bonds holders may be requested to repurchase by the Company i) during the conversion period, or ii) prior to the maturity of the bonds, and exercise any right of conversion attached with the bonds at any time until 10 days before the relevant designated redemption date. If holders of the bonds have exercised their rights during the restricted conversion period (the first and the last days inclusive) based on conditions to require the Company to redeem such bonds, they cannot exercise rights of conversion over the bonds.

The initial price of conversion for 2016 Convertible Bonds is HKD9.65 per share. The price of conversion will be adjusted based on the following items: share consolidation, split and reclassification, capitalisation of profit or reserve, profit distribution, share allotment or share option, placing of other securities, issuing of any ordinary shares at prices lower than the prevailing market prices, other issuance at prices lower than the prevailing market prices, modification to rights of conversion, other issuance to shareholders of ordinary shares etc. The number of conversion is determined based on the principal amount of bonds divided by the price of conversion. The fixed exchange rate of USD against HKD is 7.7902. The Company held the general meeting of shareholders on 18 June 2020, which approved the following: 2019 profit distribution scheme; a cash dividend of RMB0.15 (tax inclusive) per share declared to all shareholders; since 1 July 2020, the price of conversion adjusted to HKD8.77 per share from the adjusted price of HKD9.00 per share.

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)***40. Bonds payable** *(continued)***(3) Description of conditions and timing of conversion for convertible bonds** *(continued)***(ii) Issuer's rights of redemption***Redemption upon maturity*

Except for those previously redeemed, converted, repurchased or cancelled, the Company will redeem all 2016 Convertible Bonds which have not been converted yet at the maturity date of 2016 Convertible Bonds at 100% of the outstanding principal.

Conditional redemption

Upon issuing redemption notice to the trustee, the bond holder or the principal agent for 30 to 60 days, based on the following specific conditions, the Company may redeem all 2016 Convertible Bonds which have not been converted yet at 100% of the outstanding principal on the date of redemption:

- a. At any time within the period from 5 February 2019 to the maturity date, redemption shall be made during 20 working days of HKEX in the period of 30 consecutive working days before the publication of the redemption notice at HKEX (the last working day of HKEX shall be 10 working day earlier than the issue of the redemption notice), at the closing price of H Share translated into USD at the applicable prevailing exchange rate, which shall be at least 130% of the conversion price (translated into USD at fixed exchange rate) on a daily basis for 20 working days of HKEX, otherwise, the redemption is rejected. In case which leads to changes in conversion price during the 30 consecutive working days of HKEX, when calculating the closing price of H Share at the related date, adjustment shall be made regarding the related date as appropriate and the aforesaid adjustment shall be approved by the independent investment bank; or
- b. The principal of 2016 Convertible Bonds which have not been redeemed or converted is less than 10% of the principal of bonds originally issued.

(iii) Bond holders' right of resale

Holders of 2016 Convertible Bonds are entitled to request the Company to redeem all or part of the bonds of the holders on the date of the resale right (i.e. 5 February 2019) at 100% of the outstanding principal of bonds. After the expiration of the exercise period of relevant rights, holder of the bonds with a total principal of USD240 million (the "redeemed bonds") had notified the exercise of the right of resale. Accordingly, the redeemed bonds were redeemed on the basis of 100% of the principal of bonds on 5 February 2019, and were cancelled in real time after redemption. As at 30 June 2020, bonds with a total principal of USD360 million were not redeemed, equivalent to 60% of total principal of bonds originally issued.

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

40. Bonds payable *(continued)*

(4) Accounting of convertible corporate bonds

2016 Convertible Bonds comprise the debt part of the host contract and the embedded derivatives including right of redemption, right of conversion and right of resale. While the embedded derivatives are not closely related to the host contract in terms of economic characteristics and risk, they are separated from 2016 Convertible Bonds, and accounted for as derivative instruments separately.

- (i) The debts in the host contract are initially recognised at fair value, amounting to RMB3,488,045,000 approximately. The host debt contract is subsequently measured at amortised cost based on the effective interest rate at 2.53% using the effective interest method in consideration of issuing costs including the underwriting fee.
- (ii) The embedded derivatives are initially recognised and subsequently measured at fair value, with related costs of transaction immediately recognised in profit or loss for the period.

Issuing costs associated with 2016 Convertible Bonds including the underwriting fee are allocated based on the proportion of the debts in the host contract and the fair value of the embedded derivatives. Issuing costs associated with the host contract including the underwriting fee of approximate RMB28,745,000 are included in the initial carrying amount of the debts and amortised over the remaining life of the bonds using the effective interest method. Issuing costs associated with the embedded derivatives including the underwriting fee of approximate RMB3,550,000 is immediately recognised in financial expenses for the period.

The independent asset valuer assesses the fair value of the embedded derivatives using the Binominal Model, the assessment reference dates are 30 June 2020 and 31 December 2019 respectively, mainly using the following parameters:

Item	30 June 2020	31 December 2019
Current price of stock	HK\$3.29	HK\$5.7
Exercise price of option	HK\$9.00	HK\$9.00
Risk-free interest rate	1.671%	1.907%
Weekly volatility of stock price	5.42%	3.2649%

The risk-free interest rate is based on the comprehensive yield rate of 5-year government bonds in the HK market.

The stock price volatility is determined by reference to the historical volatility of the Company's stock price.

The fluctuation of any parameter in the Binominal Model will have impact on the fair value of the embedded derivative of 2016 Convertible Bonds.

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
40. Bonds payable *(continued)*
(4) Accounting of convertible corporate bonds *(continued)*

Movements of debts of 2016 Convertible Bonds and embedded derivatives are as follows:

Item	Debt	Embedded derivatives (Note V, 46)	Total
At 1 January 2020	2,445,097	5,396	2,450,493
Amortisation of premium/discount	30,746	–	30,746
Exchange fluctuation	36,313	44	36,357
Gains on changes in fair value (Note V, 61)	–	(5,419)	(5,419)
At 30 June 2020	2,512,156	21	2,512,177
Including: Due within 1 year	2,512,156	21	2,512,177

41. Lease liabilities

Item	RMB'000	
	30 June 2020	31 December 2019
Lease liabilities	1,322,549	1,257,888
Less: Lease liabilities due within one year (Note V, 37)	(382,107)	(297,387)
Lease liabilities due over one year	940,442	960,501

Analysis of lease liabilities due after one year is as follows:

Subsequent to the balance sheet date:	RMB'000
	30 June 2020
Within a period of more than one year but not exceeding two years	255,844
Within a period of more than two year but not exceeding five years	469,233
Within a period of more than five years	357,446
Total undiscounted payments	1,082,523
Less: Unrecognised financing expenses	(142,081)
Lease liabilities due over one year	940,442

As at 30 June 2020, the lease liability (including the one-year maturity) due to the related parties are set out in Note X, 6.

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V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
42. Long-term payables Presented by item

Item	RMB'000	
	30 June 2020	31 December 2019
Long-term payables	81,359	80,662
Special payables	8,828	9,719
Total	90,187	90,381
Less: Non-current liabilities due within one year (Note V, 37)	(4,703)	(4,897)
Long-term payables due over one year	85,484	85,484

Long-term payables

Item	RMB'000	
	30 June 2020	31 December 2019
Purchase of fixed assets by installment	81,359	80,662
Less: Long-term payables due within one year	(2,115)	(1,418)
Long-term payables due over one year	79,244	79,244

Special payables

Item	RMB'000			
	31 December 2019	Increases in the period	Decreases in the period	30 June 2020
Special fund for industrial transformation of Gansu Province in 2016	6,000	–	–	6,000
Research & development of the overall solution and prototype system of embedded system of the rail transit equipment	1,010	–	–	1,010
Others	2,709	–	891	1,818
Total	9,719	–	891	8,828
Less: Special payables due within one year	(3,479)	/	/	(2,588)
Special payables due over one year	6,240	/	/	6,240

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. Long-term employee benefits payable

(1) Table of long-term employee benefits payable

Item	RMB'000	
	30 June 2020	31 December 2019
I. Post-employment benefits – liabilities in defined benefit plan (Mainland China) (Note 1)	1,881,113	1,875,343
II. Post-employment benefits – liabilities in defined benefit plan (Other countries and regions) (Note 2)	1,215,834	1,173,816
III. Others	653,378	637,080
Total	3,750,325	3,686,239

(2) Changes in defined benefit plan (Mainland China)

Present value of the defined benefit plan obligation:

Item (Note 1)	RMB'000	
	Current period	Prior period
I. Opening balance	2,094,384	2,247,321
II. Defined benefit cost recognised in profit or loss	28,769	33,051
1. Net interests	28,769	33,051
III. Other changes	(75,119)	(108,613)
1. Paid benefits	(75,119)	(108,613)
IV. Closing balance	2,048,034	2,171,759
Less: Post-employment benefits due within one year – liabilities in defined benefit plan (Note V, 34)	(166,921)	(234,278)
V. Post-employment benefits due after one year – liabilities in defined benefit plan	1,881,113	1,937,481

Note 1: For the Company and other domestic subsidiaries, in addition to the basic pension insurance provided by the local government departments, the Group also provides supplementary pension insurance plans and other comprehensive retirement benefit plans for employees retired before 1 July 2007. These plans include monthly living subsidies for employees after their retirement. The Group no longer provides (pays) any supplementary retirement benefits (including supplementary benefits such as retirement salaries, subsidies, medical care) for employees retired since 1 July 2007.

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

43. Long-term employee benefits payable *(continued)*

(2) Changes in defined benefit plan (Mainland China) *(continued)*

The Group engaged an independent actuary, Towers Watson (Shenzhen) Consulting Co., Ltd., to estimate the present value of its above retirement benefit plan obligations using the actuarial method based on the expected cumulative welfare unit method. The plan estimates future cash outflows based on inflation rate and mortality rate assumptions and determines its present value at a discount rate. The discount rate is determined based on the market yield of the national debt that matches the term and currency of the obligations of defined benefit plan on the balance sheet date.

The defined benefit plan exposes the Group to actuarial risks, including interest rate risk, longevity risk and inflation risk. A decrease in the rate of return of national debt will result in an increase in the present value of the defined benefit plan obligations. The present value of the defined benefit plan obligations is calculated based on the optimal estimate of the mortality rate of the participating employees, and an increase in the life expectancy of the plan members will result in an increase in the liabilities in the plan. In addition, the present value of the defined benefit plan obligation is related to the planned future payment standard, and the payment standard is determined based on the inflation rate. Therefore, the increase in the inflation rate will also result in an increase in the liabilities in the plan.

The average period of defined benefit plan obligations as at 30 June 2020 is 5 to 8 years. Significant actuarial assumptions (discount rate and average growth rate of medical cost) used in determining present value of defined benefit plan obligations are as follows:

Item	30 June 2020 (%)	31 December 2019 (%)
Discount rate	3.00	3.00
Average growth rate of medical cost	7.00/12.00/8.00	7.00/12.00/8.00

The above sensitivity analysis is an inference based on the impact of key assumptions on the net defined benefit plan when there is a reasonable change on the balance sheet date. Because some of the assumptions may be relevant and one assumption cannot be changed in isolation, the above sensitivity analysis may not necessarily reflect the actual changes in the present value of the defined benefit plan obligations.

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. Long-term employee benefits payable (continued)

(3) Changes in defined benefit plan (Other countries and regions)

Item (Note 2)	RMB'000	
	Current period	Prior period
I. Opening balance	1,197,471	1,018,538
II. Defined benefit cost recognised in profit or loss	20,113	17,092
1. Net interests	7,799	10,458
2. Cost of service in the current period	12,314	6,634
III. Defined benefit cost recognised in other comprehensive income	18,549	(212)
1. Actuarial gains	5,324	–
2. Foreign exchange rates difference	13,225	(212)
IV. Other changes	(2,547)	(26,834)
1. Paid benefits	(2,547)	(26,834)
V. Closing balance	1,233,586	1,008,584
Less: Post-employment benefits due within one year-liabilities in defined benefit plan (other countries and regions) (Note V, 34)	(17,752)	(25,269)
VI. Post-employment benefits due after one year-liabilities in defined benefit plan (other countries and regions)	1,215,834	983,315

Note 2: Post-employment benefits-net liabilities in defined benefit plan (other countries or regions) are based on the liabilities recognised in the pension plan provided by the Group's subsidiary, German Rubber and Plastics Business ("Germany BOGE") and Blue Engineering Co., Ltd. and its subsidiaries ("Blue Group"), to their employees.

The principal pension plan of Germany BOGE provides a defined benefit plan for all unallocated assets for all eligible employees in Germany. According to the Pension Plan 2005 ("Rentenordnung 2005") and the Pension Plan 2004 ("Versorgungszusage 2004"), Germany BOGE provides a traditional German pension plan group, including normal and early retirement benefits and benefits for long-term disabled people and survivors of deceased employees.

The Blue Group's post-employment benefit plan is a defined benefit plan for all eligible employees in Italy under the Italian Civil Code 2120 (2120 del codice civile italiano).

The average period of defined benefit plan obligations as at 30 June 2020 is 28 years.

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. Long-term employee benefits payable (continued)

(3) Changes in defined benefit plan (Other countries and regions) (continued)

The actuarial valuation of the present value of the defined benefit plan obligations is determined using the expected cumulative benefit unit method. In addition to the assumptions for life expectancy, other significant assumptions are as follows:

Item	30 June 2020 (%)	31 December 2019 (%)
Discount rate	0.8-1.3	0.8-1.3
Expected increase in wages and salaries	0.5-2.7	0.5-2.7
Increase in pension	1.3	1.3
Volatility	1.0	1.0

The expected increase in wages and salaries depends primarily on factors such as inflation, salary standards and the company's operating conditions.

44. Provisions

RMB'000

Item	30 June 2020	31 December 2019	Reason
Warranty provisions	7,794,746	7,624,284	Agreement on after sales service
Others	903,060	942,002	/
Total	8,697,806	8,566,286	/
Less: Provisions expected to due within one year (Note V, 37)	(2,419,755)	(2,712,162)	/
Provisions due after one year	6,278,051	5,854,124	/

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. Deferred income

Details of deferred income

RMB'000

Item	Opening balance	Increases in the period	Decreases in the period	Closing balance
Government grants related to assets	4,840,952	521,317	(203,695)	5,158,574
Government grants related to income	1,710,542	172,521	(401,558)	1,481,505
Total	6,551,494	693,838	(605,253)	6,640,079

Items related to government grants:

RMB'000

Item	Opening balance	Additional subsidies in the period	Amount recognised in non-operating income in the period	Amount recognised in other income for the period	Other changes	Closing balance	Related to assets/Related to income
Fund of science and technology projects and innovation enterprise awards	1,982,682	209,902	-	(225,688)	(60,835)	1,906,061	Assets/Income
Compensation for demolition	2,261,507	413,050	(190,385)	(19,514)	-	2,464,658	Assets/Income
Land subsidy refund	1,037,766	4,775	(11,789)	(143)	-	1,030,609	Assets/Income
Infrastructure subsidies	661,529	1,554	(16,089)	(14,433)	-	632,561	Assets
Discount on imported products	26,733	862	-	(2,124)	-	25,471	Income
Others	581,277	63,695	(11,876)	(52,377)	-	580,719	Assets/Income
Total	6,551,494	693,838	(230,139)	(314,279)	(60,835)	6,640,079	/

46. Other non-current liabilities

RMB'000

Item	30 June 2020	31 December 2019
Contract liabilities	94,890	92,308
2016 Convertible Bonds (Embedded derivative financial instruments)	21	5,396
Others	79,717	82,669
Less: Other non-current liabilities due within one year (Note V, 37)	(6,681)	(5,940)
Total	167,947	174,433

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

47. Share capital

RMB'000

	1 January 2020	Changes during the period (+/-)		30 June 2020
		Restriction lifted	Sub-total	
Total shares	28,698,864	–	–	28,698,864
Shares with restrictions for sales				
1. RMB ordinary shares	1,410,106	(1,410,106)	(1,410,106)	–
Shares without restrictions for sales				
1. RMB ordinary shares	22,917,692	1,410,106	1,410,106	24,327,798
2. Overseas listed ordinary shares	4,371,066	–	–	4,371,066

48. Capital reserve

RMB'000

Item	At the beginning of the period	Increases in the period	Decreases in the period	Balance
				at the end of the period
Capital premium				
(Share capital premium)	40,482,504	–	–	40,482,504
Other capital reserves	265,319	22,080	–	287,399
Total	40,747,823	22,080	–	40,769,903

Note: The increase in other capital reserves this year was mainly due to the movement of other equity that the Group shared with joint ventures and associates.

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

49. Other comprehensive income

RMB'000

Item	1 January 2020	Amount incurred for the period					Less: Amount recognised in other comprehensive income in the prior period but transferred to retained earnings for the period	30 June 2020
		Amount incurred before income tax in the period	Less: Amount recognised in other comprehensive income in the prior period but transferred to profit or loss for the period	Less: Income tax expenses	Net-of-tax amount attributable to shareholders of the Company	Net-of-tax amount attributable to non-controlling interests		
I. Other comprehensive income that will not be reclassified to profit or loss	(1,004,793)	49,466	-	(5,800)	58,651	(3,385)	108,148	(1,054,290)
Including: Remeasurement of defined benefit plan	(449,847)	(5,324)	-	-	(1,939)	(3,385)	-	(451,786)
Changes in fair value of investments in other equity instruments	(554,946)	54,790	-	(5,800)	60,590	-	108,148	(602,504)
II. Other comprehensive income that may be reclassified to profit or loss	(79,977)	(54,503)	(109,712)	38,788	(6,294)	22,715	-	(86,271)
Including: Other comprehensive income recognised under equity method	(8,262)	3,628	-	-	3,533	95	-	(4,729)
Translation differences arising from translation of foreign currency financial statements	83,011	(99,223)	-	-	(101,296)	2,073	-	(18,285)
Changes in fair value of other debt investments	(158,396)	40,487	(109,712)	38,742	91,405	20,052	-	(66,991)
Credit losses of debt investments	3,670	605	-	46	64	495	-	3,734
Total other comprehensive income	(1,084,770)	(5,037)	(109,712)	32,988	52,357	19,330	108,148	(1,140,561)

Other description: Changes in the fair value of other bond investments and other bond credit impairment provisions are all due to changes of receivables at FVTOCI.

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
50. Specific reserve

Item				RMB'000
	1 January 2020	Increases in the period	Decreases in the period	30 June 2020
Production safety expenses	49,957	140,252	140,252	49,957

51. Surplus reserve

Item				RMB'000
	1 January 2020	Increases in the period	Decreases in the period	30 June 2020
Statutory surplus reserve	3,815,330	–	–	3,815,330

52. Retained earnings

Item			RMB'000
	Current period	Prior period	
Retained earnings of opening balance	63,115,162	56,115,657	
Add: Net profit attributable to shareholders of the Company in the current period	3,692,655	4,780,641	
Less: Ordinary share dividends payable	(4,304,830)	(4,304,830)	
Other comprehensive income carried forward to retained earnings	108,148	(9,742)	
Others	–	(6,125)	
Retained earnings at the end of the period	62,611,135	56,575,601	

Note 1: The Company's profit distribution plan for 2019 was approved at the 2019 Annual General Meeting of Shareholders held on 18 June 2020. Based on the total Company's share capital of 28,698,864,000 shares as at 31 December 2019, the annual dividends for 2019 were distributed to all shareholders, and a cash dividend of RMB0.15 (including tax) per share was distributed, totalling approximately RMB4,304,830,000.

The Company's profit distribution plan for 2018 was approved at the 2018 Annual General Meeting of Shareholders held on 25 June 2019. Based on the total Company's share capital of 28,698,864,000 shares as at 31 December 2018, the annual dividends for 2018 were distributed to all shareholders, and a cash dividend of RMB0.15 (including tax) per share was distributed, totalling approximately RMB4,304,830,000.

Note 2: As at 30 June 2020, the balance of the Group's retained earnings included the surplus reserve already appropriated by the subsidiaries of RMB14,804,576,000 (31 December 2019: RMB14,804,576,000).

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

53. Revenue and operating costs

(1) Details of revenue and operating costs

RMB'000

Item	January-June 2020		January-June 2019	
	Income	Cost	Income	Cost
Principal operating activities	87,898,981	69,317,027	94,721,885	73,692,482
Other operating activities	1,504,345	1,056,450	1,425,136	851,888
Total	89,403,326	70,373,477	96,147,021	74,544,370

(2) Category of revenue and operating costs by business type

Item	January-June 2020		January-June 2019	
	Income	Cost	Income	Cost
Sale of goods	70,310,868	55,087,829	75,480,943	57,957,674
Rendering of services	18,368,812	15,087,007	20,118,414	16,423,430
Sub-total	88,679,680	70,174,836	95,599,357	74,381,104
Interest income	246,550	67,693	276,194	29,439
Lease income	477,096	130,948	271,470	133,827
Total	89,403,326	70,373,477	96,147,021	74,544,370

(3) Details of revenue from contracts

RMB'000

Rall transportation products and their extended industries	January-June 2020	January-June 2019
	Categorized by sales region	
Mainland China	82,344,363	86,430,791
Other countries and regions	6,335,317	9,168,566
Total	88,679,680	95,599,357

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
53. Revenue and operating costs *(continued)*
(4) Description on performance obligations
(i) Revenue from sales of goods (revenue recognized at a certain time point)

The goods sold by the Group are mainly rail transit equipment and its extension products. The Group recognizes revenue when the customer obtains control of the goods, i.e. at the time of acceptance and delivery of the goods.

(ii) Revenue from rendering of services (revenue recognized within a certain period of time)

The Group's revenue from rendering of services is mainly extended services of railway transportation equipment. The Group recognizes the revenue within a certain period of time according to the progress of the performance as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

54. Taxes and surcharges

Item	RMB'000	
	January- June 2020	January- June 2019
City maintenance and construction tax	140,086	194,598
Education surcharges	99,895	139,574
Property tax	166,610	172,644
Land use tax	131,068	130,763
Vehicle and vessel use tax	650	719
Stamp duty	71,267	77,000
Others	26,716	15,225
Total	636,292	730,523

55. Selling and distribution expenses

Item	RMB'000	
	January- June 2020	January- June 2019
Expected warranty provisions	1,047,375	1,031,386
Employee benefits	731,214	768,215
Transportation and handling expenses	286,017	416,992
Travel expenses	75,385	130,455
Others	656,108	669,034
Total	2,796,099	3,016,082

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

56. General and administrative expenses

	RMB'000	
Item	January- June 2020	January- June 2019
Employee benefits	3,093,681	3,502,617
Depreciation charge	471,860	456,658
Amortisation of intangible assets	320,594	299,642
Others	1,494,184	1,731,896
Total	5,380,319	5,990,813

57. Research and development expenses

	RMB'000	
Item	January- June 2020	January- June 2019
Employee benefits	1,793,234	1,798,994
Depreciation charge	279,145	262,277
Amortisation of intangible assets	98,228	84,644
Others	2,252,180	2,242,496
Total	4,422,787	4,388,411

58. Financial expenses

	RMB'000	
Item	January- June 2020	January- June 2019
Interest expenses	440,058	495,347
Less: Capitalization of interest	(56,696)	(48,615)
Interest expense on lease liabilities	20,775	23,581
Interest income	(498,283)	(286,388)
Exchange gains or losses	497,715	9,204
Handling charge of financial institutions	106,783	96,438
Actuarial interest adjustment	41,567	47,279
Others	(65,569)	(23,500)
Total	486,350	313,346

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
59. Other income

	RMB'000	
Item	January- June 2020	January- June 2019
VAT Refund	92,936	106,847
Scientific and technological projects fund	237,459	115,657
Others	243,786	133,703
Total	574,181	356,207

60. Investment income

	RMB'000	
Item	January- June 2020	January- June 2019
Income from long-term equity investment accounted for under equity method (Note V, 16)	109,904	149,338
Investment income from financial assets held-for-trading during the holding period	29,563	8,436
Investment loss from disposal of joint ventures and associates	-	(28)
Dividend income from investments in other equity instruments during the holding period	26,198	21,086
Investment income of debt investments during the holding period	6,864	48,311
Investment income from disposal of held-for-trading financial assets	72,983	43,973
Loss from derecognition of financial assets measured at amortised cost	(74,182)	(67,751)
Others	-	143
Total	171,330	203,508

61. Gains from changes in fair value

	RMB'000	
Sources of gains from changes in fair value	January- June 2020	January- June 2019
Held-for-trading financial assets	56,852	44,197
Including:		
(Losses)/gains on fair value changes of derivative financial instruments	(150)	16,265
Gains from changes in fair value of investments in equity instruments	44,763	5,148
Others	12,239	22,784
Gains on changes in fair value of 2016 Convertible Bonds-embedded derivative financial instruments (Note V, 40)	5,419	124,173
Total	62,271	168,370

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

62. Impairment losses under expected credit loss model

	RMB'000	
Item	January- June 2020	January- June 2019
Losses of credit impairment on bills receivable	(29,210)	(40,867)
Losses of credit impairment on accounts receivable	61,456	187,052
Losses of credit impairment on receivables at FVTOCI	605	13
Losses of credit impairment on contract assets	66,100	54,692
Losses of credit impairment on other receivables	11,982	44,063
Losses of credit impairment on long-term receivables	392,910	753,926
Others	(10,586)	(16,163)
Total	493,257	982,716

63. Assets impairment losses

	RMB'000	
Item	January- June 2020	January- June 2019
1. Impairment losses of inventories and contract cost	60,337	203,293
2. Impairment losses of goodwill	154,724	-
3. Others	40,802	36,603
Total	255,863	239,896

64. Gains (losses) on disposal of assets

	RMB'000	
Item	January- June 2020	January- June 2019
Gains (Losses) on disposal of fixed assets	18,906	(16,100)
Gains from disposal of intangible assets	289	1,207
Total	19,195	(14,893)

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V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

65. Non-operating income

RMB'000

Item	January- June 2020	January- June 2019	Amount included
			in non-recurring gain or loss for the period
Government grants	323,359	131,520	323,359
Liquidated damages, fines and compensation	65,222	22,130	65,222
Unpayable amount	12,061	928	12,061
Gains on retirement of assets	6,766	3,516	6,766
Claim income	51,309	33,250	51,309
Others	61,552	29,283	61,552
Total	520,269	220,627	520,269

Government grants included in profit or loss

RMB'000

Item	January- June 2020	January- June 2019	Related to assets/ Related to income
Compensation for demolition	190,385	45,707	Assets/Income
Infrastructure subsidy	16,139	13,691	Assets
Land subsidy return	11,789	14,406	Assets
Others	105,046	57,716	Assets/Income
Total	323,359	131,520	/

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

66. Non-operating expenses

RMB'000

Item	January- June 2020	January- June 2019	Amount included
			in non-recurring gain or loss for the period
Penalty expenses	36,772	7,811	36,772
Relocation expenditure	213,115	4,940	213,115
Losses on retirement of assets	35,491	4,936	35,491
Donation expenditure	30,122	14,004	30,122
Flood control fund	11,923	10,985	11,923
Others	27,145	13,524	27,145
Total	354,568	56,200	354,568

67. Income tax expenses

(1) Table of income tax expenses

RMB'000

Item	January- June 2020	January- June 2019
	Current income tax expenses	1,259,181
Deferred income tax expenses	(201,997)	(55,827)
Total	1,057,184	1,253,839

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

67. Income tax expenses *(continued)*

(2) Reconciliation of accounting profits and income tax expenses

Item	RMB'000	
	January- June 2020	January- June 2019
Profit before tax	5,551,560	6,818,483
Income tax expenses at statutory tax rate (25%)	1,387,890	1,704,621
Effect of different tax rates applied by subsidiaries	(375,076)	(546,339)
Effect of adjustment of income tax in the previous period	41,947	17,986
Effect of non-taxable income	(6,550)	(5,272)
Effect of joint ventures and associates	(27,476)	(37,334)
Effect of non-deductible costs, expense and losses	136,403	72,605
Effect of using deductible losses for which no deferred tax assets were recognized for the prior period	(167,751)	(134,853)
Effect of deductible temporary differences or deductible losses for which no deferred tax assets were recognized in the current period	378,696	581,473
Other tax incentives (Note)	(310,899)	(399,048)
Income tax expenses	1,057,184	1,253,839

Note: Other tax incentives is mainly weighted deduction performed on technology research and development expenditures.

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

68. Items in the cash flow statement

(1) Other cash receipts relating to operating activities

	RMB'000	
Item	January- June 2020	January- June 2019
Deposit for bills receivable	559,540	1,089,837
Government grants	323,245	522,326
Interest income	464,935	173,631
Decrease of statutory reserve deposited by CRRC Finance at central bank	230,203	311,183
Decrease of loans and advances to customers	446,267	856,250
Borrowings from the Central Bank	–	476,720
Others	441,706	817,034
Total	2,465,896	4,246,981

(2) Other cash payments relating to operating activities

	RMB'000	
Item	January- June 2020	January- June 2019
Development and design expenses of products	2,252,180	2,091,317
Transportation, packing and insurance expenses of products	543,085	557,595
Marketing expenses	313,197	404,911
Expenditures on warranty provisions	170,462	362,998
Administrative office expenditure	204,255	232,456
Expenditure on water, electricity and energy, etc.	69,638	66,865
Others	1,466,299	2,298,387
Total	5,019,116	6,014,529

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V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
69. Supplementary information to the cash flow statement
(1) Supplementary information to the cash flow statement

	RMB'000	
Supplementary information	January- June 2020	January- June 2019
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	4,494,376	5,564,644
Add: Assets impairment losses	255,863	239,896
Impairment losses under expected credit loss model	493,257	982,716
Depreciation of fixed assets and amortization of investment properties	3,039,322	2,888,092
Depreciation of right-of-use assets	189,734	116,059
Amortisation of intangible assets	480,564	442,397
Amortisation of long-term deferred expenses	32,287	120,604
Losses on disposal of fixed assets, intangible assets and other long term assets	10,787	16,313
Gains on fair value changes	(62,271)	(168,370)
Financial expenses	525,985	403,103
Investment income	(171,330)	(203,508)
Increase in deferred tax assets and deferred tax liabilities	(201,997)	(55,827)
Increase in inventories	(15,546,193)	(16,614,130)
Increase in operating receivables	(18,970,907)	(32,423,736)
Increase in operating payables	10,645,105	25,301,581
Net cash flow used in operating activities	(14,785,418)	(13,390,166)
2. Significant investing and financing activities not requiring the use of cash:		
Conversion of debt into capital	-	-
Acquisition of fixed assets under finance leases	-	-
3. Net changes in cash and cash equivalents		
Closing balance of cash	25,594,212	20,203,535
Less: Opening balance of cash	35,819,586	30,290,094
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net decrease in cash and cash equivalents	(10,225,374)	(10,086,559)

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

69. Supplementary information to the cash flow statement (continued)

(2) Composition of cash and cash equivalents

Item	RMB'000	
	30 June 2020	31 December 2019
I. Cash	25,594,212	35,819,586
Including: Cash on hand	5,311	2,027
Bank deposits available on demand	25,588,901	35,817,559
II. Cash equivalents	–	–
III. Closing balance of cash and cash equivalents	25,594,212	35,819,586

70. Assets with restrictive ownership title or right of use

Item	RMB'000	
	Carrying amount as at 30 June 2019	Reason for restriction
Cash at bank and on hand	2,966,185	Note V, 1
Bills receivable	4,192,108	Note V, 4
Accounts receivable	53,000	Note V, 5
Receivables at FVTOCI	237,917	Note V, 6
Long-term receivables (including those due within one year)	532,387	Note V, 15
Fixed assets	175,630	Note V, 20
Intangible assets	21,375	Note V, 23
Other non-current assets	1,170,000	Note V, 27
Total	9,348,602	/

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V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
71. Foreign-currency monetary items
(1) Foreign-currency monetary items

Unit: '000

Item	Foreign currency balance as at 30 June 2020	Exchange rate	Translated RMB balance as at 30 June 2020
Cash at bank and on hand			
Including: USD	436,134	7.0795	3,087,611
EUR	144,832	7.9610	1,153,008
HKD	462,590	0.9134	422,530
AUD	44,417	4.8657	216,120
ZAR	4,483,358	0.4101	1,838,625
Others	/	/	1,170,024
Financial assets held for trading			
Including: USD	38,533	7.0795	272,794
EUR	301	7.9610	2,396
Accounts receivable			
Including: USD	246,811	7.0795	1,747,298
EUR	142,577	7.9610	1,135,055
HKD	182,432	0.9134	166,633
AUD	19,027	4.8657	92,580
ZAR	39,605	0.4101	16,242
Others	/	/	186,071
Other current assets			
Including: USD	60,032	7.0795	424,997
Other receivables			
Including: USD	5,325	7.0795	37,698
EUR	13,852	7.9610	110,276
HKD	178,639	0.9134	163,169
AUD	32	4.8657	156
Others	/	/	86,651
Debt investments (including those due within one year)			
Including: USD	196,399	7.0795	1,390,407
Long-term receivables(including those due within one year)			
Including: USD	135,030	7.0795	955,945
EUR	7,995	7.9610	63,648
Other non-current assets			
Including: ZAR	2,852,963	0.4101	1,170,000

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

71. Foreign-currency monetary items (continued)

(1) Foreign-currency monetary items

Unit: '000

Item	Foreign currency balance as at 30 June 2020	Exchange rate	Translated RMB balance as at 30 June 2020
Short-term loans			
Including: USD	426,653	7.0795	3,020,490
EUR	139,070	7.9610	1,107,136
HKD	304,344	0.9134	277,988
AUD	6,113	4.8657	29,744
Others	/	/	343,187
Accounts payable			
Including: USD	75,260	7.0795	532,803
EUR	125,732	7.9610	1,000,952
HKD	482,878	0.9134	441,061
AUD	72,882	4.8657	354,622
Others	/	/	560,311
Other payables			
Including: USD	460,532	7.0795	3,260,336
EUR	43,958	7.9610	349,950
HKD	79,610	0.9134	72,716
AUD	2,600	4.8657	12,651
Others	/	/	165,291
Long-term borrowings (including those due within one year)			
Including: USD	3,532	7.0795	25,005
EUR	16,931	7.9610	134,788
HKD	159,219	0.9134	145,431
Other non-current liabilities (2016 Convertible Bonds-embedded derivative financial instruments)			
Including: USD	3	7.0795	21
Bonds payable (2016 Convertible Bonds-liability portion)			
Including: USD	354,849	7.0795	2,512,153
Lease liabilities (including those due within one year)			
Including: EUR	62,325	7.9610	496,169
Others	/	/	100,596

FOR THE SIX MONTHS ENDED 30 JUNE 2020

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

71. Foreign-currency monetary items *(continued)*

(2) Significant overseas operating entities

Name of overseas business entity	Main business place	Functional currency
CSR NEW MATERIAL TECHNOLOGIES GMBH	German	EUR
Specialist Machine Developments	Britain	GBP

VI. CHANGE IN CONSOLIDATION SCOPE

There is no significant change in the consolidation scope of the Group this period.

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group

The details of the Company's subsidiaries are set out in Note 1, 2.

(2) Important non-wholly owned subsidiaries

Name of the Subsidiary	Proportion of minority interest (%)	Net profit attributable to minority interests	Dividends distributed to minority interests	Minority interests at 30 June 2020
CRRC Times Electric	46.81	324,319	247,608	10,555,530
Zhuzhou Times New Material	60.45	(6,832)	12,132	2,770,847
CRRC Changchun	6.46	52,248	–	2,166,591

RMB'000

VII. INTERESTS IN OTHER ENTITIES (continued)
1. Interests in subsidiaries (continued)
(3) Key financial information of important non-wholly owned subsidiaries

RMB'000

Name of the Subsidiary	Balance at the end of the period						At the beginning of the period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
CRRC Times Electric	27,064,299	6,639,622	33,703,921	9,955,269	1,364,868	11,320,137	26,774,622	6,210,993	32,985,615	9,381,868	1,407,468	10,789,336
Zhuzhou Times New Material	9,312,347	5,491,264	14,803,611	7,207,558	3,041,644	10,249,202	9,563,890	5,460,719	15,024,609	7,477,309	3,002,608	10,479,917
CRRC Changchun	49,874,231	14,070,907	63,945,138	41,544,128	1,769,523	43,313,651	45,300,238	13,601,510	58,901,748	37,420,307	1,815,772	39,236,079

Name of the Subsidiary	January-June 2020				January-June 2019			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
CRRC Times Electric	5,570,060	684,789	708,586	296,512	6,425,116	1,083,699	1,073,134	(999,322)
Zhuzhou Times New Material	5,736,767	449	24,688	794,473	5,124,893	89	(4,914)	(401,147)
CRRC Changchun	13,220,979	929,164	937,107	(4,577,834)	15,516,762	1,172,425	1,170,475	(4,304,139)

2 Transactions that cause changes in the Group's interests in subsidiaries that do not result in loss of control

During the period there was no transaction as above mentioned.

3. Equity in associates or joint ventures
(1) Important associates or joint ventures

RMB'000

Name of associate	Main business place	Place of incorporation	Nature of business	Shareholding proportion (%)		Accounting methods for investment in associates or joint ventures
				Direct	Indirect	
China United Insurance	Beijing	Beijing	Finance	13.0633	-	Equity method

The Group holds 13.0633% voting power of China United Insurance. The Group assigns one director to the board of directors of China United Insurance and has substantive power of decision-making participation, therefore has significant influence over China United Insurance.

FOR THE SIX MONTHS ENDED 30 JUNE 2020

VII. INTERESTS IN OTHER ENTITIES *(continued)*

3. Equity in associates or joint ventures *(continued)*

(2) Key financial information of important associates

RMB'000

	Balance at 30 June 2020/ Amount for the current period	Balance at 31 December 2019/ Amount for the prior period
China United Insurance		
Total assets	93,298,738	75,577,682
Total liabilities	74,282,161	56,988,414
Non-controlling interests	2,057,975	2,011,604
Equities attributable to shareholders of parent company	16,958,602	16,557,664
Group's share of net assets	2,217,264	2,162,978
Adjustments		
– Goodwill	2,982,365	2,982,365
Carrying amount of equity investments in associates	5,199,629	5,145,343
Operating income	25,113,079	23,016,544
Net profit attributable to shareholders of parent company	615,482	130,698
Other comprehensive income attributable to shareholders of parent company	(46,134)	782,304
Total comprehensive income attributable to shareholders of parent company	569,348	913,002
Dividends announced by associates in the current year	22,000	–

VII. INTERESTS IN OTHER ENTITIES *(continued)***3. Equity in associates or joint ventures** *(continued)***(3) Financial information of insignificant joint ventures and associates**

RMB'000

	Balance at 30 June 2020/ Amount for the current period	Balance at 31 December 2019/ Amount for the prior period
Joint ventures:		
Aggregate carrying amount of investments	2,851,358	2,814,725
Total amounts calculated based on shareholding proportions		
– Net profit	37,168	20,071
– Other comprehensive income	2,398	–
– Total of other comprehensive income	39,566	20,071
Associates:		
Total carrying amount of investment	7,655,704	7,610,628
Total amounts calculated based on shareholding proportions		
– Net profit	(9,576)	112,194
– Other comprehensive income	–	–
– Total of other comprehensive income	(9,576)	112,194

4. Interests in structured entities that are not included in consolidated financial statements

Other descriptions about Interests in structured entities that are not included in consolidated financial statements:

On 30 June 2020, the structured entities that are related with the Group but not included in consolidated financial statements are special-purpose trusts, which are mainly engaged in CRRC trust asset-backed notes and manage, operates and handles the trust property for the benefit of the holder of trust asset-backed notes, and makes payments to the holder of trust asset-backed notes according to the trust contract. The Group, as a special-purpose initiator of the trust and asset service institution, only provides collection service according to the agreement and does not charge service fee. The Group holds no share in the special-purpose trust. At 30 June 2020, the structured entity has total assets of RMB3,237,343,000.

The Group didn't provide financial support to the structured entity.

FOR THE SIX MONTHS ENDED 30 JUNE 2020

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group's main financial instruments include cash and bank balances, loans to other banks and other financial institutions, held-for-trading financial assets, bills receivable, accounts receivable, receivables at FVTOCI, other receivables, a part of non-current assets due within one year, a part of other current assets, loans and advances to customers, debt investments, long-term receivables, equity instruments at FVTOCI, other non-current financial assets, short-term borrowings, loans from central bank, deposits from banks and other financial institutions, bills payable, accounts payable, other payables, a part of non-current liabilities due within one year, a part of other current liabilities, long-term borrowings, bonds payable, lease liabilities, a part of long-term payables, a part of other non-current liabilities. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group adopts sensitivity analysis technique to analyse how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

1. Category of financial instruments

(1) Carrying amount of financial assets

RMB'000

Item	30 June 2020				Total
	At FVTPL	At amortized cost	Classified as at FVTOCI	Designed as at FVTOCI	
Cash at bank and on hand	-	46,290,586	-	-	46,290,586
Financial assets held for trading	9,907,523	-	-	-	9,907,523
Bills receivable	-	9,507,108	-	-	9,507,108
Accounts receivable	-	82,778,274	-	-	82,778,274
Receivables at FVTOCI	-	-	6,453,365	-	6,453,365
Other receivables (Except for government grant and advance to staffs)	-	2,349,982	-	-	2,349,982
Other current assets (Bond investment)	-	424,998	-	-	424,998
Loans and advances to customers (Include due within one year)	-	8,581,854	-	-	8,581,854
Debt investments (Include due within one year)	-	1,538,671	-	-	1,538,671
Long-term receivables (Include due within one year) (Except for finance lease)	-	5,552,826	-	-	5,552,826
Investments in other equity instruments	-	-	-	2,665,497	2,665,497
Other non-current financial assets	629,087	-	-	-	629,087
Total	10,536,610	157,024,299	6,453,365	2,665,497	176,679,771

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*1. Category of financial instruments *(continued)*

(2) Carrying amount of financial liabilities

RMB'000

Item	30 June 2020		Total
	Financial liabilities at FVTPL	Financial liabilities at carrying amount	
Short-term borrowings	–	15,205,458	15,205,458
Deposits from banks and other financial institutions	–	2,793,359	2,793,359
Bills payable	–	19,407,827	19,407,827
Accounts payable	–	123,384,334	123,384,334
Employee benefits payable (Except for defined benefit plan)	–	2,070,626	2,070,626
Other payables	–	14,670,181	14,670,181
Other current liabilities (Short-term financing)	–	15,517,890	15,517,890
Lease liabilities	–	1,322,549	1,322,549
Long-term borrowings (including due within one year)	–	4,842,753	4,842,753
Bonds payable (Include due within one year)	–	5,639,147	5,639,147
Long-term payables (Include due within one year) (Except special accounts payable)	–	81,359	81,359
Other non-current liabilities due within one year (Convertible loan notes with embedded derivatives)	21	–	21
Total	21	204,935,483	204,935,504

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Credit risk

Credit risk represents the risk that the failure to perform obligation by one party of the financial instruments will cause financial loss to the other party.

As at 30 June 2020, the Group's maximum exposure to credit risk which will cause losses of financial assets, contract assets and lease accounts receivables to the Group due to failure to discharge an obligation by the counterparties is arising from:

- (i) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.
- (ii) The amount of external guarantees disclosed in Note XI, 2.

The Group only has transactions with recognized and reputable third parties. According to the Group's policies, for all the customers that require to make transactions on credit, the Group needs to review the credit of the customers and determines the manner of sales on the basis of customers' credit grading, credit line and credit period. For sales on credit, the payment period and the amount on credit need to be specified in the sales contract, with the payment period not exceeding credit period, and the accumulated amount of credit sales shall not exceed the credit line. For cash on delivery, the goods are not shipped until all the collection procedures are completed, so as to ensure the Group will not be exposed to significant credit loss.

The specific method used by the Group to assess whether the credit risk of financial instruments has increased significantly since initial recognition and the basis for determining that the financial assets are impaired, as well as the policies of immediate write-off of financial assets etc. are set out in Note III, 11.

The Group's credit risk exposure to any single financial instrument is limited because the bank deposits are deposited with banks with high credit ratings.

China State Railway Group Co., Ltd. is one of the major customers for the Group (including the China State Railway Group Co., Ltd. it belongs to and other subsidiaries, together as "State Railway Group") accounts for a larger proportion of the Group's revenue, accordingly, the accounts receivable from such customer also account for a larger proportion. The Group's management believes that the customer is of reliable and good reputation, therefore the Group has no significant credit risk in respect of the receivables from this customer. Except for this customer, the Group has no other significant concentration of credit risk.

The Group's major operating activities and corresponding concentration of operating risk are located in Mainland China.

Included in the Group's accounts receivable, the accounts receivable from the top one and top five customers respectively account for 51.1% (31 December 2019: 42.9%) and 58.8% (31 December 2019: 49.0%); included in the Group's long-term receivables (including those due within one year), the long-term receivables from top one and top five customers account for 6.0% (31 December 2019: 6.1%) and 23.3% (31 December 2019: 26.0%) respectively.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Credit risk (continued)

(1) The credit risk exposure of the Group's financial assets and other items

RMB'000

Item	Note V	Balance as at 30 June 2020			Total
		12-month ECL	Lifetime ECL (No credit loss occurred)	Lifetime ECL (Credit loss occurred)	
Financial assets measured at amortized cost					
Cash at bank and on hand	1	46,290,586	-	-	46,290,586
Bills receivable	4	9,519,775	-	-	9,519,775
Accounts receivable	5	-	78,031,832	10,353,393	88,385,225
Other receivables	8	1,984,684	-	1,553,953	3,538,637
Other current assets (bonds investments)	12	424,998	-	-	424,998
Loans and advances to customers (Include due within one year)	13	8,544,733	173,951	-	8,718,684
Debt investments (including those due within one year)	14	1,539,271	-	-	1,539,271
Long-term receivables (Except for finance lease) (Include due within one year)	15	-	3,313,023	3,077,479	6,390,502
Financial assets classified as at FVTOCI					
Receivables at FVTOCI	6	6,453,365	-	-	6,453,365
Other items					
Contract assets (Include non-current part)	10	-	34,538,453	96,364	34,634,817
Long-term receivables-Finance lease (Include due within one year)	15	-	10,448,912	3,871,844	14,320,756

Note 1: For accounts receivable and contract assets formed under revenue standards as well as finance lease receivables formed under lease standards, the Group adopts simple method to measure the amount of lifetime ECL.

The movements of loss allowance for the Group's bills receivable, accounts receivable, receivables at FVTOCI, other receivables, contract assets, debt investments and long-term receivables are detailed in Note V 4, V 5, V 6, V 8, V 10, V 14 and V 15.

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Liquidity risk

Liquidity risk represents the risk that the entity encounters shortage of funds when performing the obligation relating to financial liabilities. The Group's objective is to maintain the balance between the continuity and flexibility of financing by comprehensively using multiple financing measures such as settlement with notes, bank borrowing, short-term financing bonds and corporate bonds etc. and adopting proper combination of long-term and short-term financing as well as the method of optimizing financing structure. The Group has obtained bank credit from several commercial banks to meet its need of working capital and capital expenditures. The management has been monitoring the Group's liquidity so as to ensure the Group has sufficient liquidity to repay all the due debts and get maximum benefits from its financial resources.

(1) Maturity analysis of non-derivative financial liabilities and lease liabilities based on undiscounted contract cash flows

RMB'000

Item	30 June 2020				Total
	Within 1 year (inclusive)	1-2 years (inclusive)	2-5 years (inclusive)	Over 5 years	
Short-term loans	15,326,532	–	–	–	15,326,532
Deposits from banks and other financial institutions	2,793,359	–	–	–	2,793,359
Bills payable	19,407,827	–	–	–	19,407,827
Accounts payable	123,384,334	–	–	–	123,384,334
Other payables	14,670,181	–	–	–	14,670,181
Other current liabilities	15,547,355	–	–	–	15,547,355
Long-term borrowings (Include due within one year)	1,444,658	1,087,168	1,308,705	1,367,510	5,208,041
Bonds payable (Include due within one year)	2,597,739	724,325	2,603,323	–	5,925,387
Long-term payables (Include due within one year) (Except special accounts payable)	2,370	87,162	1,478	1,234	92,244
Lease liabilities (Include due within one year)	382,107	255,844	469,233	357,446	1,464,630
Total	195,556,462	2,154,499	4,382,739	1,726,190	203,819,890

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

4. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in market price. The market risk mainly includes interest rate risk, currency risk and price risk.

(1) Interest rate risk

Interest risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in market interest rate. The risk of fluctuations in the fair value of the Group's financial instruments due to changes in market interest rates is primarily related to the Group's fixed-rate borrowings, bonds payable, other current assets, and long-term receivables. The risk of fluctuations in the future cash flows of the Group's financial instruments due to changes in market interest rates is primarily related to the Group's liabilities with floating interest rates.

The following table sets out the sensitivity analysis of interest rate risk, reflecting the effect of reasonably possible changes in interest rate on net profit (via effect on variable-rate borrowings) (with effect of capitalization of borrowing costs considered) under the assumption that all the other variables held constant.

Item	January-June 2020		January-June 2019	
	Increase in 25 point	Decrease in 25 point	Increase in 25 point	Decrease in 25 point
Rate of variable-rate borrowings				
Increase/(decrease) in net profit (RMB'000)	(18,981)	18,981	(6,882)	6,882

(2) Other price risk

The Group's price risk is mainly arising from held-for-trading equity instrument investments and equity instruments at fair value through other comprehensive income. The Group adopts combination of multiple equity securities to mitigate the price risk of investments in equity securities.

(3) Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with its operating activities (settled in foreign currency other than the functional currency).

The Group's operating activities are mainly located in China and most of the transactions are denominated in RMB, except for certain sales, purchases and borrowings which are settled in foreign currency. The fluctuation of the exchange rate between such foreign currency and RMB will affect the Group's operating performance.

The Group tries to mitigate the currency risk to the minimum extent mainly by closely monitoring the changes in market exchange rate and actively adopting responsive measures. In the export business, the Group's policy is to provide quotation based on the expected changes of exchange rate in respect of the external contracts under negotiation; during the negotiation, it is required to specify the range of exchange rate and the risks on the buyer and seller respectively. In import business, the enterprises are required to seize the moment of foreign exchange settlement for import so as to control the currency risk.

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*
4. Market risk *(continued)*
(3) Currency risk *(continued)*
(i) Foreign currency financial assets and financial liabilities

Item	RMB'000	
	30 June 2020	31 December 2019
Foreign currency financial assets:		
Cash at bank and on hand	7,887,918	8,804,755
Held-for-trading financial assets	–	139,524
Financial assets held for trading	275,190	269,963
Accounts receivable	2,755,453	6,488,999
Other receivables	393,501	1,375,375
Other current assets	424,997	208,503
Debt investments (including those due within one year)	1,390,407	1,370,174
Long-term receivables (including those due within one year)	430,124	209,286
Other non-current assets	1,170,000	–
Total	14,727,590	18,866,579
Foreign currency financial liabilities:		
Short-term loans	4,778,545	4,071,758
Accounts payable	2,889,749	1,473,651
Other payables	3,860,944	3,784,741
Long-term borrowings (including those due within one year)	305,224	353,425
Bonds payable (Include due within one year)	2,512,153	2,445,097
Other non-current liabilities (inclusive of the portion due within one year)	21	5,396
Total	14,346,636	12,134,068

The following table sets out the sensitivity analysis on currency risk, reflecting the effect of reasonably possible changes in exchange rate of EUR, USD and ZAR on net profit under the assumption that all the other variables held constant. As the effect changes in exchange rate of other currencies is not significant, related sensitivity analysis is not presented.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*4. Market risk *(continued)*(3) Currency risk *(continued)*(i) Foreign currency financial assets and financial liabilities *(continued)*

EUR	30 June 2020		31 December 2019	
	Increase/(decrease) in exchange rate of EUR	4.20%	(4.20%)	4.54%
Increase/(decrease) in net profit (RMB'000)	(12,253)	12,253	49,102	(49,102)
USD	30 June 2020		31 December 2019	
	Increase/(decrease) in exchange rate of USD	3.54%	(3.54%)	5.95%
Increase/(decrease) in net profit (RMB'000)	(136,156)	136,156	(53,402)	53,402
ZAR	30 June 2020		31 December 2019	
	Increase/(decrease) in exchange rate of ZAR	28.74%	(28.74%)	8.80%
Increase/(decrease) in net profit (RMB'000)	560,087	(560,087)	218,926	(218,926)

5. Transfer of financial assets

At 30 June 2020, the Group endorsed receivables at FVTOCI of RMB4,105,525,000 (31 December 2019: RMB8,371,176,000) to its suppliers to pay the accounts payable; discounted bills receivable of RMB452,168,000 (31 December 2019: RMB3,301,604,000) to bank to obtain currency funds. The Group believes that the risk and rewards of the ownership of such endorsed or discounted bills receivable have been substantially transferred to the supplier or discounting bank, therefore derecognized such endorsed or discounted bills receivable. If the acceptor can't cash such notes, according to relevant laws and regulations of China, the Group is held jointly liable for such bills receivable. The Group believes that as the acceptor is of good reputation, there is minor risk of the acceptor's failure to cash the notes upon maturity. At 30 June 2020, if the acceptor fails to cash such notes upon maturity, i.e. the Group's maximum exposure to loss is equivalent to the amount that the Group should pay the supplier or discounting bank in respect of such endorsed or discounted notes. For all the bills receivable endorsed to suppliers or discounted to bank, the maturity is within 1 year after the end of reporting year.

At 30 June 2020, the Group endorsed bills receivable of RMB3,875,503,000 (31 December 2019: RMB3,928,611,000) to its suppliers to pay the accounts payable; discounted bills receivable of RMB34,089,000 (31 December 2019: RMB398,186,000) to bank to obtain currency funds. The Group believes that it retains substantially all risk and rewards of the ownership of such endorsed or discounted bills receivable (including relevant risk of default), therefore continues to recognize such endorsed or discounted bills receivable as well as the carrying amount of relevant accounts payable that have been repaid. After the endorsement or discounting of bills receivable, the Group does not retain any right to use such endorsed or discounted notes, including selling, transferring or pledging such endorsed or discounted notes to any third party.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

5. Transfer of financial assets *(continued)*

From January to June 2020, the Group transferred accounts receivable of RMB658,650,000 (January to June 2019: RMB335,864,000) to bank to obtain currency funds. The Group believes that it has transferred substantially all the risks and rewards of ownership of such accounts receivable, therefore derecognised such accounts receivable. The Group's losses arising from derecognition of such accounts receivable are included in investment income amounting to RMB50,221,000 (January to June 2019: RMB32,676,000).

From January to June 2020, the Group securitised accounts receivable of RMB1,046,043,000 (January to June 2019: RMB944,490,000). In this business, the Group, as assets service institution, only provides collection service according to the agreement and does not charge service fee. The Group believes that it has transferred substantially all the risks and rewards of ownership of such accounts receivable, therefore derecognised such accounts receivable. The Group's losses arising from derecognition of such accounts receivable are included in investment income amounting to RMB76,293,000 (January to June 2019: RMB35,075,000).

6. Capital management

The major objective of the Group's capital management is to ensure the Group's continuing operation, and provide the shareholders with continuous return by establishing a price of products and service that matches the risk level so as to obtain financing at reasonable cost.

The Group reviews and manages its capital structure on a regular basis, aiming to achieve most ideal capital structure and return to shareholders. The factors that the Group takes into consideration include: the Group's future capital demand, capital efficiency, actual and expected profitability, expected cash flows, expected capital expenditures and etc. If the economic conditions change and affect the Group, the Group will adjust the capital structure.

The Group monitors and manages its capital structure using asset-liability proportion. At 30 June 2020 and 31 December 2019, the asset-liability proportion are as follows:

	30 June 2020	31 December 2019
Asset-liability proportion (%)	62.34	58.59

IX. DISCLOSURE OF FAIR VALUE

1. Closing fair value of assets and liabilities measured at fair value

RMB'000

Item	Fair value at 30 June 2020			Valuation technique and inputs	Significant unobservable inputs
	Level 1 Fair value measurement	Level 2 Fair value measurement	Level 3 Fair value measurement		
(I) Held-for-trading financial assets Assets	-	8,616,456	1,291,067	9,907,523	
1. Derivative financial assets	-	2,400	-	2,400	Note 1 /
2. Bank wealth management products	-	8,614,056	-	8,614,056	Note 3 /
3. Unlisted equity instrument investments	-	-	1,291,067	1,291,067	Note 4 Note 4
(II) Receivables at FVTOCI	-	6,453,365	-	6,453,365	Note 3 /
(III) Equity instruments at fair value through other comprehensive income	1,272,880	-	1,392,617	2,665,497	
1. Listed equity instrument investments	1,272,880	-	-	1,272,880	Note 2 /
2. Unlisted equity instrument investments	-	-	1,392,617	1,392,617	Note 5 Note 5
(IV) Other non-current financial assets	629,087	-	-	629,087	
1. Preferred shares etc. investments	629,087	-	-	629,087	Note 1 /
Total assets measured at fair value on recurring basis	1,901,967	15,069,821	2,683,684	19,655,472	
(V) Non-current liabilities due within one year	-	-	21	21	
1. Convertible bonds (embedded derivative financial instruments)	-	-	21	21	
Total liabilities measured at fair value on recurring basis	-	-	21	21	

Note 1: Discounted cash flow method. Future cash flows are based on forward exchange rate (sourced from the forward exchange rate observed at financial statement date) and estimated contractual forward exchange rate, and discounted using the discounting rate reflecting the credit risk of counterparty.

Note 2: Quoted price (unadjusted) in active market.

Note 3: Discounted cash flow method. Future cash flows are estimated based on expected return and discounted using the discounting rate reflecting the credit risk of counterparty.

Note 4: Discounted cash flow method. Unobservable inputs include revenue growth and system risk factor. The revenue growth is based on the estimate of the management of the investee. The system risk factor is based on the system risk factor of historical stock price of comparative companies.

Note 5: Comparative listed company comparing method and dividends discounting model. The unobservable inputs of the comparative listed company comparing method include liquidity discount. The unobservable inputs of dividends discounting model include expected growth rate and discounting rate.

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IX. DISCLOSURE OF FAIR VALUE *(continued)*
2. Reconciliation from the opening balances to the closing balances, and sensitivity analysis on unobservable inputs for items measured at recurring Level 3 fair value measurements

Item	RMB'000		
	Held-for-trading financial assets (unlisted equity instrument investments)	Equity instruments at FVTOCI (unlisted equity instruments)	Other non-current liabilities (convertible bonds- embedded derivative financial instruments)
1 January 2020	1,171,627	1,256,452	(5,396)
Additions	75,942	237,733	–
Disposals	(1,265)	(92,483)	–
Profits (losses)	44,763	(9,085)	5,419
Included in profit or loss	44,763	–	5,419
Included in other comprehensive income	–	(9,085)	–
Changes in foreign exchange rates	–	–	(44)
30 June 2020	1,291,067	1,392,617	(21)

3. For the current period, there is no transfer among level 1, level 2 and level 3 fair value measurement of the Group's financial assets.
4. Fair value of financial assets and financial liabilities that are not measured at fair value

The Group's financial assets and financial liabilities measured at amortized cost are detailed in Note VIII, 1. Except for the items listed below, the management of the Group believes that the carrying amount of financial assets and financial liabilities in the financial statements approximates the fair value of such assets and liabilities.

Item	Carrying amount		Fair value	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Fixed-rate debt investments	1,538,671	1,658,234	1,503,804	1,366,443
Fixed-rate long-term receivables	16,547,594	10,518,918	15,570,714	9,674,427
Fixed-rate long-term borrowings	442,647	615,003	419,444	597,865
Fixed-rate corporate bonds payable	5,639,147	4,534,817	5,088,322	3,888,944

The listed bonds in debt investments are publicly traded in active market and attributable to level 1 fair value measurement; fixed-rate 2016 convertible bonds are determined based on the latest transaction price published by BLOOMBERG PROFESSIONAL(R) and attributable to level 2 fair value measurement; the fair value of debt investments (exclusive of listed bonds), long-term receivables, long-term borrowings and corporate bonds payable(exclusive of 2016 convertible bonds) are determined based on discounted cash flow and attributable to level 2 fair value measurement, and using the discounting rate reflecting the credit risk of the issuer as the main inputs.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Parent of the Company

RMB'000					
Company name	Registered place	Nature of business	Registered capital	Proportion of ownership interest held by the parent company (%)	Proportion of voting power held by the parent company (%)
CRRC Group	Beijing	Manufacturing	23,000,000	50.28	50.73

Description of the parent company

CRRC Group's wholly-owned subsidiary CRRC Jinzheng Investment Co., Ltd. (the "CRRC Jinzheng") holds 0.45% voting power of the Company, therefore CRRC Group holds totally 50.73% voting power of the Company.

Related party transactions between the Group and CRRC group, its subsidiaries and the Group's other subsidiaries and joint ventures constitute connected transactions or continuing connected transactions as defined in with Chapter 14 of the Listing Rules by HKEx.

The ultimate controlling party of the Company is State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC").

2. The Company's subsidiaries are detailed in Note I, 2.

3. Joint ventures and associates of the Company

Please see Notes VII, 3(1) for information of important joint ventures and associates of the Company.

The joint ventures and associates that have transactions with the Group in the current year are as follows:

Name of joint ventures or associates	Relationship with the Company
Shanghai CRRC Voith Transmission Technology Co., Ltd.	Joint ventures
CRRC China Merchants Bank (Tianjin) Equity Investment Fund Management Co., Ltd.	Joint ventures
Beijing Sifang Tongchuang Rail Transit Equipment Co., Ltd.	Joint ventures
Dalian Toshiba Locomotive Electric Equipment Co., Ltd.	Joint ventures
Shanxi Jinlong Sifang Railway Vehicle Equipment Co., Ltd.	Joint ventures
Changzhou RuiYang Transmission Technology Co., Ltd.	Joint ventures
Guangzhou CSR Sifang Railway Transportation Equipment Co., Ltd.	Joint ventures
Zhuzhou Times Mitsubishi Transportation Equipment Co., Ltd.	Joint ventures
Jiangsu Langrui Maoda Foundry Co., Ltd.	Joint ventures
Shenyang CRRC Westinghouse Railway Brake Technology Co., Ltd.	Joint ventures
Shenzhen CNR Railway Vehicle Co., Ltd.	Joint ventures
Shentong CNR (Shanghai) Railway Transportation Vehicle Maintenance Co., Ltd.	Joint ventures
Wuhu Yunda Rail Transit Construction And Operation Co., Ltd.	Joint ventures
Xi'an Sifang Rail Transportation Equipment Co Ltd	Joint ventures
CRRC Ziyang Transmission Co., Ltd.	Joint ventures

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

3. Joint ventures and associates of the Company *(continued)*

Name of joint ventures or associates	Relationship with the Company
Chongqing Xingyong Sifang Rail Transit Development Co., Ltd.	Joint ventures
Changchun Bombardier Railway Vehicles Company Ltd.	Joint ventures
Changchun Changke Track Environmental Protection Equipment Co., Ltd.	Joint ventures
Qingdao Sifang Faiveley Railway Brake Co., Ltd.	Joint ventures
Siemens Traction Equipment Ltd. Zhuzhou	Joint ventures
Shenyang CRRC Urban Rail Transit Equipment CO., LTD.	Joint ventures
Shentong CSR (Shanghai) Railway Transportation Vehicle Maintenance Co., Ltd.	Joint ventures
Qingdao Sifang Kawasaki Vehicle technology Co., Ltd.	Joint ventures
Xicheng CRRC (Wuxi) City Railway Engineering Co., Ltd.	Associates
Vertex Railcar Corporation	Associates
Shanghai Nanji Track Equipment Technology Development Co., Ltd.	Associates
Shanghai Alstom Communications Electric Co. Ltd.	Associates
CRRC Capital (Tianjin) Equity Investment Fund Management Co., Ltd.	Associates
CREC Shenyang Railway Equipment Co., Ltd.	Associates
Xinyang Amsted Tonghe Wheels Co., Ltd.	Associates
Knorr Nankou Air Supply Equipment (Beijing) Co., Ltd.	Associates
BWTON Technology Co., Ltd.	Associates
Inner Mongolia First Machinery Group Like Plastic Products CO., LTD	Associates
Beijing CRRC Nankou Science and Technology Park Management	Associates
Beijing Beijiufang Science and Trade Co., Ltd.	Associates
Beijing Nankou SKF Railway Bearing Co., Ltd.	Associates
CNR Changke (Thailand) Co., Ltd	Associates
Huaneng Panjin Wind Power Co., Ltd.	Associates
Huaneng Tieling Daxing Wind Power Co., Ltd.	Associates
Huaneng Tieling Wind Power Co., Ltd.	Associates
Taizhou Taizhong Rail Transit Co., Ltd.	Associates
Sichuan CSR Sharing Foundry Co., Ltd.	Associates
Sichuan CRRC Railway Investment Rail Transit Co., Ltd.	Associates
ABB Datong Traction Transformers Co., Ltd.	Associates
Datong CRRC McCann Rail Transportation Equipment Co., Ltd.	Associates
Datong Faiveley Railway Vehicle Equipment Ltd.	Associates
CRRC Tianjin Jinpu Industrial Park Management Co., Ltd.	Associates
Tianjin Locomotive & Rolling Stock Steel Co., Ltd.	Associates
Tianjin Electric Locomotive Co., Ltd.	Associates
Anhui CRRC Ruida Electric Co., Ltd.	Associates
Guangzhou Electric Locomotive Co.,Ltd.	Associates
Chengdu CRC Xinzhu Railway Transportation Equipment Co., Ltd.	Associates
Zhuzhou Guochuang Rail Technology Co., Ltd.	Associates
Zhuzhou Times Huaxin New Material Technology Co., Ltd.	Associates
Zhuzhou Times Engineering Plastics Technology Co., Ltd.	Associates
Zhuzhou Times Electric Insulation Limited Liability Company	Associates

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)***3. Joint ventures and associates of the Company** *(continued)*

Name of joint ventures or associates	Relationship with the Company
Wuhan Digital Design & Manufacturing Innovation Co., Ltd.	Associates
Jiangsu CRRC Digital Technology Co., Ltd.	Associates
Quanzhou CRRC Water Affaires Co., Ltd.	Associates
Jinan-Qingdao High Speed Railway Co., Ltd.	Associates
Hunan CRRC Honghui Technology Co., Ltd.	Associates
Hunan CSR Westinghouse Railway Transportation Technology Co.,Ltd.	Associates
Hunan Maglev Transportation Development Co., Ltd.	Associates
ALSTOM Yongji Electric Equipment Co. Ltd. (Xi'an, Shaanxi)	Associates
CRRC Ziyang Electric Technology Co., Ltd.	Associates
ALSTOM Railway Equipment Co. Ltd. (Qingdao, Shandong)	Associates
Jingjiang CRRC Water Affaires Co., Ltd.	Associates
Qiqihaer Sanyi Foundry Equipment Co., Ltd.	Associates

4. Information on other related parties

Applicable Not Applicable

5. Related party transactions**(1) Purchases and sales of goods, rendering and receipt of services****Purchase of goods/receipt of service**

		RMB'000	
Related party	Content of related party transaction	January-June 2020	January-June 2019
Joint ventures	Purchase of goods	489,855	268,519
Associates	Purchase of goods	476,401	739,318
CRRC Group and subsidiaries	Purchase of goods	180,962	208,125
Joint ventures	Receipt of service	-	1,119
Associates	Receipt of service	-	43,171
CRRC Group and subsidiaries	Receipt of service	8,106	7,244
Total		1,155,324	1,267,496

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Related party transactions *(continued)*

(1) Purchases and sales of goods, rendering and receipt of services *(continued)*

Sale of goods/rendering of service

Related party	Nature of transaction	RMB'000	
		January-June 2020	January-June 2019
Joint ventures	Sale of goods	672,147	283,285
Associates	Sale of goods	391,773	1,592,282
CRRC Group and its subsidiaries	Sale of goods	91,472	172,207
Joint ventures	Rendering of services	3,272	8,170
Associates	Rendering of services	938,353	2,348
CRRC Group and its subsidiaries	Rendering of services	5,678	5,152
Total		2,102,695	2,063,444

(2) Leases with related parties

The Group as the lessor:

Name of lessee	Type of assets leased	RMB'000	
		Lease income recognized in current period	Lease income recognized in prior period
Joint ventures	Fixed assets	525	147
Associates	Fixed assets	340	3,882
CRRC Group and its subsidiaries	Fixed assets	651	2,800
Total		1,516	6,829

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*
5. Related party transactions *(continued)*
(2) Leases with related parties *(continued)*

The Group as the lessee

		RMB'000	
Name of lessor	Type of leased assets	Lease payment recognized in current period	Lease payment recognized in prior period
CRRC Group and its subsidiaries	Fixed assets	24,525	34,925

(3) Guarantees with related parties

The Company as the guaranteed party

		RMB'000	
The guaranteed company		30 June 2020	31 December 2019
Wuhu Yunda		4,613,318	4,613,318

The Company as the guarantee holder

		RMB'000	
Name of guarantor	Nature of transaction	30 June 2020	31 December 2019
CRRC Group	Bond guarantee	1,500,000	1,551,145

(4) Funding from related party

				RMB'000
Related party	Amount of borrowing/loan	Inception date	Maturity date	
Funds received				
CRRC Group and its subsidiaries	148,590	14 June 2019	21 June 2021	
CRRC Group and its subsidiaries	289,830	19 August 2019	17 September 2020	
CRRC Group and its subsidiaries	10,000	15 October 2019	14 October 2020	
CRRC Group and its subsidiaries	600,000	30 December 2019	29 December 2020	
CRRC Group and its subsidiaries	23,058	23 January 2019	22 January 2021	
Total	1,071,478			

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Related party transactions *(continued)*

(5) Assets transfer/debt restructuring with related parties

		RMB'000	
Related party	Nature of transaction	January-June 2020	January-June 2019
CRRC Group and its subsidiaries	Purchase of fixed assets	–	513

(6) Remuneration of key management personnel

		RMB'000	
Item		January-June 2020	January-June 2019
Remuneration of key management personnel		4,066	3,920

(7) Other related party transactions

		RMB'000	
Related party	Nature of transaction	January-June 2020	January-June 2019
CRRC Group and its subsidiaries	Financial service and interest income	150,543	120,135
Associates	Financial service and interest income	6,665	3,003
Joint ventures	Interest expense	25	19
Associates	Interest expense	369	179
CRRC Group and its subsidiaries	Interest expense	42,462	35,387
Total		200,064	158,723

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

6. Amounts due from/to related parties

(1) Receivables

RMB'000

Item	Related party	Balance at the end of the period		At the beginning of the period	
		Book value	Provisions for bad and doubtful debts	Book value	Provisions for bad and doubtful debts
Bills receivable	Joint ventures	–	–	7,816	–
Bills receivable	Associates	366,984	917	390,185	3,436
Bills receivable	CRRC Group and its subsidiaries	50,080	144	58,567	11
Accounts receivable	Joint ventures	676,443	102,614	781,124	109,947
Accounts receivable	Associates	1,044,518	131,270	1,285,470	117,656
Accounts receivable	CRRC Group and its subsidiaries	242,068	22,265	273,831	21,381
Receivables at FVTOCI	Joint ventures	8,855	–	1,945	–
Receivables at FVTOCI	Associates	33,886	5	100,753	–
Receivables at FVTOCI	CRRC Group and its subsidiaries	143,145	–	212,003	4,165
Prepayments	Joint ventures	127,009	–	261,698	–
Prepayments	Associates	47,635	–	125,128	–
Prepayments	CRRC Group and its subsidiaries	770	–	1,427	–
Other receivables	Joint ventures	8,655	153	38,778	54
Other receivables	Associates	9,773	11	47,102	23
Other receivables	CRRC Group and its subsidiaries	185,804	2,117	221,151	2,080
Contract assets	Joint ventures	6,627	131	342	7
Contract assets	Associates	703,467	8,872	171,631	3,020
Contract assets	CRRC Group and its subsidiaries	54,663	291	49,222	28
Non-current assets due within one year	Joint ventures	–	–	–	–
Non-current assets due within one year	Associates	797,420	380,931	756,784	374,125
Non-current assets due within one year	CRRC Group and its subsidiaries	8,227,070	203,335	7,401,208	162,333
Long-term receivables	Associates	253,235	209,330	247,781	209,330
Long-term receivables	CRRC Group and its subsidiaries	179,227	179,227	128,019	128,019
Other non-current assets	Joint ventures	5,076	96	4,884	96
Other non-current assets	Associates	761,559	3,140	173,670	1,723
Other non-current assets	CRRC Group and its subsidiaries	12,938	180	6,405	7
Total		13,946,907	1,245,029	12,746,924	1,137,441

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*
6. Amounts due from/to related parties *(continued)*
(2) Payables

		RMB'000	
Item	Related party	Closing book Value	Beginning book value
Short-term loans	CRRC Group and its subsidiaries	1,074,304	1,090,420
Customer deposits and deposits from banks and other financial institutions	Joint ventures	5,306	6,709
Customer deposits and deposits from banks and other financial institutions	Associates	21,443	76,924
Customer deposits and deposits from banks and other financial institutions	CRRC Group and its subsidiaries	2,714,294	5,481,773
Bills payable	Joint ventures	489,670	56,846
Bills payable	Associates	119,640	23,597
Bills payable	CRRC Group and its subsidiaries	25,953	103,830
Accounts payable	Joint ventures	1,661,747	2,119,637
Accounts payable	Associates	2,277,464	1,611,856
Accounts payable	CRRC Group and its subsidiaries	982,247	1,658,522
Advance payments received	CRRC Group and its subsidiaries	2,000	2,000
Contract liabilities	Joint ventures	5,328	11,558
Contract liabilities	Associates	278,305	452,301
Contract liabilities	CRRC Group and its subsidiaries	599,099	529,638
Other payables	Joint ventures	3,473	3,358
Other payables	Associates	27,026	50,368
Other payables	CRRC Group and its subsidiaries	2,271,880	115,438
Non-current liabilities due within one year	Associates	1,171	-
Non-current liabilities due within one year	CRRC Group and its subsidiaries	34,505	39,291
Lease liabilities	CRRC Group and its subsidiaries	101,900	94,961
Total		12,696,755	13,529,027

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)***7. Related party commitments**

- (1) Commitments relating to related parties that have been entered into but not necessary to be presented in the financial statements are as follows

		RMB'000	
Item	Related party	30 June 2020	31 December 2019
Selling goods to related parties	Joint ventures	–	–
Selling goods to related parties	Associates	343,929	14,370
Selling goods to related parties	CRRC Group and its subsidiaries	101	21,105
Purchasing goods from related parties	Joint ventures	31,400	–
Purchasing goods from related parties	Associates	8,335	2,329
Purchasing goods from related parties	CRRC Group and its subsidiaries	1,753	46,253
Total		385,518	84,057

FOR THE SIX MONTHS ENDED 30 JUNE 2020

XI. COMMITMENTS AND CONTINGENCIES

1. Capital commitments

Item	RMB'000	
	30 June 2020	31 December 2019
Construction in progress, fixed assets and land use rights	3,224,666	3,047,826
Other intangible assets	10,032	14,237
Investment commitment	–	64,367
Total	3,234,698	3,126,430

2. Contingencies

(1) External guarantees

Related unit	Warrantee	RMB'000	
		Amount of guarantee	Type of guarantee
The Company Subsidiary of CRRC Construction Engineering	Wuhu Yunda	4,613,318	Guarantee for performance, financing and profit or loss

(2) Others

The Group may face certain potential legal litigation or investigation related to product sales or services in its normal operation due to many factors.

On 25 January 2018, South Africa established a judicial investigation committee to investigate allegations of state embezzlement, corruption and fraud in public offices. Under this backdrop, South African media reported that South African railway operator, Transnet, had allegedly violated the law in a number of purchases of locomotive supplies. Regarding the Transnet-related situation, the Group has not received any inquiries from any government agency as the subject of the investigation, except for the followings:

As stated in Note V 1 and Note V 27, the total amount of funds deposited by the Group's South African subsidiary in three local South African bank is approximately RMB1.879 billion (31 December 2019: approximately RMB2.2 billion). The overseas remittances for locomotive purchases between 1 April 2014 and 20 January 2017 may be frozen by issuing a freezing instruction on the grounds that they may be suspected of violating South African foreign exchange control regulations.

The Group is currently communicating related inquiries from the South African Reserve Bank. There is possibility that these frozen funds may be collected by South African Reserve Bank for breaking the South African exchange controls regulations.

According to the information as learned by the Group, the Group temporarily can't reasonably estimate the financial impact of relevant events. The Group will continue to follow up the latest development of this event so as to assess relevant potential impact (if applicable).

XII. EVENTS AFTER THE BALANCE SHEET DATE

More than 100 countries and regions are affected by COVID-19 (“the epidemic”) from January 2020. The novel coronavirus disease may have certain impact on the Company’s production organization, parts and materials supply, and market demand fluctuations may have certain impact on the Company’s order acquisition and product delivery cycle. As the epidemic is still ongoing and constantly changing, its impact to the Group will be actively evaluated.

XIII. OTHER SIGNIFICANT ITEMS

1. Corrections of prior year accounting errors

During the period there was no covered corrections of prior year accounting errors.

2. Debt restructuring

During the period there was no significant debt restructuring.

3. Segment information

(1) Basis for determining reporting segment and accounting policies

Based on the requirements of operation management, the Group’s operating activities are classified in to one separate operating segment, mainly supplying the market with rail transit equipment and extended products and services, therefore the Group has no other operating segment.

XIII. OTHER SIGNIFICANT ITEMS *(continued)*

3. Segment information *(continued)*

(2) **Financial information of reporting segment**

(i) **External revenue**

Item	RMB'000	
	January-June 2020	January-June 2019
Products and services information:		
Rail transportation products and their extended industries	89,403,326	96,147,021
Total	89,403,326	96,147,021
Geographical information:		
Mainland China	83,057,500	86,966,165
Other countries and regions	6,345,826	9,180,856
Total	89,403,326	96,147,021

(ii) **Total Specified non-current assets**

Item	RMB'000	
	30 June 2020	31 December 2019
Mainland China	107,615,808	106,051,906
Other countries and regions	7,056,099	7,275,516
Total	114,671,907	113,327,422

The non-current assets are attributable to the regions where the assets are located, and exclude financial assets, financing lease receivable and deferred tax assets.

(iii) **Major customers**

The Group's operating income from major customer China State Railway Group is RMB37,150,627,000 (January-June 2019: RMB49,688,215,000). The Group has no other single customer from which the revenue accounts for over 10% of the Group's operating income.

XIII. OTHER SIGNIFICANT ITEMS *(continued)*
4. Net current assets and total assets less current liabilities
(1) Net current assets

	RMB'000	
Item	30 June 2020	31 December 2019
Current assets	286,191,251	251,215,115
Less: Current liabilities	238,178,700	200,164,511
Net current assets	48,012,551	51,050,604

(2) Total assets less current liabilities

	RMB'000	
Item	30 June 2020	31 December 2019
Total assets	421,524,117	383,572,485
Less: Current liabilities	238,178,700	200,164,511
Total assets less current liabilities	183,345,417	183,407,974

5. Basic earnings per share and the calculation of diluted earnings per share
(1) Basic earnings per share

Basic earnings per share is calculated at net profit attributable to the Company's ordinary shareholders divided by the weighted average number of outstanding ordinary shares:

Item	January-June 2020	January-June 2019
Net profit attributable to ordinary shareholders (RMB'000)	3,692,655	4,780,641
Weighted average number of outstanding ordinary shares (thousand shares)	28,698,864	28,698,864
Basic earnings per share (RMB/share)	0.13	0.17

XIII. OTHER SIGNIFICANT ITEMS *(continued)*

5. Basic earnings per share and the calculation of diluted earnings per share *(continued)*

(2) Diluted earnings per share

The diluted earnings per share is calculated at net profit attributable to the Company (as adjusted) divided by the weighted average number of outstanding ordinary shares based on the assumption that all the diluted potential ordinary shares have been converted. The Company's diluted potential ordinary shares are 2016 convertible bonds.

Item	January-June 2020	January-June 2019
Net profit attributable to ordinary shareholders (RMB'000)	3,692,655	4,780,641
Add: Effect of convertible bonds (thousand shares)	61,684	(156,219)
Net profit used to calculate diluted earnings per share (RMB'000)	3,754,339	4,624,422
Weighted average number of outstanding ordinary shares (thousand shares)	28,698,864	28,698,864
Add: Effect of convertible bonds (thousand shares)	311,608	346,012
Number of outstanding ordinary shares used to calculate diluted earnings per share (thousand shares)	29,010,472	29,044,876
Diluted earnings per share (RMB/share)	0.13	0.16

Assuming that all the Group's outstanding convertible bonds have been converted to ordinary shares at the date of issuance, the earnings per share will decrease and the convertible bonds are diluted.

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Cash at bank and on hand

Item	RMB'000	
	30 June 2020	31 December 2019
Cash on hand	319	318
Deposits with banks	17,218,934	11,369,481
Other monetary funds	500,538	1,005,362
Total	17,719,791	12,375,161

The restricted funds in the Company's currency funds are used as follows:

Item	RMB'000	
	30 June 2020	31 December 2019
Deposit for bills receivable	500,538	1,005,362
Total	500,538	1,005,362

Note: On 30 June 2020, the unsecured and unrestricted time deposits with maturity of three months and above were RMB13,188,113,000 (December 31, 2019: None).

2. Other receivables by item

Presentation by categories

Item	RMB'000	
	30 June 2020	31 December 2019
Interest receivable	–	–
Dividends receivable	1,139,525	2,169,484
Other receivables	17,546,634	14,911,669
Total	18,686,159	17,081,153

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

2. Other receivables by item *(continued)*

Dividends receivable

(1) Dividends receivable

Item (or investee)	RMB'000	
	30 June 2020	31 December 2019
Dividends receivable from subsidiaries	1,117,085	2,169,484
Dividends receivable from associates	22,440	–
Total	1,139,525	2,169,484

Other receivables

(1) Disclosure by aging analysis

Aging	RMB'000	
	30 June 2020	31 December 2019
Within 1 year (inclusive)	10,620,770	10,465,167
1-2 years (inclusive)	2,511,589	3,155,287
2-3 years (inclusive)	3,123,207	68,251
Over 3 years	1,291,524	1,223,274
Sub-total	17,547,090	14,911,979
Less: Credit loss allowance	(456)	(310)
Total	17,546,634	14,911,669

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Other receivables by item (continued)

Other receivables (continued)

(2) Categories of other receivables by nature

Nature of other receivables	RMB'000	
	30 June 2020	31 December 2019
Transactions between subsidiaries	17,376,369	14,738,543
Export rebate receivable	–	17,277
Others	170,265	155,849
Total	17,546,634	14,911,669

(3) Top five entities with the largest balances of other receivables at 30 June 2020.

Name	RMB'000		
	30 June 2020 Book value	Proportion to total other receivables at 30 June 2020 (%)	Credit loss allowance at 30 June 2020
Top 5 Other receivables	10,840,949	61.78	–

3. Long-term equity investments

Item	30 June 2020			31 December 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Investments in subsidiaries	98,142,547	–	98,142,547	97,542,547	–	97,542,547
Investments in joint ventures and associates	6,058,430	–	6,058,430	6,009,429	–	6,009,429
Total	104,200,977	–	104,200,977	103,551,976	–	103,551,976

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Long-term equity investments (continued)

(1) Investments in subsidiaries

RMB'000

Investee	1 January 2020	Increases	Decreases	30 June 2020
CRRC Changchun	11,538,846	–	–	11,538,846
CRRC Zhuzhou Institute	11,113,162	–	–	11,113,162
CRRC Zhuzhou Locomotive	5,214,002	–	–	5,214,002
CRRC Qingdao Sifang	4,649,445	–	–	4,649,445
CRRC Tangshan	8,429,399	–	–	8,429,399
CRRC Dalian	6,188,301	–	–	6,188,301
CRRC Qiqihar Group	7,894,071	–	–	7,894,071
CRRC Yangtze River Group	5,661,409	–	–	5,661,409
CRRC Investment & Leasing	3,214,106	–	–	3,214,106
CRRC Qishuyan	2,368,270	–	–	2,368,270
CRRC Qishuyan Institute	2,145,966	–	–	2,145,966
CRRC Capital Management	2,511,188	–	–	2,511,188
CRRC Nanjing Puzhen	2,276,757	–	–	2,276,757
CRRC Hong Kong Capital Management	2,508,426	672,054	–	3,180,480
CRRC Construction Engineering	1,690,747	–	–	1,690,747
CRRC Yongji Moto	2,266,438	–	–	2,266,438
CRRC Sifang Institute	3,119,677	–	–	3,119,677
CRRC Finance	2,434,613	–	–	2,434,613
CRRC Zhuzhou Moto	1,351,727	–	–	1,351,727
CRRC Ziyang	1,522,173	600,000	–	2,122,173
CRRC Beijing Nankou	524,412	–	–	524,412
CRRC Datong	1,313,207	–	–	1,313,207
CRRC Hong Kong	672,054	–	672,054	–
CRRC Dalian R&D	196,206	–	–	196,206
CRRC Dalian Institute	713,907	–	–	713,907
CRRC Sifang	593,645	–	–	593,645
CRRC Logistics	630,196	–	–	630,196
CRRC Industrial Institute	200,000	–	–	200,000
CRRC International	682,337	–	–	682,337
CRRC Information Technology	119,175	–	–	119,175
CRRC Financial Leasing	2,430,000	–	–	2,430,000
Others	1,368,685	–	–	1,368,685
Total	97,542,547	1,272,054	672,054	98,142,547

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Long-term equity investments (continued)

(2) Investments in joint ventures and associates

Name of investee	1 January 2020	Additional investment	Reduction in investment	Changes for the period		Changes in other equity	Cash dividend or profits declared	RMB'000
				Investment income or loss under equity method	Adjustments to other comprehensive income			30 June 2020
I. Joint ventures								
Wuhu Yunda	84,000	-	-	-	-	-	-	84,000
Sub-total	84,000	-	-	-	-	-	-	84,000
II. Associates								
China United Insurance	5,145,343	-	-	82,312	(6,026)	-	(22,000)	5,199,629
Others	780,086	-	-	(9,136)	-	4,291	(440)	774,801
Sub-total	5,925,429	-	-	73,176	(6,026)	4,291	(22,440)	5,974,430
Total	6,009,429	-	-	73,176	(6,026)	4,291	(22,440)	6,058,430

4 Investment income

Item	RMB'000	
	January-June 2020	January-June 2019
Income from long-term equity investments accounted for using cost method	1,201,577	1,139,851
Income from long-term equity investment under equity method	73,176	7,377
Investment income on disposal of long-term equity investments	-	29,276
Investment income from disposal of held-for-trading financial assets	-	661
Total	1,274,753	1,177,165

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

5. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplementary information	RMB'000	
	January-June 2020	January-June 2019
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,295,821	1,214,534
Impairment losses under expected credit loss model	1,805	–
Depreciation of fixed assets	3,125	7,964
Depreciation of right-of-use assets	6,267	3,059
Amortisation of intangible assets	9,552	9,885
Financial expenses	(114,204)	11,108
Investment income	(1,274,753)	(1,177,165)
Gains from changes in fair value	(5,419)	(125,792)
Decrease in operating receivables	665,197	122,171
Decrease in operating payables	(24,365)	(159,833)
Net cash flow from (used in) operating activities	563,026	(94,069)
2. Net changes in cash and cash equivalents		
Closing balance of cash and cash equivalents	4,031,140	1,333,465
Less: Opening balance of cash and cash equivalents	11,369,799	7,470,296
Net decrease in cash and cash equivalents	(7,338,659)	(6,136,831)

(2) Composition of cash and cash equivalents

Item	RMB'000	
	30 June 2020	31 December 2019
I. Cash	4,031,140	11,369,799
Including: Cash on hand	319	318
Bank deposits available on demand	4,030,821	11,369,481
II. Cash equivalents	–	–
III. Closing balance of cash and cash equivalents	4,031,140	11,369,799

XV. SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring gain or loss

RMB'000

Item	January-June 2020	January-June 2019
Profit or loss on disposal of non-current assets	19,195	(14,893)
Government grants recognised in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	804,604	380,880
Profit or loss on changes in the fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment income on disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment, other than those used in the effective hedging activities relating to normal operating business	135,254	290,177
Other non-operating income or expenses other than the above	(157,658)	32,907
Other items qualified as non-recurring gain or loss	–	(17,459)
Tax effects	(87,320)	(82,871)
Effects attributable to minority interests	(77,286)	(39,383)
Total	636,789	549,358

Reason for defining items as non-recurring gain or loss items according to Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.1 – Non-recurring Gain or Loss, and reasons for defining non-recurring gain or loss items illustrated in information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 – Non-recurring Gain or Loss as recurring gain or loss items should be specified.

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary equity shareholders	2.72	0.13	0.13
Net profit excluding non-recurring gain or loss attributable to the Company's ordinary equity shareholders	2.25	0.11	0.11

DEFINITIONS

CNR	former China CNR Corporation Limited (中國北車股份有限公司)
CNRG	former China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司)
Corporate Governance Code	Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules
CRRC or Company	CRRC Corporation Limited (中國中車股份有限公司)
CRRC Changchun	CRRC Changchun Railway Vehicles Co., Ltd. (中車長春軌道客車股份有限公司)
CRRC Financial and Securities	CRRC Financial and Securities Investment Co., Ltd. (中車金證投資有限公司)
CRRC Sifang	CRRC Qingdao Sifang Co., Ltd. (中車青島四方機車車輛股份有限公司)
CRRC Tangshan	CRRC Tangshan Co., Ltd. (中車唐山機車車輛有限公司)
CRRC ZELRI	CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd. (中車株洲電力機車研究所有限公司)
CRRC Zhuzhou	CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司)
CRRCG or CRRC GROUP	CRRC GROUP Co., Ltd. (中國中車集團有限公司)
CSR	former CSR Corporation Limited (中國南車股份有限公司)
CSR and CNR	CSR and CNR
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
CSRG	former CSR Group (中國南車集團公司)
Finance Company	CRRC Finance Co., Ltd. (中車財務有限公司)
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
SASAC	State-owned Asset Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
SFO	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	Shanghai Stock Exchange
State Railway Group	China State Railway Group Co., Ltd. (中國國家鐵路集團有限公司)
Stock Exchange	The Stock Exchange of Hong Kong Limited
Times Electric	Zhuzhou CRRC Times Electric Co., Ltd. (株洲中車時代電氣股份有限公司)
Times New Material	Zhuzhou Times New Material Technology Co., Ltd. (株洲時代新材料科技股份有限公司)

