



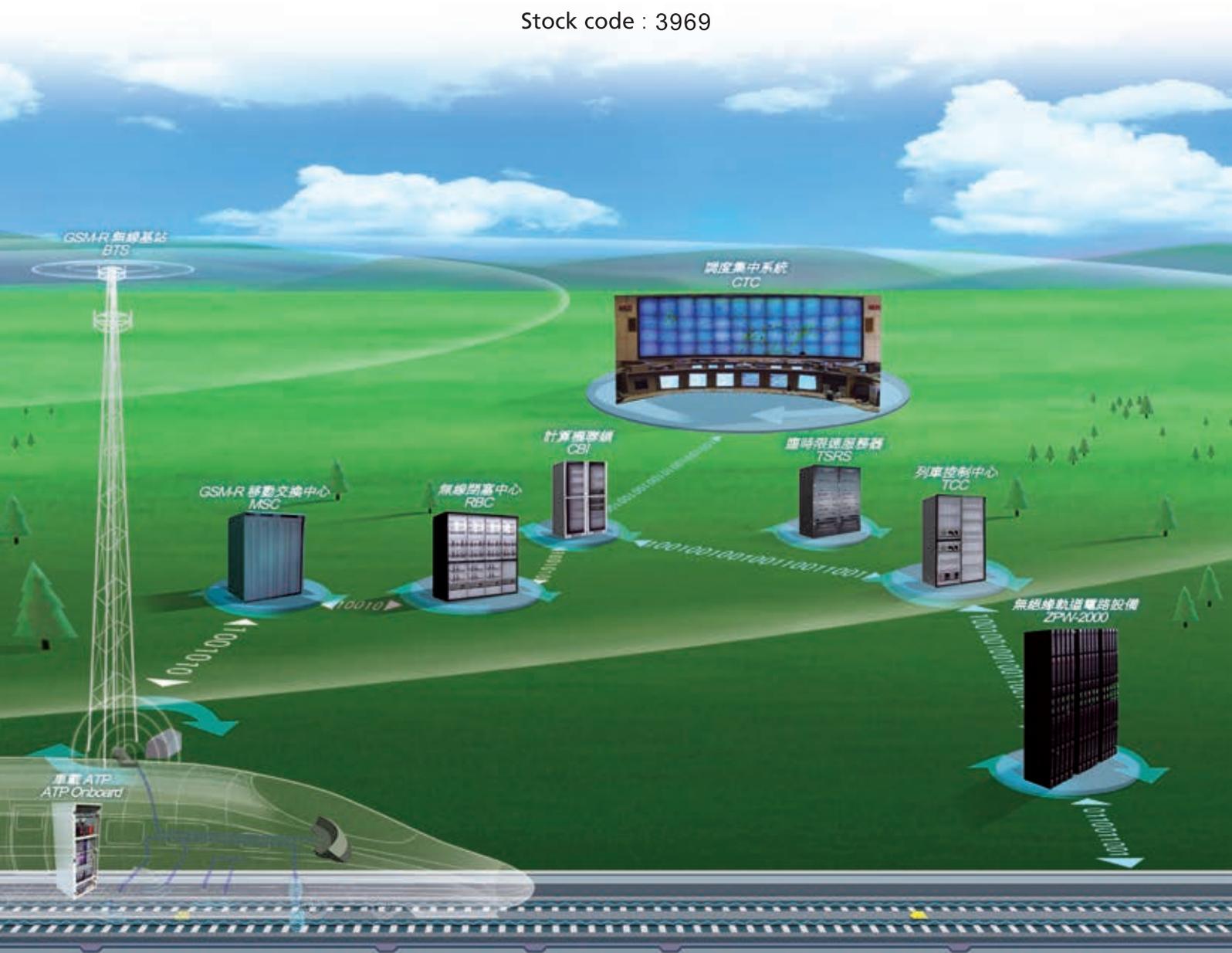
中国通号

China Railway Signal & Communication Corporation Limited*

中國鐵路通信信號股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

Stock code : 3969



2019

Interim Report

*For identification only

IMPORTANT NOTICE

- I. THE BOARD AND THE SUPERVISORY COMMITTEE OF THE COMPANY AND THE DIRECTORS, SUPERVISORS AND MEMBERS OF THE SENIOR MANAGEMENT WARRANT THE TRUTHFULNESS, ACCURACY AND COMPLETENESS OF THE CONTENTS HEREIN AND CONFIRM THAT THERE ARE NO MISREPRESENTATIONS OR MISLEADING STATEMENTS CONTAINED IN, OR MATERIAL OMISSIONS FROM, THIS INTERIM REPORT, AND ACCEPT SEVERAL AND JOINT LEGAL RESPONSIBILITIES.
- II. ALL DIRECTORS OF THE COMPANY ATTENDED THE BOARD MEETING.
- III. THE INTERIM REPORT WAS UNAUDITED.
- IV. ZHOU ZHILIANG, PERSON-IN-CHARGE OF THE COMPANY, HU SHAOFENG, CHIEF FINANCIAL OFFICER, AND QIU WEI, HEAD OF THE FINANCE DEPARTMENT (PERSON IN CHARGE OF ACCOUNTING), CONFIRM THAT THE FINANCIAL REPORT IN THIS INTERIM REPORT IS TRUE, ACCURATE AND COMPLETE.
- V. PROFIT DISTRIBUTION PLAN OR RESERVES-TO-EQUITY TRANSFER PLAN DURING THE REPORTING PERIOD AS CONSIDERED BY THE BOARD

Nil.

VI. DISCLAIMER OF 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.

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 should be reminded of such investment risks.

VII. WHETHER THE CONTROLLING SHAREHOLDER OR ITS RELATED PARTIES HAVE MISAPPROPRIATED THE COMPANY'S FUNDS FOR PURPOSES OTHER THAN FOR BUSINESS

No.

VIII. WHETHER THE COMPANY HAS PROVIDED EXTERNAL GUARANTEES IN VIOLATION OF ANY PRESCRIBED DECISION-MAKING PROCEDURES

No.

IX. WARNING OF SIGNIFICANT RISKS

The major risks that the Company may be exposed to are risks related to macroeconomic and changes in industrial policies, safety and quality and loss of technical personnel. For details, please refer to "(II) Potential risks" under "II. OTHER DISCLOSURES" of "Section IV Discussion and Analysis on Business Operations". Investors are kindly advised to read the relevant information carefully.

X. OTHERS

The functional currency of this report is RMB, unless otherwise specified.

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SECTION I

DEFINITIONS

Unless otherwise stated in context, the following terms should have the following meanings in this report:

“CRSC” or “our Company” or “Company”	China Railway Signal & Communication Corporation Limited* (中國鐵路通信信號股份有限公司)
“CRSC Group”	China Railway Signal and Communication (group) Corporation Limited (中國鐵路通信信號集團有限公司)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Reporting Period”	the period of six months beginning from 1 January 2019 and ended on 30 June 2019
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“SSE”	the Shanghai Stock Exchange

* For identification only

BASIC CORPORATE INFORMATION AND KEY FINANCIAL INDICATORS

I. CORPORATE INFORMATION

Chinese name of the Company	中國鐵路通信信號股份有限公司
Chinese abbreviation	中國通號
English name of the Company	China Railway Signal & Communication Corporation Limited*
English abbreviation	CRSC
Legal representative of the Company	ZHOU Zhiliang

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Representative of Security Affairs
Name	HU Shaofeng	SHI Guangjian
Correspondence address	CRSC Building A 1 Compound, Automobile Museum South Road Fengtai District Beijing	CRSC Building A 1 Compound, Automobile Museum South Road Fengtai District Beijing
Telephone	010-50809077	010-50809077
Fax	010-50809075	010-50809075
E-mail	ir@crsc.cn	ir@crsc.cn

III. CHANGES IN BASIC INFORMATION

Registered office of the Company	20/F, CRSC Building A 1 Compound, Automobile Museum South Road Fengtai District Beijing
Postal code of registered office of the Company	100070
Principal place of business	CRSC Building 1 Compound, Automobile Museum South Road Fengtai District Beijing
Postal code of principal place of business	100070
Principal place of business in Hong Kong	40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong
Website of the Company	www.crsc.cn
E-mail	ir@crsc.cn
Index to changes during the Reporting Period	None

* For identification only

SECTION II

BASIC CORPORATE INFORMATION AND KEY FINANCIAL INDICATORS

IV. CHANGES IN INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Newspapers designated by the Company for A share information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by the Company for publishing the A share interim report of the Company	www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publishing the H share interim report of the Company	www.hkexnews.hk
Place of inspection of the interim report of the Company	Board Office of the Company
Index to changes during the Reporting Period	None

LANGUAGE AND MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS

The Company provides corporate communications to the shareholders based on their respective selected language version and means of receipt. The shareholders have the following options:

- to read the online version of all corporate communications published on the Company's website by electronic means instead of receiving the printed version and receive written notice for the publication of the corporate communications published on the Company's website;
- to receive printed English version of all corporate communications only;
- to receive printed Chinese version of all corporate communications only; or
- to receive both printed English and Chinese version of all corporate communications.

The shareholders may choose and/or change their choice on the language version of our Corporate communications and/or the way to receive the corporate communications at any time. The shareholders may notify the Company of their options by the following ways:

- by mail: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
- by email: crsc.ecom@computershare.com.hk

For enquiry on the arrangement of selection of the language version and means of receipt of corporate communications, the shareholders may contact the hotline at +852 2862 8688 at any time.



BASIC CORPORATE INFORMATION AND KEY FINANCIAL INDICATORS

V. BASIC INFORMATION OF SHARES OF THE COMPANY

Class of share	Place of listing	Stock abbreviation	Stock Code	Stock abbreviation before change
A share	SSE	CHINA CRSC	688009	None
H share	Hong Kong Stock Exchange	CHINA CRSC	03969	None

VI. OTHER RELEVANT INFORMATION

JOINT COMPANY SECRETARIES	Mr. HU Shaofeng Ms. NG Wing Shan (<i>FCIS, FCS</i>)
AUTHORIZED REPRESENTATIVES	Mr. ZHOU Zhiliang Ms. NG Wing Shan (<i>FCIS, FCS</i>)
H SHARE REGISTRAR	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
LEGAL ADVISERS	Hong Kong Legal Adviser Clifford Chance 27th Floor, Jardine House 1 Connaught Place Central, Hong Kong PRC Legal Adviser Zhong Lun Law Firm 33, 36, 37/F, SK Tower A6 Jianguomenwai Avenue, Chaoyang District Beijing, China
AUDITORS	Ernst & Young Hua Ming LLP <i>Certified Public Accountants</i> Level 16, Ernst & Young Tower Oriental Plaza No. 1 East Chang An Avenue Dongcheng District, Beijing

SECTION II

BASIC CORPORATE INFORMATION AND KEY FINANCIAL INDICATORS

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key accounting data

Unit: Yuan Currency: RMB

Key accounting data	For the Reporting	Corresponding	Change as
	Period (from January to June)	period of last year	compared with the corresponding period of last year (%)
Revenue	20,511,577,842.86	18,907,062,293.51	8.49
Net profit attributable to shareholders of the listed company	2,267,893,086.86	1,984,028,544.45	14.31
Net profit deducting non-recurring profit or loss attributable to shareholders of the listed company	2,060,496,200.60	1,925,107,052.25	7.03
Net cash flows from operating activities	-130,168,310.24	-1,656,918,255.52	-
	As at the end of the Reporting Period	As at the end of last year	Change as compared with the end of last year (%)
Net assets attributable to shareholders of the listed company	29,366,412,201.78	28,908,396,681.99	1.58
Total assets	84,680,235,156.01	79,678,537,628.47	6.28

BASIC CORPORATE INFORMATION AND KEY FINANCIAL INDICATORS

(II) Key financial indicators

Key financial indicators	Reporting Period (from January to June)	Corresponding period of last year	Change as compared with the corresponding period of last year (%)
Basic earnings per share (RMB/share)	0.25	0.23	8.70
Diluted earnings per share (RMB/share)	0.25	0.23	8.70
Basic earnings per share after deduction of non-recurring profit or loss (RMB/share)	0.22	0.22	0.00
Weighted average rate of return on net assets (%)	7.62	7.99	Decreased by 0.37 percentage point
Weighted average rate of return on net assets after deduction of non-recurring profit or loss (%)	6.93	7.75	Decreased by 0.82 percentage point

Explanations on the key accounting data and financial indicators of the Company

Not applicable.

SECTION II

BASIC CORPORATE INFORMATION AND KEY FINANCIAL INDICATORS

VIII. DIFFERENCES IN ACCOUNTING DATA BETWEEN DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

Not applicable.

IX. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

		Notes
Non-recurring profit or loss items	Amount	(if applicable)
Gains or losses from disposal of non-current assets	-1,356,544.68	
Government grants recognized through profit or loss for the period (other than government grants which are closely related to the Company's normal business operations, which comply with national policies and can be enjoyed continuously based on a fixed amount or a fixed quantity according to a certain standard)	15,812,429.43	
Reversal of the provisions for impairment of receivables and contract assets subject to individually impairment test	3,691,843.04	
Other non-operating income and expenses other than the above items	1,252,477.20	
Other profit/loss items falling within the definition of non-recurring profit and loss	225,090,645.39	For the period ended 30 June 2019, other profit/loss items falling within the definition of non-recurring profit and loss are mainly the investment gains on the disposal of the equity of a subsidiary, CRSC Real Estate Co., Ltd. (通號置業有限公司)
Effect on minority interests	—	
Effect on income tax	<u>-37,093,964.12</u>	
Total	<u>207,396,886.26</u>	



BASIC CORPORATE INFORMATION AND KEY FINANCIAL INDICATORS

Basis for preparation of the summary of non-recurring profit or loss:

Under the requirements in Explanatory Announcement No.1 on Information Disclosure by Companies Offering Securities to the Public - Non-recurring Profits or Losses [2008] (《公開發行證券的公司信息披露解釋性公告第1號—非經常性損益[2008]》) from the CSRC, non-recurring profit or loss refers to the profit or loss arising from transactions and matters that are not directly relevant to the ordinary business operations, or are, even though relevant to the ordinary business operations, but are extraordinary and not expected to recur frequently that would have an influence on users of the financial statements making proper judgments on the performance and profitability of an enterprise.

X. OTHERS

Not applicable.

SECTION III

SUMMARY OF THE COMPANY'S BUSINESSES

I. MAJOR BUSINESSES AND OPERATION MODEL OF THE COMPANY AND INDUSTRY INFORMATION DURING THE REPORTING PERIOD

The Company is a world-leading rail transportation control system solution provider with industry-leading research and development and integration capabilities to provide integrated services throughout the industry chain of rail transportation control system to its customers. The Company adheres to the development strategy of “one core business with diversification into related businesses”. In addition to the businesses related to rail transportation control system industry, the Company also provides tramcars, smart city, power supply and electrification, construction contracting and other related diversified products and services.

During the Reporting Period, the major businesses and operation mode of the Company and industry information were as follows:

(I) Major Businesses of the Company

1. *Businesses related to the rail transportation control system sector*

With the support of core technology, the Company provides its customers with complete and efficient service system by implementing integrated solutions and has established an integrated business mode covering design and integration, equipment manufacturing and system implementation services for rail transportation control system.

- (1) **Design and integration:** design and integration businesses mainly includes: 1) provision of system integration services for related products of rail transportation control system; 2) provision of design and consultancy services for construction of rail transportation projects.
- (2) **Equipment manufacturing:** the products researched and developed, produced, sold and maintained by the Company cover the whole rail transportation control system sector. The principal products include signal system, communication information system products and other related products.
- (3) **System implementation:** system implementation business provides customers with the construction, equipment installation and maintenance services for rail transportation control system projects, which mainly include the product installation for train operation control system, communication information system and power supply and electrification sector.

SECTION III

SUMMARY OF THE COMPANY'S BUSINESSES

Taking technology research and development as its core and leveraging on its long-term development in the field of rail transportation control system, the Company has world-class and domestic leading technology strength. In the context of China's efforts to expand and upgrade the existing railways and urban transit systems, the core systems independently researched and developed by the Company, such as China's train control system for HSRs (CTCS-3, CTCS-2), China's automatic train operation control system for HSRs (CTCS-3+ATO), automatic train operation control system for ICRs (CTCS-2+ATO), train control system for urban transit (CBTC), integrated automation system for freight marshaling yards (CIPS), railway intelligent operation maintenance management system, integrated transportation dispatching & commanding system, integrated security system for rail transportation, train control system for medium and low speed maglev (MATC), intelligent control system for modern tramcars, computer interlocking system, and centralized traffic control system (CTC), as well as the equipment including track circuit, transponder, relay, and turnout conversion equipment, have fully covered the domestic rail transportation network, which provides the preceding conditions for the acceleration of industry upgrade, and strong support for the safe and efficient operation of domestic rail transportation, meeting with the state's major strategic needs.

During the Reporting Period, through seizing market opportunities and giving full play to its operating advantages arising from overall industry chain with enhancement in high-end operation, exploitation in regional market and adherence to market-oriented principle, the Company has achieved positive and sound operating returns. The Company continued to enhance its leading strengths in the field of railway communication and signal system integration with significant increase in the mileage of bid-winning projects and the amount of newly signed contracts as well as the rapid growth of independent contracting capacity; in the field of train control system for urban transit, the Company has expanded the application for its self-developed products, and its self-developed CBTC system has won the bidding for several important projects.

2. Construction contracting

The construction contracting business of the Company mainly includes contracting of infrastructure projects and related construction services.

Under the guidance of its development strategy of "one core business with diversification into related businesses", and oriented by the market, the Company strengthened its influence in urban transit market, built a sound relationship with customers and expanded the application of self-developed CBTC by ways such as general contracting of municipal engineering and general contracting of electromechanical projects, to drive the development of businesses including communication information, comprehensive monitoring and electromechanical equipment. Meanwhile, the Company also independently expanded the general contracting of some infrastructure projects with relatively high gross margin, such as municipal engineering, and construction works, so as to promote the Company's large-scale development.

SECTION III

SUMMARY OF THE COMPANY'S BUSINESSES

3. Other businesses

Other businesses are mainly bidding agency, centralized procurement and others.

(II) Major Operation Modes of the Company

1. Sales mode

The Company takes advantage of industry technology and the whole industry chain, actively participates in domestic and foreign user procurement activities with the aim of responding to users' needs and providing highly secure and reliable products and services, and obtains product and service orders through market competitions such as bidding and business negotiation.

2. Production and service mode

The production and service mode adopted by the Company in design and integration, equipment manufacturing and system implementation etc. is mainly formed in line with the overall operation mode of railway and urban transit system in the PRC. The Company provides relevant products and services in strict accordance with the contract requirements on schedule and quality.

3. Purchase mode

The Company has formulated the Administrative Measures for the Procurement in China Railway Signal & Communication Corporation Limited* (《中國鐵路通信信號股份有限公司採購管理辦法》) to standardize various procurement activities. Procurement methods mainly include public tender, tender invitation, competitive negotiation, inquiry and bidding, etc., and the Company will select the applicable procurement methods according to the specific conditions of projects to ensure procurement efficiency. The Company mainly implements a centralized procurement system, under which the Company's operation management department acts as the centralized management department for procurement activities and is responsible for formulating the relevant system of procurement management, monitoring and reviewing the procurement activities at various levels of the Company. The centralized procurement system is carried out at two levels, including two modes, namely the centralized procurement by the Company's headquarter and the centralized procurement by subordinate secondary enterprises. Secondary enterprises also have a sound procurement management system, under which the procurement activities of subordinate enterprises are independently and centrally managed by the specialized procurement department.

SECTION III

SUMMARY OF THE COMPANY'S BUSINESSES

4. *Management mode*

The Company implements a two-level operation and management mode, under which the headquarter and each of the subsidiaries are responsible for the projects executed by them respectively. The headquarter is responsible for formulating the overall strategic plan, centrally organizing and coordinating the operating activities of subsidiaries, making material decisions and improving the operation and management system of the Company while it is also the one to implement major project management. Subsidiaries are responsible for formulating their own operation and management systems and annual operating plans and goals, etc., and they also manage and operate their own contracted projects by setting up operating management institutions according to their respective operating plans and status.

(III) Development Overview and Trend of the Rail Transportation Industry

As an important component in the rail transportation construction, the development of rail transportation control system industry is closely related to the development of rail transportation industry, especially in the market of new railway construction. The development of industry mainly depends on the national and local construction plans and demands in rail transportation. In recent years, the rapid development of domestic rail transportation construction has provided broad development space for the industry of rail transportation control system.

In the field of railway market, according to the Medium- and Long-term Railway Network Plan (2016) 《中長期鐵路網規劃 (2016年) 》, the general target is to reach 150,000 kilometers in the scale of railway network by 2020, of which 30,000 kilometers are high-speed railways covering over 80% metropolises; and to further expand the coverage of railway network to 175,000 kilometers by 2025, of which 38,000 kilometers are high-speed railways. As of the end of 2018, the domestic mileage of railways in operation was approximately 131,000 kilometers, of which 29,000 kilometers were high-speed railways, indicating that there is still broad market space for new railway construction in the future. As high-speed railways gradually enter into their overhaul period, the mileage of high-speed railways which need renewal and overhaul will increase year by year, and the periodic renewal and upgrading of existing railways will also be accelerated; meanwhile, the state strongly advocates the intellectualized management of railways, as a results, the investment in intellectualized fields, will also be gradually increased in the future. Leveraging on its established market position in rail transportation control system, the Company has had the first-mover advantages in its entry into the market of railway renewal, upgrade, operation and maintenance.

SECTION III

SUMMARY OF THE COMPANY'S BUSINESSES

In the field of urban transit, the Company keeps growing at high speed since the implementation of “13th Five-Year Plan”. By the end of 2018, urban transit has been put into operation in 35 mainland cities, with an increase of 22 new lines in operation. The total mileage of urban transit lines in operation reached 5,766.6 kilometers, of which 4,511.3 kilometers were subways, accounting for 78.23% of the total mileage. As of the end of 2018, urban transit network plans for total 63 cities were approved, of which 61 cities were under implementation, the total mileage of lines under implementation reached 7,611 kilometers, indicating that there are still great market demands in the future. In accordance with “13th Five-Year Plan”, the domestic mileage of urban transit in operation will increase by approximately 3,000 kilometers and the number of cities where network scale exceeds 400 kilometers will be over 10 by 2020.

In the future, the industry of rail transportation and relevant control systems will gradually show various favorable development trends. The trend of globalization and interconnection creates favorable conditions for domestic enterprises with strong competitiveness to “go global”; under the trends of intelligence, domestic-production and self-development and diversification of rail transportation development, product upgrade, “domestic substitutes (國產替代)” and increased product types will bring demands for increasing quantities, and the industry will embrace a broad market in the future.

The Company, as a world-leading provider of rail transportation control system solutions, will actively seize favorable industry trends and opportunities, face the world's technology frontier, increase investment in research and development and accelerate the conversion of research results into industrial production by making use of the opportunity of listing on the STAR Market, proactively adapt to new environments and new changes, seize market opportunities ahead of others, and consolidate its leading position in global industry of rail transportation control system. The Company will adhere to the principle of quality and safety and undertake the mission of leading the national industry of railway communication and signal to the world. The Company will expedite technology innovation, accelerate transformation and upgrading, take advantage of industry chain integration, and put an emphasis on making strategic breakthroughs in the structural adjustments to industry products, historical breakthroughs in core technologies and internationalization breakthroughs in China's high-speed railway standards and industry export. The Company will continuously enhance its management as a modern enterprise and actively participate in global competition to become a world-class multinational industrial group with the characteristics of its rail transportation control technology.

II. EXPLANATION ON MATERIAL CHANGES IN THE COMPANY'S MAJOR ASSETS DURING THE REPORTING PERIOD

During the Reporting Period, there was no material change in the Company's major assets.

SECTION III

SUMMARY OF THE COMPANY'S BUSINESSES

III. ANALYSIS OF THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

(I) Leading market position

Since its incorporation, the Company has always focused on the national strategic need of ensuring the safety of rail transportation, achieved many significant breakthroughs in the field of rail transportation control system leveraging on the rapid development of domestic rail transportation industry and its own accumulation of core technologies developing into a world-leading provider of rail transportation control system solutions.

The Company is a world-leading provider of rail transportation control system solutions. In the field of high-speed railway, as of the end of June 2019, the cumulative contracted mileage covered by the Company's core products and services of high-speed railway control system ranked the first in the world. The core equipment of high-speed railway control system produced by the Company, such as track circuit, centralized traffic control system, computer interlocking, CTCS-3 on-board ATP system, RBC and train control center, has taken up leading market shares. Meanwhile, the Company also holds a significant leading position in the urban transit market in the PRC and is the largest domestic provider of urban transit control system solutions. While the Company keeps growing in the domestic market, it also exerts efforts to developing overseas markets and strives to further enhance its influence in the global market.

(II) Outstanding comprehensive technology innovation strength and core technology reserves

The Company adhered to independent innovation with more than 1,400 registered patents and has realized the absolute independent ownership of intellectual property rights and 100% domestic-production of products for the core technologies of train operation control, thus helping its technologies regarding high-speed railways and automatic control for freight marshaling yards hold a leading position among global peers. Relying on the Company's world-leading comprehensive research and development strength, the Company has developed core technologies of rail transportation control system with independent intellectual property rights and its products and services have been widely used in fields including railway and urban transit, which has established the Company's leading position in the industry.

The Company is the responsible department for the equipment standards, technical standards and product standards of China's rail transportation control system and has led the establishment of the most important and advanced technical standards for railway and urban transit control system in the PRC, such as CTCS and CBTC. The Company has constructed and operated more than 19,000 kilometers of high-speed railway control system, and had over 40,000 test cases in the Company's special database for railway control system. In addition, the Company also has advanced research and development ("R&D"), experiment and test institutions. The completeness and scale of its laboratory facilities are at a leading position in the world.

SECTION III

SUMMARY OF THE COMPANY'S BUSINESSES

(III) The whole-industry-chain characteristics of rail transportation control system industry

The Company can provide integrated services covering design and integration, equipment manufacturing and system implementation for rail transportation control system, and it is the only company in the world that can provide a full range of products and services independently in the entire industry chain of rail transportation control system. Meanwhile, it possesses domestic-leading core technologies and crafts in every aspect. With its prominent design and integration capabilities, the Company can provide the customers with rail transportation control system solutions and a full range of equipment, thus providing one-stop services for customers covering system design, equipment manufacturing, on-site supply, system debugging, system implementation, after-sale service and other aspects, which reduces the construction, operation and management costs of customers and the system compatibility risk in the case of complex lines. This business mode improves the customization capability and provides customers with a flexible combination of different products and services. It also drives the equipment manufacturing and system implementation service business in an all-round manner, reduces marketing cost and lays a solid foundation for the follow-up conduction of maintenance and repair and upgrade businesses.

(IV) Highly reliable and safe core services and products

The Company establishes classified enterprise standards according to relevant international, national and industrial standards, implements strict and prudent quality and safety management and management and control measures, so as to ensure the high reliability and safety of rail transportation control system solutions and core products, and provides support for the safe and efficient operation of national rail transportation. The Company's quality management follows the requirements of ISO9001: 2015 Standard, and the Company has established quality control standards and system processes to maintain continuous improvement and obtain the certification from independent third parties. All subordinate enterprises of the Company which engage in the fields of R&D and design, system integration and industrial manufacturing have passed the ISO/TS22163: 2017 (the upgraded standard of International Railway Industry Standard (IRIS)) certification; all subordinate enterprises of the Company engaged in the field of R&D and design have passed the maturity assessment and certification of CMMI software. The Company's rail transportation control system products meet the European EN50126 standard for railway product safety and meet the generally accepted international quality requirements regarding safety, reliability, availability and maintenance.

(V) Experienced management team and high-level technical professionals

The management team of the Company is composed of professionals with extensive experience in rail transportation industry, stable in composition and strong in management, which plays an important role in efficiently leading the Company's business development and enables the Company to become a global leader in the industry.

The Company has many high-level technical professionals. More than 3,600 employees of the Company are engaged in technology research and development, representing nearly 20% of the total employees, more than one-third of whom have graduate degrees or above. The excellent talent team has laid a solid foundation for the Company to develop core technologies and maintain technical advantages.

SECTION IV

DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

I. DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

In the first half of the 2019, CRSC adhered to the general working style of seeking improvement in stable work, implemented the new development concept, deepened the supply-side structural reform, and focused on the main responsibility and business, accelerated the pace of scientific and technological innovation, promoted high-quality development of enterprises, and continued to maintain a steady growth momentum. From January to June 2019, the aggregate amount of newly-signed contracts amounted to RMB34.02 billion, representing an increase of 5.3% as compared to the corresponding period of last year. Among which, the value of newly-signed contracts in railway sector amounted to RMB16.46 billion, representing an increase of 30.1% as compared to the corresponding period of last year; the value of newly-signed contracts in urban transit sector amounted to RMB5.46 billion, representing a decrease of 9.9% as compared to the corresponding period of last year; the value of newly-signed contracts in overseas sector amounted to RMB430 million, representing an increase of 15.6% as compared to the corresponding period of last year; the total value of contracts for general contracting and newly-signed contracts for other sectors amounted to RMB11.67 billion, representing a decrease of 11.7% as compared to the corresponding period of last year.

In the field of rail transportation control system, the value of newly-signed contracts of the Company maintained a rapid growth, and successively won bids for five projects including Anqing-Jiujiang Railway and South Shandong Railway, and continued to take a leading position in the market. At the same time, the Company has won the bid for the general contracting in Hangzhou-Wenzhou High-speed Railway Project and has achieved significant breakthroughs in participating in the EPC High-speed Railway Project; under the fierce market competition in the field of urban transit control system, the Company's CBTC system has successively won the bidding of key projects, such as Xi'an Subway Line 9, Tianjin Subway Line 4, Kunming Subway Line 5 and Nantong Subway Line 1. In general contracting and other sectors, the amount of newly-signed contracts of the Company decreased as compared to the corresponding period of last year, mainly because the Company focused on the high-quality development requirements, and properly controlled the contracting of general contracting projects.

In the first half of 2019, the Company realized revenue of RMB20,512 million, representing an increase of 8.49% as compared to the corresponding period of last year, and realized net profit of RMB2,437 million, representing an increase of 15.20% as compared to the corresponding period of last year.

SECTION IV

DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

(I) Analysis of main businesses

1 Table of analysis of changes in relevant items in the financial statements

Unit: Yuan Currency: RMB

Items	Amount for the current Period	Amount for the corresponding period of last year	Change (%)
Revenue	20,511,577,842.86	18,907,062,293.51	8.49
Costs of sales	15,731,610,829.12	14,749,471,065.43	6.66
Selling and distribution expenses	369,696,340.19	215,668,074.49	71.42
General and administrative expenses	1,087,937,234.04	942,740,053.41	15.40
Finance costs	-1,634,215.20	-55,661,134.41	97.06
Research and development expenses	581,151,441.08	546,873,114.66	6.27
Net cash flows generated from operating activities	-130,168,310.24	-1,656,918,255.52	—
Net cash flows generated from investing activities	-672,485,277.67	-2,794,477,097.64	—
Net cash flows generated from financing activities	-1,177,335,713.57	1,645,814,057.70	—

SECTION IV

DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

(1) Analysis of revenue and cost

Explanation on reasons for changes in revenue: revenue increased by 8.49% as compared to the corresponding period of last year, mainly due to China's increasing investment in railway infrastructure construction, contributing to steady growth in railway business volume of the Company.

Explanation on reasons for changes in cost of sales: cost of sales rose 6.66% as compared to the corresponding period of last year, mainly due to the rise in cost as a result of the increase in revenue, but the growth in cost of sales was lower than that of revenue under the influence of product structure.

Performance of main businesses by segment, business lines and region

Main Businesses by Segment

Segment	Revenue	Cost of sales	Gross profit margin (%)	Increase/decrease in revenue as compared to the corresponding period of last year (%)	Increase/decrease in cost of sales as compared to the corresponding period of last year (%)	Increase/decrease in gross profit margin as compared to the corresponding period of last year
Rail transportation control system	15,324,325,056.41	11,190,972,938.51	26.97	15.80	13.86	Increased by 1.24 percentage points
Design and integration	5,168,020,493.59	3,357,947,387.89	35.02	23.64	23.34	Increased by 0.16 percentage point
Equipment manufacturing	3,385,397,431.66	1,845,211,413.51	45.49	20.38	17.26	Increased by 1.45 percentage points
System implementation	6,770,907,131.16	5,987,814,137.11	11.57	8.48	8.23	Increased by 0.20 percentage point
Construction contracting	5,163,142,158.63	4,530,014,353.33	12.26	-8.69	-7.81	Decreased by 0.83 percentage point
Others	24,110,627.82	10,623,537.28	55.94	25.72	46.50	Decreased by 6.25 percentage points

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DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

Main Businesses by Business Lines

Business Lines	Revenue	Cost of sales	Gross profit margin (%)	Increase/decrease in revenue as compared to the corresponding period of last year (%)	Increase/decrease in cost of sales as compared to the corresponding period of last year (%)	Increase/decrease in gross profit margin as compared to the corresponding period of last year
Railway	11,384,053,650.49	8,203,315,912.46	27.94	32.33	34.44	Decreased by 1.13 percentage points
Urban transit	3,802,509,794.73	2,879,723,586.09	24.27	-12.92	-18.02	Increased by 4.71 percentage points
Construction contracting	5,163,142,158.63	4,530,014,353.33	12.26	-8.69	-7.81	Decreased by 0.83 percentage point
Other businesses	24,110,627.82	10,623,537.28	55.94	25.72	46.50	Decreased by 6.25 percentage points
Overseas business	137,761,611.19	107,933,439.96	21.65	-47.86	-49.57	Increased by 2.64 percentage points

Main Businesses by Region

Region	Revenue	Revenue as a percentage in total revenue (%)	Increase/decrease in revenue as compared to the corresponding period of last year (%)
China	20,373,816,231.67	99.33	9.29
Other country or region	137,761,611.19	0.67	-47.86

Segment:

Revenue from design and integration, equipment manufacturing and system implementation in the first half of 2019 increased by 23.64%, 20.38% and 8.48% as compared to the corresponding period of last year, respectively, mainly because riding on the opportunities of sustained strong growth momentum of railway construction investment nationwide for the moment, the Company stepped up market expansion and secured more railway business orders, which drove the increase in revenue from the railway segment.

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DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

Revenue from urban transit in the first half of 2019 decreased by 12.92% as compared to the corresponding period of last year, mainly because most traditional advantageous regions including Shanghai, Zhengzhou and Shenzhen would start metro bidding projects in the second half of the year, leading to a decline in revenue from metro business in the first half of the year.

Revenue from construction contracting decreased by 8.69% as compared to the corresponding period of last year, mainly due to the Company's efforts to further optimize its business structure by rationally controlling the scale of construction contracting according to the requirements of high-quality development.

Other business segments contributed to a small portion of revenue, mainly comprised of revenue from centralized procurement and bidding agency.

Region:

Revenue from overseas business for the current period decreased by 47.86% as compared to the corresponding period of last year, mainly because the construction schedule of some projects was delayed compared with the plan for reasons ascribable to owners, resulting in a delay in the schedule of overseas business revenue and a reduction in revenue amount of the current period.

(2) Expenses

Explanation on reasons for changes in selling and distribution expenses: selling and distribution expenses increased by 71.42% as compared to the corresponding period of last year, mainly due to the Company's further increasing operating investment for the purpose of acquiring more orders as well as the growth in expenses for after-sale service and onsite equipment repair.

Explanation on reasons for changes in general and administrative expenses: general and administrative expenses increased by 15.40% as compared to the corresponding period of last year, mainly due to the rise in labor costs.

Explanation on reasons for changes in finance costs: finance costs increased by 97.06% as compared to the corresponding period of last year, mainly due to the increase in interest expense of loans to meet working capital needs during the current period.

Explanation on reasons for changes in R&D expenses: R&D expenses increased by 6.27% as compared to the corresponding period of last year, mainly due to the increase in R&D investment as a result of the Company's increased efforts in development of new products.

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DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

(3) Cash flow

Explanation on reasons for changes in net cash flow from operating activities: the net cash flows used in operating activities amounted to RMB130 million, representing a decrease of RMB1,527 million as compared to the corresponding period of last year, mainly due to the Company's efforts to further optimize its business structure during the current period by properly reducing the scale of construction contracting business and to rationally reduce the cash paid for the purchase of goods and acceptance of labor services.

Explanation on reasons for changes in net cash flow from investing activities: the net cash flows used in investing activities amounted to RMB672 million, representing a decrease of RMB2,122 million as compared to the corresponding period of last year, mainly attributable to the recovery of the funds RMB1,578 million in the current period that were originally lent to CRSC Real Estate Co., Ltd., a subsidiary of CRSC Group, from CRSC Group and the decrease in the investment for over three-month time deposits.

Explanation on reasons for changes in net cash flow from financing activities: the net cash flows used in financing activities amounted to RMB1,177 million while the net cash flows generated from financing activities during the corresponding period of last year amounted to RMB1,646 million mainly attributable to a large amount of cash outflow as a result of dividend distribution for the current period.

2 Others

(1) Particulars of material changes in profit composition or source of the Company

Not applicable.

(2) Others

Not applicable.

(II) Explanation on material changes in profit due to non-core businesses

Not applicable.

SECTION IV

DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

(III) Analysis of assets and liabilities

1. Assets-Liabilities analysis table

Unit: Yuan

Name of item	Amount at the end of the current period	Percentage of amount at the end of the current period to the total assets (%)	Amount at the end of last period	Percentage of amount at the end of last period to the total assets (%)	Change of the amount at the end of the current period as compared to that of last period (%)	Explanation
Cash and bank balances	11,669,947,096.77	13.78	11,712,483,332.67	14.70	-0.36	-
Accounts receivables	16,359,968,485.57	19.32	13,598,595,282.88	17.07	20.31	-
Inventories	2,223,366,324.68	2.63	4,086,551,784.60	5.13	-45.59	-
Contract assets	34,181,570,012.19	40.37	30,941,474,817.79	38.83	10.47	-
Long-term receivables	5,398,256,367.08	6.37	4,616,553,337.79	5.79	16.93	-
Fixed assets	3,884,873,753.53	4.59	3,936,432,967.69	4.94	-1.31	-
Intangible assets	2,452,020,780.52	2.90	2,506,699,954.55	3.15	-2.18	-
Accounts payable	38,533,755,551.27	45.51	35,119,238,956.99	44.08	9.72	-
Contract liabilities	7,384,777,494.58	8.72	7,033,233,380.49	8.83	5.00	-
Long-term loans	1,768,352,774.84	2.09	856,163,032.09	1.07	106.54	-

Other Explanations

The increase in accounts receivable was mainly due to the increase in undue accounts receivable arising from further expansion of business scale.

The decrease in inventories was mainly due to the decrease in the real estate development cost arising from disposal of real estate companies.

The increase in contract assets was mainly due to further expansion of business scale.

The increase in long-term receivables was mainly due to the increase in monies generated from investment in PPP projects.

The increase in accounts payable was mainly due to the increase in payables for materials purchased and labor cost arising from increased businesses in the year.

The increase in contract liabilities was mainly due to intensified efforts for prepayment and settlement for newly started projects.

The increase in long-term loans was mainly due to the increase in working capital loans for construction of PPP projects.

SECTION IV

DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

2. Major assets restriction by the end of the Reporting Period

Unit: Yuan

Name of item	Carrying amount at the end of the Reporting Period
Cash and bank balances	348,733,625.37
Accounts receivable financing	96,270,802.37
Long-term receivables	2,256,357,357.32

3. Other explanations

Not applicable.

(IV) Analysis of investment

1. Overall analysis of investment in external equities

As at the end of the Reporting Period, the long-term equity investment of the Company was RMB997 million, representing a decrease of RMB9 million, or 0.86%, as compared to the beginning of the year. The decrease was mainly due to the Company's disposal of equity investment of RMB161 million in joint ventures and associates and increased investment of RMB151 million in joint ventures and associates in the current period. For details, please refer to Note VII. 12 in Section X Financial Report.

(1) Material equity investment

Not applicable.

(2) Material non-equity investment

Not applicable.

(3) Financial assets measured at fair value

Unit: Yuan

Item	Opening balance	Changes in fair value for the period	Accumulated changes in value fair recognized in equity	Impairment accrued for the period	Other changes (increase/decrease) for the period	Closing balance
Financial assets						
1. Other equity instrument investments	653,814,229.20	-	-	-	97,600,000.00	751,414,229.20
Including: non-listed equity investments	653,814,229.20	-	-	-	97,600,000.00	751,414,229.20
2. Receivables for financing	1,845,116,686.79	-	-	-	-627,883,454.03	1,217,233,232.76
Subtotal	<u>2,498,930,915.99</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-530,283,454.03</u>	<u>1,968,647,461.96</u>

SECTION IV

DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

(V) Disposal of significant assets and equity interest

Not applicable.

(VI) Analysis of major companies controlled and invested by the Company

For details, please refer to Note VII. 12 and Note IX. 1 of Section X Financial Report.

(VII) Status of the structured entity controlled by the Company

Not applicable.

(VIII) Use of proceeds raised from H shares

As of 30 June 2019, a total of RMB5,776 million has been withdrawn from the special account for proceeds to the special account for projects, of which RMB2,697 million was used in long-term research and development, including the construction of the CRSC Railway Transportation Research Center and technology research projects; RMB1,378 million was used in the fixed asset investments, including the technical overhaul of CRSC Xi'xin, our subsidiary, and Changsha Industrial Park; RMB108 million was used in general equity acquisition; RMB693 million was used in investment of Tianshui Tramcar project and other PPP projects related to railway transportation; and RMB900 million was used for replenishment of liquidity. The Company confirms that the use of the aforesaid proceeds is consistent with the use of proceeds as disclosed in the prospectus.

Apart from the use of funds mentioned above, the remaining proceeds of the Company of RMB3,328 million has not been used and has been deposited in the Company's special bank account for proceeds. The funds in the special account for proceeds, which has not been withdrawn, are expected to be used up in the coming three years. In particular, approximately RMB34 million is proposed to be used for long-term R&D; approximately RMB443 million is proposed to be used for fixed asset investments, approximately RMB1,713 million is proposed to be used for equity acquisition, approximately RMB1,128 million is proposed to be used for investments in PPP projects related to railway transportation and RMB10 million is proposed to be used for replenishing the working capital. The Company confirms that the proposed use of the aforesaid proceeds is consistent with the use of proceeds as disclosed in the prospectus.

SECTION IV

DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

(IX) Employees

As of 30 June 2019, the Company had a total of 19,123 full-time employees, including 18,970 employees in controlled subsidiaries. The Company has established a comprehensive performance evaluation system, linking the annual operation targets with the performance evaluation of all departments and employees. The Company attaches great importance to corporate culture construction and focuses on improving the overall employee quality by proactively implementing a comprehensive staff training initiative by levels and layers. The Company, based on different position categories, has established a performance-and-capability-oriented employee remuneration system and has effectively safeguarded the capability to recruit, retain and incentivize talents.

II. OTHER DISCLOSURES

(I) Warning and explanation on anticipated negative cumulative net profits from the beginning of the year to the end of the next Reporting Period or significant changes as compared with the corresponding period of last year

Not applicable.

(II) Potential risks

1. *Risks arising from changes in macroeconomy and industry policies*

To some extent, the market demand of the rail transportation and relevant construction contracting in which the Company engages is affected by the macroeconomy and relevant industry policies and the tendering and bidding plans of China State Railway Group Co., Ltd. The development of rail transportation control system industry largely depends on the government's investments in rail transportation projects and the overall tendering and bidding plans of China State Railway Group Co., Ltd. In general, the nature, scale and development timing of rail transportation projects are determined by multiple factors, including but not limited to the overall investment plans, approval procedures and tendering and bidding arrangements of China's government and China State Railway Group Co., Ltd. for rail transportation systems. In recent years, China's government has made constant efforts to support and encourage the development of industries relating to rail transportation in China. According to the "13th Five-Year Plan" for Railway Development (《鐵路「十三五」發展規劃》), China will further enhance construction of the railway network, improve railway informatization construction, promote upgrading of vehicle equipment and expand the integrated application of information technology. In the event of any future change in policies issued by the government in favor of the industry reducing policies benefits or any temporary change in the tendering and bidding plans of China State Railway Group Co., Ltd., the Company's business development may be adversely affected. If the financial or monetary policies tend to be tightened in future, causing decline in demand of or slowdown in payment by government-related customers in the market where the Company operates, the Company's business development or financial position may be adversely affected.

SECTION IV

DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

2. *Risk arising from loss or punishment caused by product or service quality and production or operational accidents resulting therefrom*

Given the nature of the Company's business, liability for compensation or punishment from the government may be incurred from the design, R&D, manufacturing, installation, testing, repair and sales of the products or services of rail transportation control system. Despite the limited quality guarantee period of products or services provided by the Company to customers, the Company may still have to be liable for any loss caused by the defects of its products or services upon identification of the accidents in the event of occurrence of accidents beyond the quality guarantee period. If the Company's products or services are proved to be defective, causing rail transportation passengers to suffer any personal injury, property loss or any other loss, the Company shall be liable for compensation in accordance with relevant laws.

In addition, if the Company's products or services are proved to be problematic, failing to meet national or industry standards, or presenting potential risks to personal and property safety, the Company may have to recall relevant products or modify product design, which may therefore incur huge expenses to the Company. In addition, product recall or any negative news coverage related to product defects may affect the Company's reputation and brand, resulting in a decline in product demand.

3. *Risk arising from loss of technicians*

The Company's advanced technology R&D capability ensures its long-term technological advantages and plays an important role in the Company's development. Given the growing demand for talents in the industry and increasing competition for talents, along with the rapid development of rail transportation control system industry, maintaining a stable technician team and keeping attracting and introducing talents are the key for the Company to maintain its industry-leading technological advantages. Under the fierce competition for talents, the Company may be exposed to risks arising from loss of technicians and declining R&D level in the event of decrease in the effectiveness of recruiting, training and motivating mechanism for technical talents.

(III) Other disclosures

Not applicable.

SECTION V

SIGNIFICANT EVENTS

I. BRIEF INTRODUCTION TO SHAREHOLDER'S GENERAL MEETINGS

Name of the meeting	Time of meeting	Website for publication of the resolutions	Disclosure date of the publication of the resolutions
2019 First Extraordinary General Meeting, 2019 First H Shareholders Class Meeting, 2019 First Domestic Shareholders Class Meeting	15 April 2019	www.hkexnews.hk	15 April 2019
2018 Annual General Meeting	13 June 2019	www.hkexnews.hk	13 June 2019

Explanation on Shareholder's General Meetings

Not applicable.

II. PROFIT DISTRIBUTION PLAN OR RESERVE-TO-EQUITY TRANSFER PLAN

(I) The interim proposed profit distribution plan or reserve-to-equity transfer plan

Nil.

(II) Special dividend

According to the special profit distribution plan considered and approved by the shareholders of the Company at the 2019 first extraordinary general meeting held on 15 April 2019, the Company distributed the special dividends on 10 May 2019, with a cash dividend of RMB0.20 per Share (tax inclusive). For details, please refer to the circular dated 26 March 2019 and the announcement dated 15 April 2019 which were published by the Company on the HKEXnews website of the Hong Kong Stock Exchange.

III. THE PERFORMANCE OF UNDERTAKINGS

(I) Undertakings during or carried forward to the Reporting Period by the Company's actual controller, shareholders, related parties, acquirers and the Company and other relevant parties

Background of undertakings	Category of undertakings	Party providing undertakings	Contents of undertakings	Time and term of undertakings	Is there a term for performance	Whether or not timely and strictly performed	If the undertaking fails to be fulfilled in due time, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
Undertakings associated with the initial public offering	Restricted shares	CRSC Group	The CRSC Group has made following commitments in respect of shares lock-up: (1) within 36 months from the date when the CRSC's A shares upon initial public offering are listed on the Shanghai Stock Exchange, the CRSC's A shares held by CRSC Group shall not be transferred or entrusted to others to manage the CRSC's domestic shares directly or indirectly held by it prior to the issuance, nor shall CRSC repurchase such shares. (2) If the closing price of CRSC's stocks for 20 consecutive trading days (except for all-day suspension of CRSC's stocks) is lower than the issue price of this offering within six months after the listing of CRSC, or the closing price at the end of six months after listing (if the day is not a trading day, it is the first trading day after that day) is lower than the issue price of this offering, the lock-up period of CRSC's A shares held by CRSC Group will be automatically extended for six months after the expiration of the above lock-up period. The issue price refers to the issue price of this offering of CRSC. If CRSC, after being listed, performs the ex-dividend and ex-right for reasons such as profit distribution, capital reserves to increase share capital, additional issuance, placement etc., it shall do so in accordance with the relevant provisions of the Shanghai Stock Exchange. (3) If CRSC Group violates the above undertakings, it will assume all legal liabilities arising therefrom. (4) If relevant laws, regulations and regulatory documents or other securities regulatory authorities such as China Securities Regulatory Commission and Shanghai Stock Exchange have other requirements for the lock-up period of shares, CRSC Group agrees to adjust the lock-up period of CRSC's shares held by it.	Time of undertakings: 15 April 2019; term: within 36 months from the date of the listing of CRSC's A shares	Yes	Yes		

SECTION V

SIGNIFICANT EVENTS

Background of undertakings	Category of undertakings	Party providing undertakings	Contents of undertakings	Time and term of undertakings	Is there a term for performance	Whether or not timely and strictly performed	If the undertaking fails to be fulfilled in due time, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
Undertakings associated with the initial public offering	Restricted shares	Chenglong Group, SINOMACH, CICC Jiacheng	The Chenglong Group, SINOMACH and CICC Jiacheng have made following commitments in respect of shares lock-up: (1) within 12 months from the date when the CRSC's A shares upon initial public offering are listed on the Shanghai Stock Exchange, the CRSC's A shares held by them shall not be transferred or entrusted to others to manage the CRSC's domestic shares directly or indirectly held by them prior to the issuance, nor shall CRSC repurchase such shares. (2) if they violate the above undertakings, they will assume all legal liabilities arising therefrom. (3) if relevant laws, regulations and regulatory documents or other securities regulatory authorities such as China Securities Regulatory Commission and Shanghai Stock Exchange have other requirements for the lock-up period of shares, they agree to adjust the lock-up period of CRSC's shares held by them.	Time of undertakings by Chenglong Group: 26 March 2019; time of undertakings by SINOMACH and CICC Jiacheng: 15 April 2019; term: within 12 months from the date of the listing of CRSC's A shares	Yes	Yes	.	.
	Restricted shares	CRHC	CRHC has made following commitments in respect of shares lock-up: (1) within 12 months from the date when the CRSC's A shares upon initial public offering are listed on the Shanghai Stock Exchange, the CRSC's A shares held by it shall not be transferred the CRSC's domestic shares directly or indirectly held by it prior to the issuance, nor shall CRSC repurchase such shares. (2) if CRHC violates the above undertakings, it will assume all legal liabilities arising therefrom. (3) if relevant laws, regulations and regulatory documents or other securities regulatory authorities such as China Securities Regulatory Commission and Shanghai Stock Exchange have other requirements for the lock-up period of shares, CRHC agrees to adjust the lock-up period of CRSC's shares held by it.	Time of undertakings: 15 April 2019; term: within 12 months from the date of the listing of CRSC's A shares	Yes	Yes	.	.

SECTION V SIGNIFICANT EVENTS

Background of undertakings	Category of undertakings	Party providing undertakings	Contents of undertakings	Time and term of undertakings	Is there a term for performance	Whether or not timely and strictly performed	If the undertaking fails to be fulfilled in due time, please explain the specific reasons for the failure
	Restricted shares	Broker collective assets management plans set up by senior management and core employees participating in the strategic placement	Broker collective assets management plans set up by senior management and core employees participating in the strategic placement, have made following commitments in respect of shares locked up for 12 months from the date of the listing of the shares issued.	Time of undertakings: 21 June 2019; term: within 12 months from the date of the listing of CRSC's A shares	Yes	Yes	
	Profit distribution	CRSC	CRSC has made the following commitments in respect of profit distribution policies: the Company will distribute profits to shareholders in strict accordance with the profit distribution policies stipulated by relevant laws and regulations, the Articles of Association of China Railway Signal & Communication Corporation Limited, and Dividend Distribution Plan within Three Years after the Initial Public Offering and Listing of A Shares of CRSC (2019 - 2021), and strictly implement the review procedures for the profit distribution plan. If the violation of the above commitments causes losses to the investors, the Company shall be liable to the investors according to law.	Time of undertakings: 15 April 2019; term: long-term effective	No	Yes	

SECTION V SIGNIFICANT EVENTS

Background of undertakings	Category of undertakings	Party providing undertakings	Contents of undertakings	Time and term of undertakings	Is there a term for performance	Whether or not timely and strictly performed	If the undertaking fails to be fulfilled in due time, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
Background of undertakings	Non-competition undertakings	CRSC Group	<p>CRSC Group have made following commitments in respect of the non-competition undertakings: (1) as of the date of the issuance of letter of non-competition undertakings, CRSC Group and the holding enterprises of CRSC Group (excluding CRSC and its holding enterprises, hereinafter the same) have not engaged in or participated in the business or activities that constitute or may constitute a direct or indirect competitive relationship with the main business currently engaged in by CRSC and its holding enterprises in any form within or outside China. (2) CRSC Group and its holding enterprises do not, currently or in the future, solely or jointly with others, directly or indirectly, in any form (including but not limited to investment, merger and acquisition, associates, joint ventures, cooperation, partnership, contracting or leasing operation, purchase of shares of listed companies or equity participation) domestically or abroad engage in, or participate in, or assist to engage in or participate in any business or activities which compete or is likely to compete with the principal business engaged currently or in the future by CRSC and its holding enterprises. (3) If CRSC Group or its holding enterprises and any new business opportunities which directly or indirectly compete or is likely to compete with the principal business of CRSC and its holding enterprises, they will immediately notify CRSC and its holding enterprises in writing and try their best to procure that these opportunities are first provided to CRSC and its holding enterprises on reasonable and fair terms and conditions. (4) If CRSC and its holding enterprises waive the above new business opportunities and CRSC Group or its holding enterprises engage in these competitive businesses, CRSC and its holding enterprises have the right to acquire any equity, assets and other interests in the above-mentioned competitive business from CRSC Group or its holding enterprises at one or multiple times at any time, or choose to entrust operation, lease or contract to operate the assets or business of the above-mentioned competitive business in accordance with the PRC laws and regulations. (5) If CRSC Group or its holding enterprises intends to transfer, sell, lease, license or otherwise transfer or permit to use asset and business which compete or is likely to compete, directly or indirectly, with the principal business of CRSC and its holding enterprises, CRSC Group or its holding enterprises will provide priority transfer rights to CRSC and its holding enterprises. (6) CRSC Group will indemnify CRSC and its holding enterprises against all actual loss, damage and expenses suffered/occurred for CRSC Group or its holding enterprises' breach of any terms in the letter of non-competition undertaking. (7) The letter of undertakings takes effect from the date of issuance and is terminated upon the occurrence of the following circumstances (whichever is earlier): CRSC Group is no longer the controlling shareholder of CRSC; CRSC terminates its listing (except for the suspension of trading of CRSC's stock for any reason).</p>	Time of undertaking: 15 April 2019; Term of undertakings: the letter of undertakings takes effect from the date of issuance and is terminated upon the occurrence of the following circumstances (whichever is earlier): CRSC Group is no longer the controlling shareholder of CRSC; CRSC terminates its listing (except for the suspension of trading of CRSC's stock for any reason).	Yes	Yes		

SECTION V SIGNIFICANT EVENTS

Background of undertakings	Category of undertakings	Party providing undertakings	Contents of undertakings	Time and term of undertakings	Is there a term for performance	Whether or not timely and strictly performed	If the undertaking fails to be fulfilled in due time, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Related Party Transactions	CRSC Group	<p>CRSC Group have made following commitments in respect of regulating Related Party Transactions: (1) CRSC Group and the holding enterprises of CRSC Group (excluding CRSC and its holding enterprises, hereinafter the same) will try their best to minimize the Related Party Transactions with CRSC and its holding enterprises. (2) for the Related Party Transactions related with operating activities of CRSC that is not avoidable, CRSC Group or the holding enterprises of CRSC Group will perform the decision-making procedures of Related Party Transactions to ensure fair pricing and timely fulfill information disclosure obligations with strict compliance with the relevant laws and regulations and regulatory documents as well as the relevant requirements in CRSC's internal system related with Related Party Transactions. (3) CRSC Group will not take advantage of its position as a controlling shareholder to seek any favorable conditions or benefits over independent third parties for CRSC Group and its holding enterprises in business operation and other business. (4) CRSC Group will indemnify CRSC and its holding enterprises against all actual loss, damage and expenses suffered/occurred for CRSC Group or its holding enterprises' violation of undertakings above-mentioned. (5) undertakings above-mentioned remain effective when CRSC Group has the control right over CRSC and cannot be changed or canceled.</p>	<p>Time of undertaking: 15 April 2019; term of undertakings: the letter of undertakings takes effect from the date of issuance and is terminated upon the occurrence of the following circumstances (whichever is earlier): CRSC Group is no longer the controlling shareholder of CRSC; CRSC terminates its listing (except for the suspension of trading of CRSC's stock for any reason).</p>	Yes	Yes		

SECTION V

SIGNIFICANT EVENTS

Background of undertakings	Category of undertakings	Party providing undertakings	Contents of undertakings	Time and term of undertakings	Is there a term for performance	Whether or not timely and strictly performed	If the undertaking fails to be fulfilled in due time, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
Others	CFSC	CFSC	<p>CFSC has made the following commitments in respect of restraints on failure to comply with relevant public undertakings:</p> <p>(1) if the relevant undertakings made publicly by the Company in the prospectus has already contained the restraints, such restraints specified in those undertakings shall prevail; if the Company breaches those undertakings, the Company agrees to adopt the restraints already specified in those undertakings.</p> <p>(2) if the Company fails to fulfill its undertaking, confirms that it is unable to perform or fails to perform as scheduled (except for the objective reasons beyond the control of the Company such as changes in relevant laws and regulations and policies, natural disasters and other force majeure), the Company will take the following measures:</p> <ol style="list-style-type: none"> publicly explain the specific reasons for the failure to perform, inability to perform or to perform as scheduled, the undertaking in the media designated by the CSFC. make supplementary or substitute undertakings to the Company and its shareholders to protect the rights and interests of the Company and its shareholders as far as possible. if the public investors suffer losses due to their reliance on the undertakings of the Company in transactions, the Company will compensate them in the way and amount determined by the securities regulatory authorities or judicial authorities. <p>(3) in the event that the Company fails to fulfill its undertaking, confirms that it is unable to perform or fails to perform as scheduled due to objective reasons beyond the control of the Company such as changes in relevant laws and regulations and policies, natural disasters and other force majeure, the Company will take the following measures:</p> <ol style="list-style-type: none"> publicly explain the specific reasons for the failure to perform, inability to perform or to perform as scheduled, the undertaking in the media designated by the CSFC. make supplementary or substitute undertakings to the Company and its shareholders to protect the rights and interests of the Company and its shareholders where possible. 	Time of undertakings: 15-April 2019; term: long-term effective	No	Yes	.	.

SECTION V SIGNIFICANT EVENTS

Background of undertakings	Category of undertakings	Party providing undertakings	Contents of undertakings	Time and term of undertakings	Is there a term for performance	Whether or not timely and strictly performed	If the undertaking fails to be fulfilled in due time, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
Others		CRSC Group	<p>CRSC Group have made following commitments in respect of restraints on failure to comply with relevant public undertakings:</p> <p>(1) CRSC Group will strictly implement the public commitments made by CRSC Group in the prospectus for this issue and actively accept public supervision.</p> <p>(2) if the CRSC Group fails to fulfill its undertaking, confirms that it is unable to perform or fails to perform as scheduled (except for the objective reasons beyond the control of the Group such as changes in relevant laws and regulations and policies, natural disasters and other force majeure), the CRSC Group will take the following measures:</p> <ol style="list-style-type: none"> 1) publicly explain the specific reasons for the failure to perform, unable to perform or fail to perform as scheduled in the media designated by CSRC. 2) make supplementary or substitute undertakings to the CRSC and its shareholders to protect the rights and interests of the CRSC and its shareholders as far as possible. 3) in case of any gains (if any) due to the failure to fulfill the relevant undertakings, the gains shall be owned by CRSC. 4) if the public investors suffer losses due to their reliance on the undertakings of CRSC Group in transactions, the CRSC Group will compensate them in the way and amount determined by the securities regulatory authorities or judicial authority. <p>(3) in the event that the CRSC Group fails to fulfill its undertaking, confirms that it is unable to perform or fails to perform as scheduled due to objective reasons beyond the control of the CRSC Group such as changes in relevant laws and regulations and policies, natural disasters and other force majeure, the CRSC Group will take the following measures:</p> <ol style="list-style-type: none"> 1) publicly explain the specific reasons for the failure to perform, unable to perform or fail to perform as scheduled in the media designated by CSRC. 2) make supplementary or substitute undertakings to the CRSC and its shareholders to protect the rights and interests of the CRSC and its shareholders as far as possible. 	Time of undertakings: 15 April 2019; term: long-term effective	No	Yes		

SECTION V

SIGNIFICANT EVENTS

Background of undertakings	Category of undertakings	Party providing undertakings	Contents of undertakings	Time and term of undertakings	Is there a term for performance	Whether or not timely and strictly performed	If the undertaking fails to be fulfilled in due time, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
Others		The Company's Directors, Supervisors and senior management	<p>The Company's Directors, Supervisors and senior management have made following commitments in respect of restraints on failure to comply with relevant public undertakings:</p> <p>(1) I will strictly perform the public underwriting made in the prospectus for the issuing and actively accept social supervision.</p> <p>(2) if I fail to fulfill my undertaking, confirm that I am unable to perform or fail to perform as scheduled (except for the objective reasons beyond my control such as changes in relevant laws and regulations and policies, natural disasters and other force majeure), I will take the following measures:</p> <ol style="list-style-type: none"> publicly explain the specific reasons for the failure to perform, unable to perform or to perform as scheduled in the media designated by CSRC. make supplementary or substitute undertakings to the CRSC and its shareholders to protect the rights and interests of the CRSC and its shareholders as far as possible. in case of any gains (if any) due to the failure to fulfill the relevant undertakings, the gains shall be owned by CRSC. if the public investors suffer losses due to their reliance on my undertakings in transactions, I will compensate them in the way and amount determined by the securities regulatory authorities or judicial authority; if I receive the salary from CRSC, I agree that CRSC can stop paying the salary to me and use it directly to implement my unfulfilled underwriting or to compensate for the loss caused to CRSC and its shareholders by my unfulfilled underwriting. <p>(3) in the event that I fail to fulfill my undertaking, confirm that I am unable to perform or fail to perform as scheduled due to objective reasons beyond my control such as changes in relevant laws and regulations and policies, natural disasters and other force majeure, I will take the following measures:</p> <ol style="list-style-type: none"> publicly explain the specific reasons for the failure to perform, unable to perform or fail to perform as scheduled in the media designated by CSRC. make supplementary or substitute undertakings to the CRSC and its shareholders to protect the rights and interests of the CRSC and its shareholders as far as possible. 	Time of undertakings: 15-April 2019; term: long-term effective	No	Yes		

SECTION V SIGNIFICANT EVENTS

Background of undertakings	Category of undertakings	Party providing undertakings	Contents of undertakings	Time and term of undertakings	Is there a term for performance	Whether or not timely and strictly performed	If the undertaking fails to be fulfilled in due time, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
Other undertakings	Non-competition undertaking	CRSC Group	On 20 July 2015, CRSC Group issued to us a letter of non-competition undertakings, which is effective in the Relevant Period (as defined in the H share prospectus). Pursuant to the letter of non-competition undertakings, CRSC Group has confirmed that, as at the date of the letter of non-competition undertakings, CRSC Group has not engaged in or participated in any form of business activities which, directly or indirectly, compete with the Company's main businesses. For further details of the letter of non-competition undertakings, please refer to the H share prospectus of the Company.	20 July 2015; term: the letter of undertakings takes effect from the date of issuance and is terminated upon the occurrence of the following circumstances (whichever is earlier): CRSC Group is no longer the controlling shareholder of CRSC; CRSC terminates its listing (except for the suspension of trading of CRSC's stock for any reason).	Yes	Yes	-	-
Other Undertakings	Others	CRSC	The Company undertook to the Hong Kong Stock Exchange that the Company would not use the proceeds from the global offering, as well as any other funds raised through the Hong Kong Stock Exchange, to finance or assist any activities or business, directly or indirectly, (i) relating to or with the target of any sanction, or relating to, with, or in any countries subject to sanctions administered by the U.S., the E.U., Hong Kong, Australia or the U.N. authorities, or (ii) relating to CRSC International, one of the Company's subsidiaries, considering the amount of its annual revenue related to projects in Iran during the Track Record Period. In addition, the Company also undertook to the Hong Kong Stock Exchange that the Company would not undertake any sanctionable transactions that would expose the relevant persons or us to risk of being sanctioned.	29 July 2015; term: long-term effective	No	Yes	-	-

SECTION V

SIGNIFICANT EVENTS

IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

- (I) Explanation on appointment and removal of accounting firms

As at 13 June 2019, the Company considered and approved the Proposal on Appointment of External Auditors for 2019 at the 2018 annual general meeting, where the Company decided not to reappoint Ernst & Young as its overseas auditor for the year of 2019 and decided to reappoint Ernst & Young Hua Ming LLP as the external auditor of the Company for the year of 2019 to audit the financial statements of the Company for 2019 because it will adopt the CASBE only to prepare its financial statements.

- (II) Explanation on change in the accounting firms during the auditing period

Not applicable.

- (III) Explanation of the Company on issuance of a “Non-Standard Auditing Report” by accounting firms

Not applicable.

- (IV) Explanation of the Company on issuance of a “Non-Standard Auditing Report” by the certified public accountant in the financial statements of the last year’s annual report

Not applicable.

V. EVENTS REGARDING BANKRUPTCY AND RESTRUCTURING

During the Reporting Period, there was no event regarding bankruptcy or restructuring of the Company.

VI. MATERIAL LITIGATION AND ARBITRATION

The Company had no material litigation or arbitration during the Reporting Period.

SECTION V SIGNIFICANT EVENTS

VII. PUNISHMENTS AND RECTIFICATIONS INVOLVED BY LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLER OR ACQUIRER

During the Reporting Period, the Company and its Directors, Supervisors, senior management and controlling shareholders were not subject to serious punishment which needed to be rectified.

VIII. EXPLANATION ON CREDIBILITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLER DURING THE REPORTING PERIOD

Not applicable.

IX. INFORMATION ABOUT THE COMPANY'S SHARE INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACTS

During the Reporting Period, the Company has no equity incentive plan, employee stock ownership plan or other employee incentive measures.

SECTION V

SIGNIFICANT EVENTS

X. MATERIAL RELATED PARTY TRANSACTIONS

(I) The related party transactions in relation to the ordinary operations

1. *Events disclosed in the temporary announcements and with no progress or change in subsequent implementation*

Not applicable.

2. *Events disclosed in the temporary announcements but with progress or change in subsequent implementation*

Not applicable.

3. *Events not disclosed in the temporary announcements*

Not applicable.

(II) Related party transactions arising from acquisition of assets or acquisition and disposal of equity interests

1. *Events disclosed in the temporary announcements and with no progress or change in subsequent implementation*

Not applicable.

2. *Events disclosed in the temporary announcements but with progress or change in subsequent implementation*

Not applicable.

3. *Events not disclosed in temporary announcements*

Not applicable.

4. *Where an agreement on performance is involved, the performance achievements during the Reporting Period shall be disclosed*

Not applicable.

SECTION V SIGNIFICANT EVENTS

(III) Significant related party transactions on the joint external investment

1. *Events disclosed in the temporary announcements and with no progress or change in subsequent implementation*

Not applicable.

2. *Events disclosed in the temporary announcements but with progress or change in subsequent implementation*

Not applicable.

3. *Events not disclosed in temporary announcements*

Not applicable.

(IV) Claims and liabilities between related parties

1. *Events disclosed in the temporary announcements and with no progress or change in subsequent implementation*

Not applicable.

2. *Events disclosed in the temporary announcements but with progress or change in subsequent implementation*

Not applicable.

SECTION V SIGNIFICANT EVENTS

3. Events not disclosed in temporary announcements

Unit: Yuan Currency: RMB

Related party	Related party relationship	Provision of funds to related party			Provision of funds to the listed company by related party		
		Opening balance	Accrual	Ending balance	Opening balance	Accrual	Ending balance
CRSC Group	Controlling Shareholder	-	-	-	1,000,000,000	-	1,000,000,000
Total		-	-	-	1,000,000,000	-	1,000,000,000
Reasons for the formation of claims and liabilities between related parties		During the current period, the Company borrowed RMB2.5 billion from CRSC Group in the form of entrusted loans at the benchmark interest rate of RMB-denominated loans for financial institutions of the same period (loans for the current period have been repaid). As at 30 June 2019, the balance of entrusted loans borrowed by the Company from CRSC Group was RMB1 billion.					
Impact of claims and liabilities between related parties on the Company's operating results and financial position		No significant impact					

(V) Other material related party transactions

Not applicable.

(VI) Others

Not applicable.

XI. MAJOR CONTRACTS AND PERFORMANCE

1 Trust, contracting and leasing matters

Not applicable.

SECTION V SIGNIFICANT EVENTS

2 Guarantees

Unit: 0'000 Currency: RMB

Total amount of external guarantees provided by the Company (not including guarantees provided for its subsidiaries)	
Total guarantee incurred during the Reporting Period (excluding those provided to subsidiaries)	—
Total balance of guarantee as at the end of the Reporting Period (A) (excluding those provided to subsidiaries)	—
Guarantee provided by the Company to its subsidiaries	
Total guarantee to its subsidiaries incurred during the Reporting Period	23,938
Total balance of guarantee to its subsidiaries as at the end of the Reporting Period (B)	316,411
Guarantee incurred among subsidiaries	
Total guarantee incurred among subsidiaries during the Reporting Period	788
Total balance of guarantee incurred among subsidiaries as at the end of the Reporting Period (B1)	58,313
Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee (A+B+B1)	374,724
Percentage of aggregate guarantee to net assets of the Company (%)	12.76
Representing:	
Amount of guarantee provided to shareholders, ultimate controller and their related parties (C)	—
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D)	263,082
Excess amount of aggregate guarantee over 50% of net assets (E)	—
Aggregate amount of the above three categories (C+D+E)	263,082
Statement on the contingent joint and several liability in connection with unexpired guarantee	—

SECTION V

SIGNIFICANT EVENTS

Statement on guarantee

Percentage of the total guarantee amount to net assets of the Company = guarantee amount / equity attributable to owners of the parent company. As at the end of the Reporting Period, the Company and its subsidiaries did not have any external guarantee (excluding guarantee to subsidiaries). During the Reporting Period, the amount of guarantee provided by the Company to its subsidiaries and that provided by its subsidiaries for each other reached RMB247 million. As at the end of the Reporting Period, the balance of guarantee provided by the Company to its subsidiaries and that provided by its subsidiaries for each other amounted to RMB3,747 million, accounting for 12.76% of the Company's net assets. If divided by guarantee type, there were RMB155 million of banker's acceptance bill guarantee and RMB3,592 million of other guarantees including L/G, L/C and credit extension. The Company did not provide any guarantee for any of its controlling shareholders, actual controllers and related parties at the end of the Reporting Period. As at the end of the Reporting Period, the balance of guarantee provide by the Company for its subsidiaries with an asset-liability ratio of more than 70% and that provided by its subsidiaries for each other amounted to RMB2,631 million.

SECTION V SIGNIFICANT EVENTS

3 Other Material Contracts

Not applicable.

XII. THE WORK OF THE LISTED COMPANY ON POVERTY ALLEVIATION

Not applicable.

XIII. CONVERTIBLE CORPORATE BONDS

Not applicable.

XIV. ENVIRONMENTAL INFORMATION

(I) Explanation on environmental protection of companies and their significant subsidiaries classified as the key pollutant discharging units announced by the environmental protection department

1. Pollutant discharging information

CRSC is an environmentally-friendly “general class” enterprise with “low pollution emission”. Pollutant discharge is mainly divided into three categories: air pollutants, water pollutants and hazardous wastes. Air pollution emissions mainly include a small amount of nitrogen oxide and sulfur dioxide produced by boiler heating in the factory, and a small amount of volatile organic compounds (VOCS) in the production process; water pollution emissions mainly include ammonia nitrogen and chemical oxygen demand (COD); the hazardous waste is HW08, HW09, HW13, HW17, and HW49, mainly including the electroplating sludge and organic solvents produced during mechanical processing, organic solvent produced in the process of electronic product assembly and cable extrusion, and emulsions and waste oils generated during equipment maintenance. In 2018, the COD emission in sewage was 2.17 tons, the ammonia nitrogen emission was 0.64 ton, and the hazardous waste treatment capacity was 167.76 tons, maintaining a reasonable level. The emission of sulfur dioxide and nitrogen oxide in the air pollutants were 0.21 ton and 0.49 ton respectively, representing a significant decrease from the same period of last year. The discharge method of wastewater is mainly based on recycling, and unified discharge after complying with the standard treatment. The discharge method of VOCS and exhaust boiler is based on organized emission after adsorption treatment. All hazardous wastes are entrusted to professional enterprises with hazardous waste operation license, road transport of dangerous cargos license and other qualifications to handle. The discharge of major pollutants meets the discharge requirements stipulated by the state or local authorities.

SECTION V

SIGNIFICANT EVENTS

2. Construction and operation of pollution prevention and control facilities

CRSC has effectively treated the discharge outlets of pollution sources produced in all links of the production process, and the pollution control equipment is running well. The smooth completion of management work of the “coal to gas” and “coal to electricity” in various enterprises and the non-combustion coal consumption in all enterprises have led to a significant drop in the emission of nitrogen oxides and sulfur dioxide; for the link involved in the production of VOCS by cable processing, mechanical product processing, and electronic product assembly in industrial enterprises, treatment devices, such as flue gas electronic purification systems, activated carbon purification systems, low temperature plasma and UV photolysis purification systems, are also equipped to ensure the standard emission of volatile organic gas. All enterprise-level sewage treatment stations have undergone upgrading of sewage treatment equipment, resulting in a substantial increase in sewage treatment capacity and strong monitoring of water pollution discharge indicators. Hazardous waste shall be stored and managed in strict comply with the relevant regulations. In the process of transfer and disposal of hazardous waste, the joint bills of hazardous waste transfer shall be filled out in accordance with the provisions of the Administrative Measures on the Joint bills for the Transfer of Hazardous Wastes (《危險廢物轉移聯單管理辦法》), and qualified units shall be entrusted to carry out harmless and safe disposal according to law.

3. Environmental impact assessment and other administrative licenses in relation to environmental protection of construction projects

In the implementation of construction projects, CRSC implements the Environmental Impact Assessment Law (《環境影響評價法》) and the “three simultaneous” system of simultaneous design, construction and operation of environmental protection facilities and main projects. The total amount of pollutants shall be controlled and the principle of combining prevention with treatment shall be implemented to treat and bury all kinds of pollutants generated so as to ensure the discharge up to the standard. CRSC has formulated the Administrative Measures for Safety and Environmental Protection of Construction Projects (《建設項目安全環保管理辦法》) to ensure that the construction projects were approved by the local government before the start of construction, and the environmental protection acceptance has been carried out in full accordance with the requirements of the Administrative Regulations on Environmental Protection of Construction Projects.

4. Emergency plan for contingent environmental incidents

According to the Safe Production Contingency Management Measures (《安全生產應急管理辦法》), CRSC has set up emergency organizations, classified emergency responsibilities at all levels, refined the classification of events, formulated emergency plans and conducted practical exercises, carried out relevant safety education and training, strengthened safety awareness and effectively improved the level of response to emergency.

SECTION V SIGNIFICANT EVENTS

5. *Environmental self-monitoring program*

CRSC strengthens the supervision and inspection of relevant enterprises' pollution sources. Each of relevant enterprises has formulated pollution discharge monitoring and management systems and third-party testing plans according to the actual conditions of the enterprises. In order to improve the monitoring effects, some enterprises have installed on-line monitoring system for wastewater and exhaust gas at the key pollutant discharge outlets as required, realizing 24-hour monitoring and warning of pollutant discharge and establishing a sound pollutant emission monitoring system.

6. *Other environmental information that should be disclosed*

According to the requirements of the local ecological environment department of the place where the enterprise is located, major pollutant discharge units of CRSC will disclose relevant information on the quantity of major pollutant emission and environmental treatment construction projects of the enterprises on the website of the local environmental protection department.

(II) **Environmental protection of companies other than those classified as the key pollutant discharging units**

Not applicable.

(III) **Explanation of reasons for non-disclosure of environmental information by companies other than those classified as the key pollutant discharging units**

Not applicable.

(IV) **Explanation of the follow-up progress of or changes in the disclosure of environmental information during the Reporting Period**

Not applicable.

XV. CORPORATE GOVERNANCE

(I) **Corporate governance practices**

The Company strives to maintain high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability.

In order to ensure that the Company is able to fully perform its obligations under Hong Kong Listing Rules, the Company has established an effective corporate governance structure and, from time to time, reviews and improves its internal control and corporate governance mechanism.

SECTION V

SIGNIFICANT EVENTS

The Company also operates in strict compliance with the Articles of Association of the Company, operating procedures for Board Committees, the Company Law and the requirements of relevant laws, regulations and regulatory documents, as well as the relevant rules and regulations of Hong Kong Stock Exchange in relation to corporate information disclosure and investors' relations management and services.

The Company's corporate governance practices are based on the principles and code provisions as provided by the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules. The Board is of the view that the Company had complied with all the code provisions as set out in the Corporate Governance Code during the Reporting Period.

(II) Repurchase, sale or redemption of listed securities of the Company

During the Reporting Period, neither the Company nor its subsidiaries repurchase, sell or redeem any of the listed securities of the Company under the Hong Kong Listing Rules.

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

Members of the Audit and Risk Management Committee of the Company comprises of Mr. CHAN Ka Keung Peter (chairman of the Committee), Mr. WANG Jiajie and Mr. CHEN Jin'en.

The Audit and Risk Management Committee of the Company has reviewed the unaudited interim condensed consolidated financial statements, the interim results announcement and interim report of the Company for the six months ended 30 June 2019.

(IV) Subsequent events

Upon approval by the SSE, the A shares of our Company were listed and started to trade on the Science and Technology Innovation Board of the SSE on 22 July 2019, with an initial public offering of 1,800,000,000 A shares. For more details, please refer to the announcements of the Company dated 28 February 2019, 25 March 2019, 16 April 2019, 12 June 2019, 21 June 2019, 27 June 2019, 28 June 2019, 2 July 2019, 9 July 2019 and 22 July 2019, respectively, in relation to the proposed initial public offering and listing of the A shares of the Company and the relevant matters, the circular of the Company's 2019 first extraordinary general meeting and 2019 first H shareholders class meeting dated 26 March 2019, the circular dated 8 July 2019 in relation to the strategic allotment to connected persons under the A share offering and the announcement of the Company dated 15 April 2019 in relation to, among others, the poll results of the Company's 2019 first extraordinary general meeting, 2019 first domestic shareholders class meeting and 2019 first H shareholders class meeting.

Except as disclosed in this report, there were no other significant subsequent events which have occurred since 30 June 2019 and up to the date of this report.

XVI. EXPLANATION ON OTHER SIGNIFICANT EVENTS

(I) Compared with the last accounting period, the change of accounting policies, accounting estimates and calculation methods and their reasons and impact

In 2018 and 2019, the Ministry of Finance promulgated the following accounting standards for business enterprises and explanations which took effect on 1 January 2019 or from their respective effective dates:

1. Accounting Standards for Business Enterprises No. 21 – Leases (revised) (the “New Lease Standards “)
2. Provisions on the Accounting Treatment of Perpetual Bonds
3. Accounting Standards for Business Enterprises No. 7 – Exchange of Non-Monetary Assets
4. Accounting Standards for Business Enterprises No. 12 – Debt Restructuring
5. Notice on Revising and Issuing the Format of 2019 Financial Statements of General Enterprises

The Company and its subsidiaries shall, from 1 January 2019 or the corresponding effective dates, implement the aforesaid accounting standards for business enterprises and interpretations and make adjustments to the relevant accounting policies. For details, please refer to Note V. 39 in Section X of the Financial Report.

(II) The correction on significant accounting errors required to be restated, its amount after correction, reasons and impact during the Reporting Period

Not applicable.

(III) Others

Not applicable.

SECTION VI

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

I. THE MOVEMENTS IN SHARE CAPITAL

(I) Table of changes in shares

1. *Table of changes in shares*

The Company's total shares and share capital structure had no changes during the Reporting Period.

2. *Explanation on changes in shares*

Not applicable.

3. *The impact of changes in shares on financial indicators such as earnings per share, net asset per share from the end of the reporting period to the disclosure date of the Interim Report (if any)*

The Company completed the issuance of A shares on the Science and Technology Innovation Board, which was listed on the SSE on 22 July 2019. Prior to the issuance, the total share capital of the Company was 8,789,819,000 shares, and the number of shares issued was 1,800,000,000 shares. After completion of the issuance, the total share capital of the Company increased to 10,589,819,000 shares.

After the proceeds from the issuance in place, the total share capital and net assets of the Company will increase correspondingly compared with before the issuance. However, it takes a certain period of time for the Company to raise funds from the capital investment to the benefit generation, and the realization of the return on the investment project also requires a certain period of time. Therefore, there is a risk that the basic earnings per share and diluted earnings per share of the Company would be diluted.

4. *Other discloseable contents that the Company deemed necessary or were required by securities regulatory authorities*

Not applicable.

(II) Changes in shares subject to trading moratorium

Not applicable.

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of shareholders as at the end of the Reporting Period	259
Number of shareholders of preference shares with restored voting rights as at the end of the Reporting Period	0

(II) Particulars of shareholdings of the top ten shareholders and the top ten shareholders of tradable shares (or shareholders not subject to trading moratorium) as at the end of the Reporting Period

Unit: share

Name of shareholder (full name)	Change of shareholding during the Reporting Period	Number of shares held as at the end of the period	Percentage (%)	Number of shares held subject to trading moratorium	Shares pledged or frozen		
					Status of shares	Number of shares	Nature of shareholder
China Railway Signal and Communication (group) Corporation Limited	0	6,604,426,424	75.14	6,604,426,424	Nil	0	State-owned corporation
HKSCC NOMINEES LIMITED ^{Note 1}	22,000	1,967,727,000	22.39	0	Unknown	-	Overseas corporation
China National Machinery Industry Corporation	0	63,507,192	0.72	63,507,192	Unknown	-	State-owned corporation
China Reform Holdings Corporation Ltd.	0	63,507,192	0.72	63,507,192	Unknown	-	State-owned corporation
China Chengtong Holdings Group Ltd.	0	63,507,192	0.72	63,507,192	Unknown	-	State-owned corporation
CICC Jiacheng Investment Management Co., Ltd.	0	26,070,000	0.30	26,070,000	Unknown	-	Other

Particulars of shareholdings of the top ten shareholders not subject to trading moratorium

Type and number of shares

Name of shareholder	Number of circulating shares held not subject to trading moratorium		Type	Number
HKSCC NOMINEES LIMITED ^{Note 1}	1,967,727,000		overseas listed foreign shares	1,967,727,000
Explanation on the related party relationship or acting-in-concert arrangement among the above shareholders	The Company is not aware whether the shareholders have related party relationship or acting-in-concert arrangement			
Explanation on the preference shareholders with voting right restored and their shareholdings	Not applicable			

Note 1: The H shares held by HKSCC NOMINEES LIMITED were held on behalf of various clients.

SECTION VI

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

The top ten shareholders subject to trading moratorium and conditions of such trading moratorium

Unit: share

No.	Name of shareholders subject to trading moratorium	Number of Shares held subject to trading moratorium	Time available for listing and trading	Shares subject to trading moratorium available for listing and trading		Trading moratorium
				Number of additional shares available for listing and trading		
1	China Railway Signal and Communication (group) Corporation Limited	6,604,426,424	22 July 2022	0		36 months from the date when the Company's shares are listed at the SSE
2	China National Machinery Industry Corporation	63,507,192	22 July 2020	0		12 months from the date when the Company's shares are listed at the SSE
3	China Reform Holdings Corporation Ltd.	63,507,192	22 July 2020	0		12 months from the date when the Company's shares are listed at the SSE
4	China Chengtong Holdings Group Ltd.	63,507,192	22 July 2020	0		12 months from the date when the Company's shares are listed at the SSE
5	CICC Jiacheng Investment Management Co., Ltd.	26,070,000	22 July 2020	0		12 months from the date when the Company's shares are listed at the SSE
Explanation on related party relationship or acting-in-concert arrangement among the above shareholders		The Company is not aware whether the shareholders have related party relationship or acting-in-concert arrangement				

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

(III) Interests and short positions of substantial shareholders in shares and underlying shares of the Company

As at 30 June 2019, so far as is known to the Directors, the following persons (other than the Directors, the Supervisors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were entered in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Class of shares	Capacity	Number of shares held	Approximate percentage of shares in the relevant class of shares of the Company	Approximate percentage of shares in the total issued shares of the Company
China Railway Signal and Communication (group) Corporation Limited	Domestic shares	Beneficial owner	6,604,426,424 (Long position)	96.82%	75.14%
National Council for Social Security Fund of the PRC	H shares	Beneficial owner	176,952,000 (Long position)	8.99%	2.01%
China Shipping (Group) Company ⁽¹⁾	H shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25%	1.40%
China Shipping (Hong Kong) Holdings Co., Limited ⁽¹⁾	H shares	Beneficial owner	123,063,000 (Long position)	6.25%	1.40%
Shanghai Zhenhua Heavy Industries Co., Ltd. ⁽²⁾	H shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25%	1.40%
Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited ⁽²⁾	H shares	Beneficial owner	123,063,000 (Long position)	6.25%	1.40%
China Railway Group Investment (Hong Kong) Limited ⁽³⁾	H shares	Beneficial owner	123,063,000 (Long position)	6.25%	1.40%
China Railway Engineering Corporation ⁽³⁾	H shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25%	1.40%
China Railway Group Limited ⁽³⁾	H shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25%	1.40%
China Railway International Group Co., Limited ⁽³⁾	H shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25%	1.40%
BlackRock, Inc. ⁽⁴⁾	H shares	Interests in a controlled corporation	116,834,447 (Long position)	5.93%	1.33%

SECTION VI

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

Notes:

As at 30 June 2019, the number of issued shares of the Company was 8,789,819,000 shares, of which 1,968,801,000 shares were H shares and 6,821,018,000 shares were domestic shares.

1. China Shipping (Group) Company had interests in such shares through China Shipping (Hong Kong) Holdings Co., Limited.
2. Shanghai Zhenhua Heavy Industries Co., Ltd. had interests in such shares through Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited.
3. China Railway Engineering Corporation had interests in such shares through China Railway Group Limited, China Railway International Group Co., Limited and China Railway Group Investment (Hong Kong) Limited.
4. BlackRock, Inc. had interests in such shares through the corporations it directly or indirectly held.

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any persons (other than the Directors, the Supervisors or chief executives of the Company) who had interests and/or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

(IV) Top 10 shareholders from strategic investors or general legal persons participating in the placing of the new shares

Not applicable.

III. CHANGES IN THE CONTROLLING SHAREHOLDER OR ACTUAL CONTROLLER

There were no changes in the controlling shareholder or actual controller of the Company during the Reporting Period.

SECTION VII PARTICULARS OF PREFERENCE SHARES

Not applicable.

SECTION VIII

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN SHAREHOLDING

(I) The changes in shareholding of current and resigned Directors, Supervisors and Senior Management during the Reporting Period

Not applicable.

(II) The equity incentives granted to the Directors, Supervisors and Senior Management during the Reporting Period

Not applicable.

(III) Directors, Supervisors and the Company's chief executives' interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2019, none of the Directors, Supervisors or chief executives of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which should be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

(IV) Securities transactions conducted by Directors and Supervisors

The Company has adopted a code of conduct no less exacting than the code of conduct as provided in the Model Code set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for all the Directors and Supervisors trading securities of the Company ("code of conduct"). All the Directors and Supervisors of the Company have confirmed that they have complied with the standards as stipulated by the code of conduct for the period ended 30 June 2019.

SECTION VIII

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position held	Information on the change
ZHAO Xiaodong	Vice president	Appointed
ZHANG Zhihui	Vice president	Appointed

Explanation on the changes in Directors, Supervisors and senior management of the Company

On 21 January 2019, the Company convened the fifth meeting of the third session of the board of Directors, pursuant to which Mr. ZHAO Xiaodong and Mr. ZHANG Zhihui were appointed as vice presidents of the Company.

III. CHANGES OF INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

During the Reporting Period, there are no changes of information about the Directors, Supervisors and senior management of the Company, which are required to be disclosed in this report pursuant to Rule 13.51(B)(1) of the Hong Kong Listing Rules.

IV. OTHER EXPLANATIONS

Not applicable.

SECTION IX PARTICULARS OF CORPORATE BONDS

Not applicable.

SECTION X FINANCIAL REPORT REVIEW REPORT

Ernst & Young Hua Ming (2019) Zhuan Zi No. 61172338_A24
China Railway Signal & Communication Corporation Limited

To the Shareholders of China Railway Signal & Communication Corporation Limited

We have reviewed the accompanying interim financial statements of China Railway Signal & Communication Corporation Limited, which comprise the consolidated and company balance sheets as at 30 June 2019, and the consolidated and company statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the six months ended 30 June 2019, and the notes to the financial statements (hereinafter referred to as the “Interim Financial Statements”). Management of China Railway Signal & Communication Corporation Limited is responsible for the preparation of the Interim Financial Statements in accordance with the Accounting Standards for Business Enterprises. Our responsibility is to issue a review report based on our review of the Interim Financial Statements.

We conducted our review in accordance with the Standards on Review Engagements for CPAs of China No. 2101 – Engagements to review financial statements, which requires that we plan and conduct the review to obtain limited assurance about whether the Interim Financial Statements are free from material misstatements. A review is limited primarily to enquiries of the relevant personnel of China Railway Signal & Communication Corporation Limited and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the abovementioned Interim Financial Statements are not prepared in accordance with the Accounting Standards for Business Enterprises, and do not present fairly, in all material respects, the financial position, operating results and cash flows of China Railway Signal & Communication Corporation Limited.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Wang Ning (王宁)

Chinese Certified Public Accountant: Wang Min (王敏)

Beijing, China

26 August 2019

CONSOLIDATED BALANCE SHEET

30 June 2019

I. AUDIT REPORT

Applicable Not applicable

II. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

30 June 2019

Prepared by: China Railway Signal & Communication Corporation Limited

Unit: Yuan Currency: RMB

ITEM	Notes	30 June 2019	31 December 2018
Current assets:			
Cash and bank balances	VII.1	11,669,947,096.77	11,712,483,332.67
Accounts receivable	VII. 2	16,359,968,485.57	13,598,595,282.88
Receivables for financing	VII. 3	1,217,233,232.76	1,845,116,686.79
Prepayments	VII. 4	1,011,917,282.56	907,020,051.18
Other receivables	VII. 5	1,491,636,407.44	1,340,863,519.49
Including: Interest receivable		—	—
Dividends receivable		12,750,000.00	3,100,000.00
Inventories	VII. 6	2,223,366,324.68	4,086,551,784.60
Contract assets	VII. 7	34,181,570,012.19	30,941,474,817.79
Non-current assets due within one year	VII. 8	92,577,566.05	102,922,228.08
Other current assets	VII.9	784,266,390.62	780,404,375.83
Total current assets		69,032,482,798.64	65,315,432,079.31
Non-current assets:			
Debt investment	VII.10	273,172,183.50	—
Long-term receivables	VII.11	5,398,256,367.08	4,616,553,337.79
Long-term equity investments	VII.12	997,288,382.20	1,005,921,400.68
Other equity instrument investment	VII.13	751,414,229.20	653,814,229.20
Investment properties	VII.14	223,970,745.97	230,407,814.40
Fixed assets	VII.15	3,884,873,753.53	3,936,432,967.69
Construction in progress	VII.16	654,076,116.64	637,726,255.10
Right-of-use-assets	VII.17	167,031,765.88	—
Intangible assets	VII.18	2,452,020,780.52	2,506,699,954.55
Development expenditure	VII.19	34,447,839.03	30,019,437.59
Goodwill	VII.20	305,324,128.58	305,324,128.58
Long-term prepaid expenses	VII.21	44,897,148.00	41,748,151.25
Deferred tax assets	VII.22	375,309,597.35	335,864,583.78
Other non-current assets	VII.23	85,669,319.89	62,593,288.55
Total non-current assets		15,647,752,357.37	14,363,105,549.16
Total assets		84,680,235,156.01	79,678,537,628.47

CONSOLIDATED BALANCE SHEET

30 June 2019

ITEM	Notes	30 June 2019	31 December 2018
Current liabilities:			
Short-term borrowings	VII.24	1,101,229,147.76	1,117,556,312.99
Bills payable	VII.25	898,735,029.79	849,268,364.25
Accounts payable	VII.26	38,533,755,551.27	35,119,238,956.99
Employee benefits payable	VII.27	637,957,743.06	513,369,547.72
Tax payable	VII.28	714,307,229.78	1,189,672,548.28
Other payables	VII.29	1,408,288,446.61	1,299,694,068.26
Including: Interest payable		780,000.00	8,000.00
Dividends payable		134,105,443.54	19,800,372.35
Contract liabilities	VII.30	7,384,777,494.58	7,033,233,380.49
Non-current liabilities due within one year	VII.31	301,197,134.66	370,399,261.69
Other current liabilities	VII.32	154,566,396.82	107,498,117.03
Total current liabilities		51,134,814,174.33	47,599,930,557.70
Non-current liabilities:			
Long-term borrowings	VII.33	1,768,352,774.84	856,163,032.09
Lease liabilities	VII.34	125,675,190.73	–
Long-term payables	VII.35	25,465,263.83	26,088,533.74
Long-term employee benefits payable	VII.36	642,842,000.00	657,084,000.00
Provisions	VII.37	72,387,345.81	67,220,249.39
Deferred income	VII.38	179,667,076.66	151,370,878.40
Deferred tax liabilities	VII.22	49,166,518.93	48,598,827.97
Total non-current liabilities		2,863,556,170.80	1,806,525,521.59
Total liabilities		53,998,370,345.13	49,406,456,079.29

CONSOLIDATED BALANCE SHEET

30 June 2019

ITEM	Notes	30 June 2019	31 December 2018
Shareholder's equity:			
Share capital	VII.39	8,789,819,000.00	8,789,819,000.00
Other equity instruments	VII.40	2,800,000,000.00	2,800,000,000.00
Including: Preference shares		—	—
Perpetual bonds		2,800,000,000.00	2,800,000,000.00
Capital reserve	VII.41	7,372,085,794.28	7,409,464,897.08
Other comprehensive income	VII.42	-248,273,285.35	-248,471,666.82
Special reserve	VII.43	437,641,508.21	372,846,705.67
Surplus reserve	VII.44	1,104,399,533.39	1,104,399,533.39
Retained earnings	VII.45	9,110,739,651.25	8,680,338,212.67
Total equity attributable to Shareholders of the parent		<u>29,366,412,201.78</u>	<u>28,908,396,681.99</u>
Non-controlling interests		<u>1,315,452,609.10</u>	<u>1,363,684,867.19</u>
Total shareholders' equity		<u>30,681,864,810.88</u>	<u>30,272,081,549.18</u>
Total liabilities and shareholders' equity		<u>84,680,235,156.01</u>	<u>79,678,537,628.47</u>

Legal Representative: ZHOU Zhiliang Chief Financial Officer: HU Shaofeng Head of Accounting Department: QIU Wei

COMPANY'S BALANCE SHEET

30 June 2019

Prepared by: China Railway Signal & Communication Corporation Limited

Unit: Yuan Currency: RMB

ITEM	Notes	30 June 2019	31 December 2018
Current assets:			
Cash and bank balances		7,865,659,413.16	7,867,718,577.23
Accounts receivable	XVI.1	2,117,465,994.37	2,409,246,518.13
Receivables for financing		27,776,354.77	1,500,000.00
Prepayments		260,655,965.78	112,367,914.62
Other receivables	XVI.2	7,746,511,365.52	8,709,730,090.36
Including: Interest receivable		–	–
Dividends receivable		1,682,089,670.31	822,550,930.31
Contract assets		2,342,982,011.58	2,941,779,728.47
Non-current assets due within one year		89,106,784.36	99,451,446.39
Other current assets		112,769,235.76	119,018,399.31
Total current assets:		<u>20,562,927,125.30</u>	<u>22,260,812,674.51</u>
Non-current assets:			
Debt investment		273,172,183.50	–
Long-term receivables		300,670,687.06	242,154,529.98
Long-term equity investments	XVI.3	15,212,957,491.95	14,938,871,805.43
Other equity instrument investment		476,408,221.20	376,408,221.20
Investment properties		1,592,037,680.98	1,611,821,546.97
Fixed assets		626,208,687.47	640,480,041.23
Construction in progress		12,253,100.29	11,783,511.39
Intangible assets		529,965,901.16	537,353,435.36
Deferred tax assets		17,493,740.09	15,898,119.90
Other non-current assets		–	985,356.46
Total non-current assets		<u>19,041,167,693.70</u>	<u>18,375,756,567.92</u>
Total assets		<u><u>39,604,094,819.00</u></u>	<u><u>40,636,569,242.43</u></u>

COMPANY'S BALANCE SHEET

30 June 2019

ITEM	30 June 2019	31 December 2018
Current liabilities:		
Short-term borrowings	1,000,000,000.00	1,000,000,000.00
Accounts payable	5,275,879,752.32	5,745,791,677.93
Contract liabilities	1,531,191,695.78	1,088,476,460.82
Employee benefits payable	21,329,398.52	25,441,456.96
Tax payable	22,955,526.77	65,020,085.47
Other payables	8,957,468,609.62	10,153,841,565.13
Other current liabilities	25,742,545.16	—
Total current liabilities	<u>16,834,567,528.17</u>	<u>18,078,571,246.31</u>
Non-current liabilities:		
Long-term employee benefits payable	81,338,000.00	81,338,000.00
Provisions	2,523,460.61	2,521,924.70
Deferred income	32,058,144.78	32,924,206.92
Total non-current liabilities	<u>115,919,605.39</u>	<u>116,784,131.62</u>
Total liabilities	<u>16,950,487,133.56</u>	<u>18,195,355,377.93</u>
Shareholder's equity:		
Share capital	8,789,819,000.00	8,789,819,000.00
Other equity instruments	2,800,000,000.00	2,800,000,000.00
Including: Preference shares	—	—
Perpetual bonds	2,800,000,000.00	2,800,000,000.00
Capital reserve	7,802,128,059.41	7,802,128,059.41
Other comprehensive income	-50,941,000.00	-50,941,000.00
Special reserve	37,275,482.01	40,585,186.44
Surplus reserve	1,104,399,533.39	1,104,399,533.39
Retained earnings	2,170,926,610.63	1,955,223,085.26
Total shareholders' equity	<u>22,653,607,685.44</u>	<u>22,441,213,864.50</u>
Total liabilities and shareholders' equity	<u>39,604,094,819.00</u>	<u>40,636,569,242.43</u>

Legal Representative: ZHOU Zhiliang Chief Financial Officer: HU Shaofeng Head of Accounting Department: QIU Wei

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

ITEM	Notes	For the six months ended 30 June 2019	For the six months ended 30 June 2018
1. Total revenue		20,511,577,842.86	18,907,062,293.51
Including: Revenue	VII.46	20,511,577,842.86	18,907,062,293.51
2. Total cost of sales		17,906,065,515.05	16,499,909,326.27
Including: Cost of sales	VII.46	15,731,610,829.12	14,749,471,065.43
Taxes and surcharges	VII.47	137,303,885.82	100,818,152.69
Selling and distribution expenses	VII.48	369,696,340.19	215,668,074.49
General and administrative expenses	VII.49	1,087,937,234.04	942,740,053.41
Research and development expenses	VII.50	581,151,441.08	546,873,114.66
Finance costs	VII.51	-1,634,215.20	-55,661,134.41
Including: Interest expenses		93,335,784.66	50,455,340.73
Interest income		108,107,819.27	97,949,410.18
Add: Other income	VII.52	86,163,041.16	64,291,717.77
Investment income	VII.53	331,015,310.56	22,231,083.40
Including: Share of profits of associates and joint ventures		26,417,004.30	22,685,452.73
Credit impairment losses	VII.54	-150,133,375.67	15,359,319.49
Losses from disposal of assets	VII.55	-1,356,544.68	-308,934.25
3. Operating profit/(loss)		2,871,200,759.18	2,508,726,153.65
Add: Non-operating income	VII.56	12,271,186.35	29,832,655.17
Less: Non-operating expenses	VII.57	10,114,404.30	1,198,948.41
4. Profit/(loss) before tax		2,873,357,541.23	2,537,359,860.41
Less: Income tax expenses	VII.58	435,943,600.22	421,575,645.10
5. Net profit		2,437,413,941.01	2,115,784,215.31
(1) Classified by continuity of operation			
1. Profit or loss from continuing operation		2,437,413,941.01	2,115,784,215.31
2. Profit or loss from discontinued operations		-	-
(2) Classified by the ownership			
1. Profit or loss attributable to owners of the Company		2,267,893,086.86	1,984,028,544.45
2. Profit or loss attributable to non-controlling interests		169,520,854.15	131,755,670.86

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

ITEM	Notes	For the six months ended 30 June 2019	For the six months ended 30 June 2018
6. Other comprehensive income, net of tax	VII. 59	198,381.47	-47,224,568.97
Other comprehensive income attributable to owners of the Company, net of tax	VII. 59	198,381.47	-47,224,568.97
(1) Other comprehensive income not to be reclassified to profit or loss		-4,000.00	-39,373,000.00
Changes of the re-measurement of defined benefit plans	VII. 59	-4,000.00	-39,373,000.00
(2) Other comprehensive income to be reclassified to profit or loss		202,381.47	-7,851,568.97
1. Exchange differences on translation of foreign operations	VII. 59	17,704.82	-52,821.33
2. Others	VII. 59	184,676.65	-7,798,747.64
Other comprehensive income attributable to non-controlling interests, net of tax		—	—
7. Total comprehensive income		2,437,612,322.48	2,068,559,646.34
Total comprehensive income attributable to owners of the Company		2,268,091,468.33	1,936,803,975.48
Total comprehensive income attributable to non-controlling interests		169,520,854.15	131,755,670.86
8. Earnings per share:			
(1) Basic earnings per share (RMB/share)		0.25	0.23
(2) Diluted earnings per share (RMB/share)		0.25	0.23

Legal Representative: ZHOU Zhiliang

Chief Financial Officer: HU Shaofeng

Head of Accounting Department: QIU Wei

COMPANY'S STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

ITEM	Notes	For the six months ended 30 June 2019	For the six months ended 30 June 2018
1. Revenue	XVI.4	2,295,857,935.46	1,782,189,394.97
Less: cost of sale	XVI.4	2,081,942,633.25	1,565,719,019.93
Taxes and surcharges		20,383,290.27	17,033,574.24
Selling and distribution expenses		7,503,534.89	3,307,306.88
General and administrative expenses		95,760,454.86	94,520,329.54
Finance costs		18,716,184.76	-10,324,892.17
Including: Interest expenses		86,007,329.53	54,382,020.19
Interest income		69,569,721.63	55,407,554.03
Add: Investment income/(losses)	XVI.5	2,054,515,704.44	1,747,399,032.85
Including: Share of profits of associates and joint ventures		1,161,009.68	14,547,091.83
Credit impairment losses		-5,596,070.58	-28,398,063.24
2. Operating profit/(loss)		2,120,471,471.29	1,830,935,026.16
Add: Non-operating income		505,504.13	647,308.32
Less: Non-operating expenses		10,891.40	431,797.73
3. Profit/(loss) before tax		2,120,966,084.02	1,831,150,536.75
Less: Income tax expenses		52,456,536.43	46,750,461.74
4. Net profit/(loss)		2,068,509,547.59	1,784,400,075.01
5. Other comprehensive income/(expense), net of tax		—	—
6. Total comprehensive income		2,068,509,547.59	1,784,400,075.01

Legal Representative: ZHOU Zhiliang Chief Financial Officer: HU Shaofeng Head of Accounting Department: QIU Wei

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

ITEM	For the six months ended 30 June 2019	For the six months ended 30 June 2018
1. CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from the sale of goods or rendering of services	16,473,996,921.75	11,906,348,788.26
Refunds of tax	74,309,407.12	6,831,041.18
Cash received from other operating activities	234,963,764.21	243,967,322.98
Subtotal of cash inflows from operating activities	<u>16,783,270,093.08</u>	<u>12,157,147,152.42</u>
Cash paid for goods and services	12,204,523,635.52	9,039,447,036.05
Cash paid to and on behalf of employees	2,010,899,153.32	1,711,410,653.70
Cash paid for all taxes	1,627,593,168.48	2,015,127,503.20
Cash paid for other operating activities	1,070,422,446.00	1,048,080,214.99
Subtotal of cash outflows from operating activities	<u>16,913,438,403.32</u>	<u>13,814,065,407.94</u>
Net cash flows generated from operating activities	<u>-130,168,310.24</u>	<u>-1,656,918,255.52</u>
2. CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from disposal of investments	147,968,600.00	102,321,670.54
Cash received from investment income	15,850,000.00	46,889,198.03
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,024,225.72	2,324,277.65
Cash received from other investing activities	1,686,587,655.75	44,238,906.46
Subtotal of cash inflows from investing activities	<u>1,851,430,481.47</u>	<u>195,774,052.68</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	192,719,971.43	485,286,403.98
Cash paid for acquisition of investments	519,243,014.52	251,800,828.00
Increase in non-pledged/secured and unrestricted time deposits with maturity of over three months	1,744,725,456.95	2,253,163,918.34
Cash paid for other investing activities	67,227,316.24	-
Subtotal of cash outflows from investing activities	<u>2,523,915,759.14</u>	<u>2,990,251,150.32</u>
Net cash flows generated from investing activities	<u>-672,485,277.67</u>	<u>-2,794,477,097.64</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

ITEM	Note	For the six months ended 30 June 2019	For the six months ended 30 June 2018
3. CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash received as capital contributions		30,915,000.00	10,000,000.00
Cash received from borrowings		3,509,182,035.37	6,857,000,000.00
Subtotal of cash inflows from financing activities		3,540,097,035.37	6,867,000,000.00
Cash repayments for borrowings		2,625,333,149.86	5,132,301,494.29
Cash paid for distribution of dividends or profits and for interest expenses		2,057,936,099.16	83,836,985.26
Cash paid for other financing activities		34,163,499.92	5,047,462.75
Subtotal of cash outflows from financing activities		4,717,432,748.94	5,221,185,942.30
Net cash flows generated from financing activities		-1,177,335,713.57	1,645,814,057.70
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		4,503,648.35	6,591,435.86
5. NET INCREASE IN CASH AND CASH EQUIVALENTS		-1,975,485,653.13	-2,798,989,859.60
Add: Cash and cash equivalents at the beginning of the period		10,808,205,777.53	11,364,982,037.93
6. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	VII.61	8,832,720,124.40	8,565,992,178.33

Legal Representative: ZHOU Zhiliang Chief Financial Officer: HU Shaofeng Head of Accounting Department: QIU Wei

COMPANY'S STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

ITEM	For the six months ended 30 June 2019	For the six months ended 30 June 2018
1. CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from the sale of goods or rendering of services	3,644,344,800.93	1,728,381,190.77
Cash received from other operating activities	90,123,426.16	132,329,510.27
Subtotal of cash inflows from operating activities	<u>3,734,468,227.09</u>	<u>1,860,710,701.04</u>
Cash paid for goods and services	2,679,870,955.81	1,961,965,598.60
Cash paid to and on behalf of employees	39,855,103.37	32,231,943.07
Cash paid for all taxes	167,913,959.76	112,047,870.38
Cash paid for other operating activities	70,843,019.52	130,485,881.14
Subtotal of cash outflows from operating activities	<u>2,958,483,038.46</u>	<u>2,236,731,293.19</u>
Net cash flows generated from operating activities	<u>775,985,188.63</u>	<u>-376,020,592.15</u>
2. CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from disposal of investments	124,240,000.00	100,000,000.00
Cash received from investment income	920,059,910.00	1,409,618,220.57
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	6,000.26	3,460.00
Cash received from other investing activities	811,370,075.66	433,437,822.14
Subtotal of cash inflows from investing activities	<u>1,855,675,985.92</u>	<u>1,943,059,502.71</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	43,123,381.84	57,431,198.60
Cash paid for acquisition of investments	652,938,683.50	505,655,500.00
Increase in non-pledged/secured and unrestricted time deposits with maturity of over three months	2,041,701,700.00	2,252,799,600.00
Cash paid for other investing activities	13,473,555.46	2,872,349,437.00
Subtotal of cash outflows from investing activities	<u>2,751,237,320.80</u>	<u>5,688,235,735.60</u>
Net cash flows generated from investing activities	<u>-895,561,334.88</u>	<u>-3,745,176,232.89</u>

COMPANY'S STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

ITEM	For the six months ended 30 June 2019	For the six months ended 30 June 2018
3. CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash received from borrowings	<u>2,500,000,000.00</u>	<u>6,800,000,000.00</u>
Subtotal of cash inflows from financing activities	<u>2,500,000,000.00</u>	<u>6,800,000,000.00</u>
Cash repayments for borrowings	<u>2,500,000,000.00</u>	<u>5,200,000,000.00</u>
Cash paid for distribution of dividends or profits and for interest expenses	<u>1,928,467,113.22</u>	<u>80,604,653.01</u>
Subtotal of cash outflows from financing activities	<u>4,428,467,113.22</u>	<u>5,280,604,653.01</u>
Net cash flows generated from financing activities	<u>-1,928,467,113.22</u>	<u>1,519,395,346.99</u>
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	<u>4,280,612.64</u>	<u>13,474,317.30</u>
5. NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>-2,043,762,646.83</u>	<u>-2,588,327,160.75</u>
Add: Cash and cash equivalents at the beginning of the period	<u>7,716,529,085.80</u>	<u>8,590,611,600.30</u>
6. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>5,672,766,438.97</u></u>	<u><u>6,002,284,439.55</u></u>

Legal Representative: ZHOU Zhiliang Chief Financial Officer: HU Shaofeng Head of Accounting Department: QIU Wei

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

Item	For the six months ended 30 June 2019													
	Equity attributable to owners of the Company													
	Paid-in capital (or share capital)		Other equity instruments		Less:		Other comprehensive income		General risk reserve		Total Equity			
	Preferred share	Perpetual bonds	Others	Capital reserve	treasury stock	income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Others	Subtotal	Non-controlling interest	
I. As at 1 January 2019	8,789,819,000.00	—	2,800,000,000.00	—	7,409,464,897.08	—	372,846,705.67	1,04,399,533.39	—	8,680,339,212.67	—	28,908,396,891.99	1,863,684,667.19	30,272,081,549.18
II. Increase/(decrease) during the period	—	—	—	-37,379,102.80	—	198,881.47	64,794,802.54	—	—	-430,401,438.58	—	458,015,519.79	-48,222,358.09	489,783,261.70
(I) Total comprehensive income	—	—	—	—	—	198,881.47	—	—	—	2,267,893,086.86	—	2,268,091,468.33	169,520,654.15	2,437,612,322.48
(II) Capital contributions and withdrawals by shareholders	—	—	—	-37,721,884.92	—	—	—	—	—	37,715,001.94	—	-6,882.98	29,404,635.78	29,397,653.80
1. Common shares contributed by owners	—	—	—	—	—	—	—	—	—	—	—	—	30,915,000.00	30,915,000.00
2. Others	—	—	—	-37,721,884.92	—	—	—	—	—	37,715,001.94	—	-6,882.98	-1,510,163.22	-1,517,046.20
(III) Profit distribution	—	—	—	—	—	—	—	—	—	-1,875,206,650.22	—	-1,875,206,650.22	-246,124,941.22	-2,121,331,191.44
1. Profits distributed to owners (or shareholders)	—	—	—	—	—	—	—	—	—	-1,757,893,800.00	—	-1,757,893,800.00	-224,802,369.22	-1,982,696,169.22
2. Others	—	—	—	—	—	—	—	—	—	-117,242,650.22	—	-117,242,650.22	-21,822,172.00	-138,765,022.22
(IV) Special reserve	—	—	—	—	—	—	64,794,802.54	—	—	—	—	64,794,802.54	-1,033,407.80	63,761,394.74
1. Appropriated in current period	—	—	—	—	—	—	354,768,534.55	—	—	—	—	354,768,534.55	3,565,801.72	358,334,336.27
2. Used in current period	—	—	—	—	—	—	289,973,732.01	—	—	—	—	289,973,732.01	4,801,265.32	294,774,997.33
(V) Others	—	—	—	342,782.12	—	—	—	—	—	—	—	342,782.12	—	342,782.12
III. As at 30 June 2019	8,789,819,000.00	—	2,800,000,000.00	—	7,372,085,794.28	—	437,641,508.21	1,04,399,533.39	—	9,110,739,651.25	—	29,366,412,201.78	1,315,462,658.10	30,681,894,810.88

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

Unit: Yuan Currency: RMB

For the six months ended 30 June 2018

Equity attributable to owners of the Company

Items	Paid-in capital (or state capital)		Other equity instruments		Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Others	Subtotal	Non-controlling interest	Total equity
	Preferred share	Perpetual debt	Others	Other											
I. As at 31 December 2017	8,789,819,000.00	-	-	-	7,408,536,221.30	-	-227,547,275.87	262,389,066.15	892,801,282.73	-	6,892,042,825.95	-	24,019,050,920.28	1,205,546,665.74	25,224,597,616.00
Plus: changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-370,469.02	-	-370,469.02	-	-370,469.02
II. As at 1 January 2018	8,789,819,000.00	-	-	-	7,408,536,221.30	-	-227,547,275.87	262,389,066.15	892,801,282.73	-	6,891,672,356.93	-	24,018,680,451.24	1,205,546,665.74	25,224,227,116.98
III. Increase/(decrease) during the period	-	-	-	-	-71,324.22	-	-47,224,588.97	83,957,739.39	-	-	665,555,694.45	-	702,215,540.65	149,128,024.09	861,343,564.74
(I) Total comprehensive income	-	-	-	-	-	-	-47,224,588.97	83,957,739.39	-	-	1,984,028,544.45	-	1,936,803,975.48	131,755,670.66	2,068,559,646.34
(II) Capital contributions and withdrawals by owners	-	-	-	-	-71,324.22	-	-	-	-	-	-	-	-71,324.22	30,000,000.00	29,928,675.78
1. Common shares contributed by owners	-	-	-	-	-	-	-	-	-	-	-	-	-	30,000,000.00	30,000,000.00
2. Others	-	-	-	-	-71,324.22	-	-	-	-	-	-	-	-71,324.22	-	-71,324.22
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-1,318,472,850.00	-1,318,472,850.00	-	-1,318,472,850.00	-13,617,345.23	-1,332,090,195.23
1. Profits distributed to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-1,318,472,850.00	-1,318,472,850.00	-	-1,318,472,850.00	-13,617,345.23	-1,332,090,195.23
(IV) Special reserve	-	-	-	-	-	-	-	83,957,739.39	-	-	-	-	83,957,739.39	989,688.46	84,945,427.85
1. Appropriated in current period	-	-	-	-	-	-	-	215,843,565.44	-	-	-	-	215,843,565.44	52,761,664.53	221,120,229.97
2. Used in current period	-	-	-	-	-	-	-	-	-	-	-	-	-	4,266,966.07	136,174,792.12
IV. As at 30 June 2018	8,789,819,000.00	-	-	-	7,408,464,897.08	-	-274,771,864.84	346,346,805.54	892,801,282.73	-	7,557,227,851.38	-	24,720,895,991.89	1,354,674,719.83	26,075,570,711.72

Legal Representative: ZHOU Zhiliang

Chief Financial Officer: HU Shaofeng

Head of Accounting Department: QIU Wei

COMPANY'S STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

Item	For the six months ended 30 June 2019										Total equity
	Paid-in capital (or share capital)	Preferred share	Perpetual debt	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	
I. As at 31 December 2018	8,789,819,000.00	-	2,800,000,000.00	-	7,802,128,059.41	-	-50,941,000.00	40,585,186.44	1,104,399,533.39	1,955,223,085.26	22,441,213,864.50
Plus: changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
II. As at 1 January 2019	8,789,819,000.00	-	2,800,000,000.00	-	7,802,128,059.41	-	-50,941,000.00	40,585,186.44	1,104,399,533.39	1,955,223,085.26	22,441,213,864.50
III. Increases/(decreases) during the period	-	-	-	-	-	-	-	-3,309,704.43	-	215,703,525.37	212,393,820.94
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	2,068,509,547.59	2,068,509,547.59
(II) Profit distribution	-	-	-	-	-	-	-	-	-	-1,852,806,022.22	-1,852,806,022.22
1. Profits distributed to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-1,757,963,800.00	-1,757,963,800.00
2. Others	-	-	-	-	-	-	-	-	-	-94,842,222.22	-94,842,222.22
(III) Special reserve	-	-	-	-	-	-	-	-3,309,704.43	-	-	-3,309,704.43
1. Appropriated in current period	-	-	-	-	-	-	-	338,931.61	-	-	338,931.61
2. Used in current period	-	-	-	-	-	-	-	3,648,636.04	-	-	3,648,636.04
IV. As at 30 June 2019	8,789,819,000.00	-	2,800,000,000.00	-	7,802,128,059.41	-	-50,941,000.00	37,275,482.01	1,104,399,533.39	2,170,926,610.63	22,653,607,685.44

COMPANY'S STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

For the six months ended 30 June 2018

Item	Other equity instruments							Total equity
	Paid-in capital (or share capital)	Preferred share	Perpetual debt	Others	Capital reserve	Less: treasury stock	Other comprehensive income	
I. As at 31 December 2017	8,788,819,000.00	—	—	—	7,802,128,059.41	—	-49,344,000.00	18,906,946,182.71
Plus: changes in accounting policies	—	—	—	—	—	—	—	3,370,994.82
II. As at 1 January 2018	8,788,819,000.00	—	—	—	7,802,128,059.41	—	-49,344,000.00	18,910,217,177.53
III. Increases/(decreases) during the period	—	—	—	—	—	—	120,954.65	466,048,179.66
(I) Total comprehensive income	—	—	—	—	—	—	—	1,784,400,075.01
(II) Profit distribution	—	—	—	—	—	—	—	-1,318,472,850.00
1. Profits distributed to owners (or shareholders)	—	—	—	—	—	—	—	-1,318,472,850.00
(III) Special reserve	—	—	—	—	—	—	120,954.65	—
1. Appropriated in current period	—	—	—	—	—	—	1,590,832.66	—
2. Used in current period	—	—	—	—	—	—	—	—
IV. As at 30 June 2018	8,788,819,000.00	—	—	—	7,802,128,059.41	—	-49,344,000.00	19,376,265,357.19

Legal Representative: ZHOU Zhiliang

Chief Financial Officer: HU Shaofeng

Head of Accounting Department: QIU Wei

NOTES TO FINANCIAL STATEMENTS

30 June 2019

RMB

III. CORPORATE INFORMATION

1. Company profile

√ Applicable Not applicable

The Company is a joint stock limited liability company jointly sponsored, on 29 December 2010, by CRSC Group as the promoter, in association with China National Machinery Industry Corporation, China Chengtong Holdings Group Ltd., China Reform Holdings Corporation Ltd. and CICC Jiacheng Investment Management Co., Ltd. approved by the SASAC via Guo Zi Gai Ge [2010] No. 876 on 17 August 2010 in accordance with the relevant provisions of laws and administrative regulations of the PRC. The domicile of the Company is at 20th floor of CRSC Building, Block A, No. 1 Auto Museum South Road, Fengtai District, Beijing.

Upon approval by the China Securities Regulatory Commission of the Reply on Approval on Issuance of Overseas Listed Foreign Shares by China Railway Signal & Communication Corporation Limited (Zheng Jian Xu Ke [2015] No. 1630), the Company has issued 1,789,819,000 H Shares with a nominal value of RMB1 each at an issue price of HK\$6.30 per share listed on the Hong Kong Stock Exchange from July to September 2015. The total amount of funds raised before deduction of the issuance expenses was approximately HK\$11,275,859,700 and such H Shares started to be traded on the Main Board of the Hong Kong Stock Exchange in August 2015.

On 16 April 2019, the Company submitted an application for the initial public offering of RMB ordinary Shares to the SSE and listed on the STAR Market (hereinafter referred to as the "Issuance"). On 21 June 2019, the 8th Review Meeting of the Listing Committee of the SSE STAR Market of 2019 was held to consider and approve the issuance of the Company. On 27 June 2019, the China Securities Regulatory Commission approved the application for registration of the issuance of the Company (Zheng Jian Xu Ke [2019] No. 1135).

As of 16 July 2019, the Company has received a total of RMB1,800,000,000.00 of new paid up share capital in this issuance, of which the issued shares were ordinary shares with the par value of RMB1 each, and the issue number of 1,800,000,000.00 shares, accounting for 17.00% of the total changed share capital, and the issue price was RMB5.85 per share. Total fund raised amounted to RMB10,530,000,000.00, after deducting the issuance and listing expenses (excluding VAT) payable of RMB175,657,626.77, and the net fund raised was RMB10,354,342,373.23, all of which were funded in currency. On 22 July 2019, the Company's shares were listed on the Star Market of SSE.

III. CORPORATE INFORMATION (Continued)

1. Company profile (Continued)

As of 30 June 2019, the Company's accumulated total issued share capital was 8,789,819,000 shares and the accumulated total share capital was RMB8,789,819,000.

The Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in: design and integration of rail transportation control system, mainly including the provision of comprehensive planning for survey, design and control systems for rail transportation control system; equipment manufacturing of rail transportation control system, mainly including production and sales of signal systems, communication systems, infrastructure equipment, information systems and other products; and system implementation services for rail transportation control system, including provision of construction, installation, testing, operation and maintenance services for rail transportation control system; and provision of services relating to municipal and other construction projects, etc.

The controlling party of the Company is the CRSC Group.

These financial statements were approved and authorised to be issued by the Board of Directors of the Company on 26 August 2019.

2. Scope of consolidated financial statements

Applicable Not applicable

Please refer to Note IX.1.

NOTES TO FINANCIAL STATEMENTS

30 June 2019

RMB

IV. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of preparation

Applicable Not applicable

The financial statements are presented on a going concern basis.

The financial statements have been prepared in accordance with the “Accounting Standards for Business Enterprises – Basic Standards” issued by the Ministry of Finance and the specific accounting standards, application guidelines, explanations and other relevant provisions (collectively referred to as the “Accounting Standards for Business Enterprises”) issued and revised thereafter.

The financial statements have been presented under the historical cost as the pricing principle, except for certain financial instruments. If the assets are impaired, the corresponding provisions for impairment shall be made according to relevant requirements.

2. Continuing operations

Applicable Not applicable

There were no events or circumstances that resulted in material doubts about the Group’s ability of continuing operations within twelve months from the end of the Reporting Period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates are indicated as follows:

Applicable Not applicable

According to the characteristics of its production and operation, the Group formulated a series of specific accounting policies and made accounting estimates, the details of which are as follows:

1. Statement of compliance with Accounting Standards for Business Enterprises

Applicable Not applicable

The financial statements present fairly and fully the financial position, operating results, changes in equity of shareholders and cash flows of the Company in accordance with Accounting Standards for Business Enterprises.

2. Accounting period

Applicable Not applicable

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3. Operating cycle

Applicable Not applicable

Operating cycle refers to the period from the purchase of assets of an enterprise for the purpose of processing to the realization of cash or cash equivalents. The Company's operating cycle is usually 12 months.

4. Functional currency

Applicable Not applicable

The Company adopts RMB as its functional currency.

5. Accounting methods for business combinations involving entities under common control and business combinations involving entities not under common control

Applicable Not applicable

(1) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities 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, the party that, on the combination date, obtains control of another entity participating in the combination is the acquirer, while the other entity participating in the combination is a party being acquired. The combination date is the date on which the acquirer effectively obtains control of the party being acquired.

Assets and liabilities (including the goodwill recognised by the ultimate controlling party in acquisition of the acquiree) that are obtained by the acquirer in a business combination shall be measured at their carrying amounts at the combination date as recorded by the ultimate controlling party. 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 face value of the shares issued as consideration) is adjusted to share premium under capital reserve and the balance of the capital reserve transferred under the original system. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

NOTES TO FINANCIAL STATEMENTS

30 June 2019

RMB

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

5. Accounting methods for business combinations involving entities under common control and business combinations involving entities not under common control (Continued)

(2) *Business combinations involving entities not under common control*

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

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Goodwill is measured at cost being the excess of the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree over the acquirer's interest in the fair value of the acquiree's net identifiable assets. If the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree is lower than the acquirer's interest in the fair value of the acquiree's net identifiable assets, the difference is, after reassessment of the fair value of each identifiable asset, liability and contingent liability acquired from the acquiree and the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree, recognised in profit or loss.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Preparing methods of consolidated financial statements

Applicable Not applicable

The scope of consolidation in the consolidated financial statements shall be determined on the basis of control, including the financial statements of the Company and all subsidiaries. Subsidiaries refer to the entities controlled by the Company (including an enterprise, a separable part of the invested company, and the structured entities controlled by the Company, etc.).

When preparing the consolidated financial statements, the subsidiaries shall adopt the accounting year and accounting policies consistent with the Company. Assets, liabilities, equity, revenues, expenses and cash flows arising from all transactions between companies within the Group are eliminated in full on combinations.

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

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows of the acquiree are included in the consolidated financial statements from the date when the Group obtains control, until the Group ceases its control. In preparing the consolidated financial statements, the financial statements of the subsidiaries shall be adjusted based on the fair values of the identifiable assets, liabilities and contingent liabilities determined on the acquisition date.

For a subsidiary acquired through a business combination involving enterprises under the common control, the operating results and cash flows of the party being acquired shall be included in the consolidated financial statements from the beginning of the period of combination. When compiling the comparative consolidated financial statements, the relevant items in the previous financial statements shall be adjusted, and considered that the reporting entity formed after the combination has existed since the ultimate controlling party began to implement the control.

If changes in relevant facts and circumstances result in changes to one or more of the control elements, the Group shall reassess whether it controls the investee.

A change in the equity of the minority shareholders, without a loss of control, is accounted for as an equity transaction.

NOTES TO FINANCIAL STATEMENTS

30 June 2019

RMB

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

7. Accounting treatment of joint arrangement and joint operations

Applicable Not applicable

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement 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 arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A party of joint venture recognises its interest in a joint operation: its assets held separately and its share of any assets held jointly; its liabilities, assumed separately and its share of any liabilities assumed jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses incurred separately and its share of any expenses incurred jointly.

8. Recognition Standard for cash and cash equivalents

Applicable Not applicable

Cash equivalents are short-term (generally due within three months from the date of purchase), highly liquid investments held by the enterprises, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Foreign currency transactions and foreign currency translations

Applicable Not applicable

The Group translates the amounts of foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded using the functional currency spot exchange rate ruling at the dates of the transactions. At the balance sheet date, monetary items denominated in foreign currencies are translated into functional currencies at the spot exchange rate ruling at the balance sheet date. All differences are recognised in profit or loss, except those related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation for the purpose of acquisition, construction or production of qualifying assets. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currencies using the foreign spot exchange rates at the transaction dates and do not change the amounts of functional currency. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange spot rate at the date the fair value is determined; the exchange differences are recognised in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Foreign currency transactions and foreign currency translations (Continued)

For foreign operations, the Group translates its functional currencies into RMB in preparing the financial statements. All assets and liabilities in the balance sheet are translated at the spot exchange rates ruling at the balance sheet date; the shareholders' equity, with the exception of "retained earnings", is translated at the spot exchange rates ruling at the transaction dates; income and expenditure in the statement of profit or loss are translated at the spot exchange rates at the transaction dates. Exchange fluctuations arising from the translations mentioned above are recognised as other comprehensive income. When an overseas business is disposed of, the component of other comprehensive income relating to the overseas business will be transferred to profit or loss in the same period, and part of the disposal will be calculated according to the disposal ratio.

Foreign currency cash flows and cash flows of overseas subsidiaries are translated into RMB at the spot exchange rates ruling at the dates of the cash flows. The effect of changes in exchange rates on cash are presented as a reconciled item separately in the statement of cash flows.

10. Financial instruments

Applicable Not applicable

Financial instruments refer to contracts that form the financial assets of a company and form financial liabilities or equity instruments of other units.

Recognition and derecognition of financial instruments

The Group recognises a financial asset or financial liability when it becomes a party to the contractual provisions of a financial instrument.

NOTES TO FINANCIAL STATEMENTS

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

Recognition and derecognition of financial instruments (Continued)

A financial asset (or portion of a financial asset, or a portion of a group of similar financial assets) is derecognised if it meets the following conditions, that is, it is written off from its account and balance sheet:

- (1) The rights to the cash flows from the financial asset expire;
- (2) Transfer the right to receive cash flows from the financial asset, or undertake the obligation to pay the full amount of received cash flows to third parties in a timely manner under the “pass-through agreement”; and (a) transfer substantially all the risks and rewards of ownership of the financial asset, or (b) abandon the control of the financial asset, although the Group does not transfer or retain substantially all the risks and rewards of ownership of the financial asset.

If the liability of a financial liability has been fulfilled, revoked or expired, the financial liability shall be derecognised. If an existing financial liability is replaced by another financial liability of the same creditor with substantially different terms, or if the terms of the existing liability are substantially all modified, such replacement or modification shall be deemed to have derecognised the original liability and to have recognised the new liability, the difference of which shall include in the profit or loss for the period.

Financial assets traded in the regular way shall be recognised and derecognised on a trading date. Trading of financial assets in the regular way refers to the collection or delivery of financial assets within the time limit stipulated by regulations or common practices in accordance with the contractual terms. Trading day refers to the date on which the Group undertakes to buy or sell financial assets.

Classification and measurement of financial assets

The financial assets of the Group are classified at the initial recognition based on the business model of the Group’s corporate management financial assets and the contractual cash flow characteristics of the financial assets: financial assets measured at fair value through profit or loss (FVTPL), financial assets measured at amortised cost, and financial assets measured at fair value through other comprehensive income (FVTOCI). Financial assets are measured at fair value at the initial recognition. However, if the accounts receivable or bills receivable arising from the sale of goods or provision of services do not contain significant financing components or do not take into account financing components not exceeding one year, initial measurement shall be made based on the transaction price.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

For financial assets measured at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss; transaction costs relating to other categories of financial assets are included in the value initially recognised.

Subsequent measurement of financial assets depends on their classification:

Debt instrument investment measured at amortised cost

Financial assets are classified as financial assets measured at amortised cost if they meet the following conditions: the business model for managing the financial assets is targeted at collecting contractual cash flows; the contractual terms of the financial assets stipulate that cash flows in specific dates are solely for the payments of the principals and interests incurred from the outstanding principals. Such financial assets are recognised as interest income using the effective interest rate method. The gains or losses arising from the derecognition, modification or impairment are recognised in profit or loss for the period. Such financial assets mainly include monetary funds, accounts receivable and bills receivable, other receivables, debt investment and long-term receivables. The Group will present the debt investment and long-term receivables due within one year from the balance sheet date as non-current assets due within one year. The debt investment with the original maturity within one year is presented as other current assets.

Debt instrument investment measured at fair value through other comprehensive income (FVTOCI)

Financial assets are classified as financial assets measured at fair value through other comprehensive income if they meet the following conditions: The Group's business model for managing the financial assets is targeted at both the collection of contractual cash flows and the sale of financial assets; the contractual terms of the financial assets stipulate that cash flows in specific dates are solely for the payments of the principals and interests incurred from the outstanding principals. Such financial assets are recognised as interest income using the effective interest rate method. Except for interest income, impairment losses and exchange differences which are recognised in profit or loss for the period, other changes in fair value are included in other comprehensive income. When the financial assets are derecognised, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings. Such financial assets are presented as other debt investments. Other debt investments due within one year from the balance sheet date are presented as non-current assets due within one year, and other debt investments with the original maturity within one year are presented as other current assets.

NOTES TO FINANCIAL STATEMENTS

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

Equity instrument investment measured at fair value through other comprehensive income

The Group irrevocably chooses to designate certain non-trading equity instrument investments as financial assets measured at fair value through other comprehensive income, and only the relevant dividend income (except for dividend income recovered as part of investment cost) is included in the profit or loss for the period. Subsequent changes in fair value are included in other comprehensive income, and no impairment provision is required. When the financial assets are derecognised, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings. Such financial assets are presented as investments in other equity instruments.

Financial assets are classified as held-for-trading financial assets if they meet one of the following conditions: the purpose of obtaining the relevant financial asset is mainly for the sale or repurchase in the near future; they are part of a portfolio of identifiable financial instruments that are centrally managed, and there is objective evidence that the company has recently adopted short-term profit-making mode; they are derivatives, except for derivatives that are designated as effective hedging instruments and derivatives that qualify for financial guarantee contracts.

Financial assets measured at fair value through profit or loss

Financial assets other than the above-mentioned financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. For such financial assets, fair value is used for subsequent measurement, and all changes in fair value are recognised in profit or loss for the period. Such financial assets are presented as held-for-trading financial assets, and financial assets that are due more than one year from the balance sheet date and are expected to be held for more than one year are presented as other non-current financial assets.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

Classification and measurement of financial liabilities

The financial liabilities of the Group are classified at the initial recognition: financial liabilities measured at fair value through profit or loss, other financial liabilities, and derivatives designated as effective hedging instruments. For financial liabilities measured at fair value through profit or loss, the relevant transaction fee is directly recognised in profit or loss for the period. The relevant transaction fee of other financial liabilities is included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss consist of financial liabilities held for trading (including derivative instruments that are financial liabilities) and those designated as at fair value through profit or loss at initial recognition.

Financial liabilities are classified as held-for-trading financial liabilities if they meet one of the following conditions: the purpose of bearing the relevant financial liability is mainly for the sale or repurchase in the near future; they are part of a portfolio of identifiable financial instruments that are centrally managed, and there is objective evidence that the company has recently adopted short-term profit-making mode; they are derivatives, except for derivatives that are designated as effective hedging instruments and derivatives that qualify for financial guarantee contracts. Held-for-trading financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value, except for hedge accounting, all changes in fair value are recognised in profit or loss for the period.

Other financial liabilities

For such financial liabilities, the actual interest rate method is adopted and the subsequent measurement is carried out according to the amortised cost.

NOTES TO FINANCIAL STATEMENTS

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

Financial instrument impairment

The Group, based on expected credit losses, performs the impairment treatment on the financial assets measured at amortised cost, debt instrument investments measured at fair value through other comprehensive income, lease receivables, contract assets, loan commitments and financial guarantee contracts and recognises loss allowance.

Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Group at the original effective interest rate, that is, the present value of all cash shortages. Among them, financial assets that have been credit-depreciated by the Group or purchased by the Group shall be discounted according to the actual interest rate adjusted by the financial assets.

For receivables that do not contain significant financing components and contractual assets, the Group uses a simplified measurement method to measure loss allowance at the full lifetime expected credit loss.

For lease receivables, receivables with significant financing components, and contractual assets, the Group has chosen to use a simplified measurement method to measure loss allowance at the full lifetime expected credit loss.

In addition to the financial assets, loan commitments and financial guarantee contracts described above using the simplified measurement method, the Group assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date, if the credit risk has not increased significantly since the initial recognition, it is at the first stage, and the Group measures loss allowance according to the amount of expected credit loss in the next 12 months, and calculates the interest income according to the book balance and the actual interest rate; if the credit risk has increased significantly since the initial recognition, but no credit impairment occurs, it is at the second stage, and the Group measures loss allowance at the full lifetime expected credit loss, and calculates the interest income according to the book balance and the actual interest rate; if the credit impairment occurs after the initial recognition, it is at the third stage, and the Group measures loss allowance at the full lifetime expected credit loss, and calculates the interest income according to the amortised cost and the actual interest rate. For financial instruments with relatively low credit risk only on the balance sheet date, the Group assumes that its credit risk has not increased significantly since the initial recognition.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

Financial instrument impairment (Continued)

The Group assesses the expected credit losses of financial instruments based on individual items and portfolios. The Group assesses the expected credit losses of the receivables based on the combination of aging, taking into account the credit risk characteristics of different customers.

In assessing expected credit losses, the Group considers reasonable and evidenced information about past events, current conditions and future economic forecasts.

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group shall directly write down the carrying amount of the financial assets.

Financial instrument offset

If the following conditions are met, the financial assets and financial liabilities are presented in the balance sheet with the net amount after offsetting each other: there is a statutory right to offset the recognised amount, and the legal right is currently enforceable; net settlement, or simultaneous realisation of the financial assets and settlement of the financial liabilities is planned.

Financial guarantee contract

A financial guarantee contract is a contract in which an issuer pays a specified amount to a contract holder who has suffered a loss when the specific debtor fails to pay the debt when due in accordance with the terms of the debt instrument. The financial guarantee contract is measured at fair value at initial recognition. Except for the financial guarantee contract designated as financial liabilities measured at fair value through profit or loss, the other financial guarantee contracts are subsequently measured after the initial recognition according to the amount of the expected credit loss allowance determined on the balance sheet date and the balance of the initial recognition amount after deducting the cumulative amortisation amount determined according to the revenue recognition principle, whichever is higher.

NOTES TO FINANCIAL STATEMENTS

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

Derivative financial instruments

The Group uses derivative financial instruments, such as forward exchange contracts, forward commodity contracts and interest rate swaps, to hedge exchange rate risk, commodity price risk and interest rate risk respectively. Derivative financial instruments are initially measured at the fair value at the date of signing of the derivative contract and are subsequently measured at their fair value. A derivative financial instrument with a positive fair value is recognised as an asset, and that with a negative fair value is recognised as a liability.

Except for the hedge accounting, the gains or losses arising from changes in the fair value of derivatives are recognised directly in profit or loss for the period.

Transfer of financial assets

If the Group has transferred substantially all the risks and rewards of ownership of financial assets to the transferee, the financial assets will be derecognised; if retaining substantially all the risks and rewards of ownership of the financial assets, the financial assets will not be derecognised.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of financial assets, the transaction is accounted for as follows: if the control of the financial assets is abandoned, the financial assets are derecognised and the assets and liabilities arising are recognised; if the control of the financial assets is not abandoned, the relevant financial assets are recognised according to the extent to which they continue to be involved in the transferred financial assets, and the related liabilities are recognised accordingly.

If the transferred financial assets continue to be involved through the provision of financial guarantee method, the assets that continue to be involved are recognised according to the carrying amount of the financial assets and the financial guarantee amount, whichever is lower. The financial guarantee amount refers to the maximum amount of the consideration received that will be required to be repaid.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Accounts receivable

Methods for determining and accounting of ECL of accounts receivable

Applicable Not applicable

Please refer to Note V. 10

12. Accounts receivable financing

Applicable Not applicable

Please refer to Note V. 10

13. Other receivables

Methods for determining and accounting of ECL of other receivables

Applicable Not applicable

Please refer to Note V. 10

14. Inventories

Applicable Not applicable

Inventories are initially measured at cost. Cost of inventories comprises costs of purchase, costs of processing and other costs. The actual cost of inventories transferred out is determined using the weighted average method. Turnover materials include low value consumables and packing materials. Low value consumables and packing materials are amortised using immediate write off.

Inventories are accounted for using the perpetual inventory system.

At each balance sheet date, inventories shall be measured at the lower of cost and net realizable value. If the cost is higher than the net realizable value, provision for impairment of inventories is made and recognized in the profit or loss for the period. If the factors that give rise to the provision in prior years are not in effect in current year, as a result that the net realizable value of the inventories is higher than carrying amount, the original amount of the written-down is reversed within previously impaired amount and the reversed amount is charged to the profit or loss for the period.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. Inventories (Continued)

Net realizable value is the estimated selling price under normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes. Provision is considered on a category basis for inventories in large quantity and with relatively low unit prices and on an individual basis for all other inventories.

15. Contract assets

(1). Method and standard for determination of contract assets

Applicable Not applicable

The Group presents the right owned to collect the consideration from the customer unconditionally (that is, only depends on the time) as a receivable, and presents the right to receive the consideration after the goods have been transferred to the customer, and factors other than the time upon which the right depends as contract assets.

(2). Methods for determining and accounting of ECL of contract assets

Applicable Not applicable

For details of how to determine the expected credit losses of contract assets and accounting treatment methods, please refer to Note V. 10.

16. Debt investments

Methods for determining and accounting of ECL of debt investments

Applicable Not applicable

Please refer to Note V. 10

17. Long-term receivables

Methods for determining and accounting of ECL of long-term receivables

Applicable Not applicable

Please refer to Note V. 10

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Long-term equity investments

Applicable Not applicable

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates.

Long-term equity investments are initially measured at initial investment cost when acquired. For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost is the attributable share of the carrying amount of the owners' equity of the acquiree on the date of combination in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of consolidated consideration adjusted to capital reserve (if the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings.); for other comprehensive income before the date of combination, the same basis as direct disposal of the relevant assets or liabilities of the investee is adopted when the investment is disposed of. Shareholders' equity recognised as a result of changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution of the investee is transferred to the profit or loss for the period when the investment is disposed of; among them, after the disposal, the long-term equity investment will still be carried forward in proportion, and if it is converted into financial instruments after the disposal, it will be carried forward in full. For a long-term equity investment acquired through a business combination not involving enterprises under common control, the combination cost is taken as the initial investment cost (if the business combination not involving enterprises under common control is realised step by step through multiple transactions, the initial investment cost will be the sum of the carrying amount of the equity investment held by the acquiree before the purchase date and the new investment cost on the purchase date). The combination cost includes the sum of the assets paid by the purchaser, the liabilities incurred or assumed, and the fair value of the issued equity securities; for other comprehensive income held before the purchase date and recognised as a result of the adoption of the equity method, the same basis as direct disposal of the relevant assets or liabilities of the investee is adopted when the investment is disposed of. Shareholders' equity recognised as a result of changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution of the investee is transferred to the profit or loss for the period when the investment is disposed of; among them, after the disposal, the long-term equity investment will still be transferred in proportion, and if it is converted into financial instruments after the disposal, it will be transferred in full. Changes in the cumulative fair value of the equity investment held before the date of purchase as investment in other equity instruments to be included in other comprehensive income are transferred to retained earnings in full when the cost method is adopted.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Long-term equity investments (Continued)

In addition to the long-term equity investment acquired by the long-term equity investment formed by the business combinations, the initial investment cost is determined according to the following methods: if acquired by cash payment, the actual purchase price and the expenses, taxes and other necessary expenditure directly related to the long-term equity investment will be taken as the initial investment cost; if acquired by issuance of equity securities, the fair value of the issued equity securities will be taken as the initial investment cost.

The long-term equity investment that the Company can exercise control over the investee is accounted for using the cost method in the Company's individual financial statements. Control refers to having the power to the investee to enjoy variable returns by participating in the relevant activities of the investee, and having the ability to use the power of the investee to influence the amount of the return.

Under the cost method, long-term equity investments are measured at the initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment will be adjusted. The cash dividends or profits declared by the investee are recognised as investment income for the period.

Where the Group has joint control or significant influence over the investee, the long-term equity investment shall be accounted for using the equity method. 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.

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 investment, it will be classified as the initial investment cost of the long-term equity investment; where the initial investment cost of the long-term equity investment is less than the Group's share of the fair value of the investee's identifiable net assets at the time of investment, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Long-term equity investments (Continued)

Under the equity method, the Group, after acquiring the long-term equity investment, recognises its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or other comprehensive income respectively for the period. Meanwhile, the carrying amount of long-term equity investments will be adjusted accordingly; when recognising the share of the net profit or loss of the investee to be entitled, based on the fair value of the investee's identifiable assets at the time of acquiring the investment, in accordance with the Group's accounting policies and accounting periods, offset the losses arising from internal transactions between associates and joint ventures to calculate the portion attributable to the investor in proportion to be enjoyed (but if the losses of internal transaction are asset impairment losses, they shall be fully recognised). The net profit of the investee is recognised after the adjustment, except that the assets that are invested or sold constitute businesses. The portion to be enjoyed shall be calculated according to the profit or cash dividend declared to be distributed by the investee, and the carrying amount of the long-term equity investment shall be reduced accordingly.

The Group discontinues recognising 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, except that the Group has incurred obligations to assume additional losses. For changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution of the investee, the carrying amount of long-term equity investment shall be adjusted and recognised in shareholders' equity.

For disposal of long-term equity investments, the difference between the carrying amount and the actual price is recognised as profit or loss for the period. For long-term equity investments under the equity method, if the equity method is adopted due to the termination of the disposal, other comprehensive income related to the original equity method is accounted for on the same basis as the investee's direct disposal of the relevant assets or liabilities. Shareholders' equity recognised as a result of changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution of the investee is all transferred to profit or loss for the period; under the equity method, other comprehensive income related to the original equity method is accounted for on the same basis as the investee's direct disposal of relevant assets or liabilities, and is transferred to the profit or loss for the period in proportion. Shareholders' equity recognised as a result of changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution of the investee is transferred to the profit or loss for the period according to the corresponding proportion.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Investment properties

Applicable Not applicable

In respect of investment properties measured at cost

Methods for depreciation or amortisation

Investment property is property held to earn rentals or for capital appreciation or for both purposes. It includes a building for the purposes of leasing out and a building that will be used for leasing out during construction or development.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the cost can be measured reliably. Otherwise, they are recognised in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment properties, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings and land use rights.

20. Fixed assets

(1). Recognition Criteria

Applicable Not applicable

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditure shall be recognised in profit or loss for the period in which it is incurred.

Fixed assets are initially measured at cost, and taking into account the impact of factors such as projected disposal costs. The purchase cost of a fixed asset comprises its purchase price, related taxes and any directly attributable expenditure for bringing the asset to its working condition for its intended use.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. Fixed assets (Continued)

(2). Depreciation method

Applicable Not applicable

Categories	Depreciation method	Useful life	Residual value rate	Annual depreciation rate
Houses and buildings	Straight-line method	20-40 years	3%-10%	2.25%-4.85%
Machinery equipment	Straight-line method	5-10 years	3%-10%	9.00%-19.40%
Transportation tools	Straight-line method	5-8 years	3%-10%	11.25%-19.40%
Electronic equipment and others	Straight-line method	3-10 years	3%-10%	9.00%-32.33%

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at the end of each year, and makes adjustments when necessary.

21. Construction in progress

Applicable Not applicable

Construction in progress is recognised based on the actual construction expenditures incurred. It consists of all types of expenditures necessarily to be incurred, capitalised borrowing costs on related borrowings before the asset is ready for its intended use, and other related expenditures during the period of construction.

Construction in progress is transferred to fixed assets and intangible assets when the asset is ready for its intended use.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

22. Borrowing costs

Applicable Not applicable

Borrowing costs are interest and other costs arising from the Group's borrowings. Borrowing costs include interest, amortisation of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings.

Borrowing costs directly attributable to the construction or production of qualifying assets are capitalised and other borrowing costs are recognised as an expense in the period in which they are incurred. A qualifying asset is defined as a fixed asset, investment property or inventory that necessarily takes a substantially long period of time to get ready for its intended use or sale.

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

- (1) expenditures for the asset have incurred;
- (2) borrowing costs have incurred; and
- (3) activities relating to the acquisition, construction or production of the asset that are necessary to bring the asset to get ready for its intended use or sale have commenced.

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

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

- (1) for specific borrowings, the borrowing costs eligible for capitalisation are the actual interest costs incurred during the current period deducted by any temporary interest or investment income; and
- (2) for general borrowings, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the capital expenditure that accumulated capital expenditures exceed the specific borrowings.

Capitalisation of borrowing costs is suspended during extended periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than three months, until the acquisition or construction is resumed. Borrowing costs incurred during the suspension period are recognised as expenses and included in the profit or loss for the current period until the acquisition or construction of a fixed asset is resumed.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

23. Right of use assets

Applicable Not applicable

Please refer to Note V. 36

24. Intangible assets

(1). Valuation methods, useful life and impairment test

Applicable Not applicable

An intangible asset shall be recognized only when it is probable that the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Intangible assets acquired in a business combination not involving enterprises under common control with a fair value that can be measured reliably are recognized separately as intangible assets and measured at fair value.

The useful life of intangible assets 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 to the period over which the asset is expected to generate economic benefits for the Group.

The useful lives of various intangible assets are as follows:

Items	Useful life
Land use rights	50 years
Patent	5-8 years
Software	5 years
Unfinished contract	2-3 years
Customer relationships	5-9 years

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Intangible assets (Continued)

(1). *Valuation methods, useful life and impairment test (Continued)*

The Group accounts for its land use rights as intangible assets. The land use rights of self-developed buildings including plants are measured as intangible assets and buildings are measured as fixed assets. With respect to the land use rights purchased together with buildings, the acquisition cost is allocated between the two parts proportionately, or otherwise, is wholly accounted for as fixed assets.

Intangible assets with finite useful lives are amortised over the useful lives on the straight-line basis. The Group reviews the useful lives and the amortisation method of intangible assets with finite useful lives, and adjusts if appropriate, at least at each year end.

(2). *Accounting policies for internal research and development expenditure*

Applicable Not applicable

The Group classifies the expenditure in an internal research and development project into expenditure in the research phase and expenditure in the development phase. Expenditure in the research phase is recognised in profit or loss for the period in which it is incurred. Expenditure in the development phase is capitalised when the Group can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; 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 can be measured reliably. Expenditure in the development phase that does not meet the above criteria is recognised in profit or loss for the period in which it is incurred.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Long-term impairment of assets

Applicable Not applicable

The Group determines the impairment of assets, other than the impairment of inventories, deferred income taxes, financial assets and assets held for sale, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs test for impairment. Goodwill arising from a business combination and an intangible asset with an indefinite useful life is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows estimated to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount by the Group. The reduction in carrying amount is treated as impairment loss and recognised in profit or loss for the current period. A provision for impairment loss on the asset is recognised accordingly.

For the purpose of impairment testing for goodwill, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related set of asset groups. Each of the related asset groups or set of asset groups is an asset group or set of asset groups that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Long-term impairment of assets (Continued)

In impairment testing for an asset group or set of asset groups including goodwill, if there is any indication of impairment, the Group first tests the asset group or set of asset groups excluding goodwill for impairment, i.e., it determines and compares the recoverable amount with the related carrying amount and recognised any impairment loss. After that, the Group tests the asset group or set of asset groups including goodwill for impairment, the carrying amount of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss is first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata based on the carrying amount of each asset.

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

26. Long-term unamortized costs

Applicable Not applicable

Long-term unamortized costs are amortised on a straight-line basis. The amortisation period is as follows:

	Amortisation period
Costs of improvements to fixed assets under operating leases	2-5 years

27. Contract liabilities

Methods for determining contract liabilities

Applicable Not applicable

The Group presents its obligation to transfer goods to customers in consideration that has received or should receive as contract liabilities, such as payments received by the enterprise prior to the transfer of the promised goods.

The Group will present the net amount upon offsetting the contract assets and contract liabilities under the same contract.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Employee remuneration

(1) Accounting methods for short-term remuneration

Applicable Not applicable

In the accounting period in which employees provide services, short-term remuneration actually incurred are recognised as liabilities and charged to profit or loss or the related costs of assets for the current period.

(2) Accounting methods for post-employment benefits

Applicable Not applicable

Post-employment benefits (defined contribution plans)

If employees of the Group participate in the basic pension insurance and unemployment insurance plans managed by local governments, the relevant expenditures are recorded in the relevant asset costs or profit or loss for the current period when incurred. In addition, the Group provides an annuity plan for its eligible employees in accordance with the Labour Law. The Group's withdrawals and deposits for its employees are calculated based on a certain percentage of the total salary of the employees and the length of service.

Post-employment benefits (defined benefit plans)

In addition to the above-mentioned benefit plans, the Group provides supplementary retirement benefits to its retired employees. These plans include monthly pension benefits, medical reimbursement benefits, annual medical insurance premiums and funeral benefits for employees after their retirement. The amount of the subsidies is determined based on the period during which the employee serves the Group and the relevant subsidy benefit policy.

These benefit plans beyond the scope of overall planning are considered to be based on a defined benefit plan. The defined benefit plan is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligations determined at the market yield of the government bonds during the defined benefit obligation period, and discounted over estimated future cash outflow. If there is an asset in the defined benefit plan, the present value of the defined benefit obligation minus the fair value of the asset of the defined benefit plan will be recognised as the net liability or net asset of the defined benefit plan. The change in the net liability or net asset of the defined benefit plan is divided into three parts: service cost, net interest on the net liability or net asset of the defined benefit plan, and changes due to re-measurement of net liability or net asset of the defined benefit plan for other comprehensive income.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Employee remuneration (Continued)

(2) *Accounting methods for post-employment benefits (Continued)*

Post-employment benefits (defined benefit plans) (Continued)

Any remeasurement caused by the defined benefit plans, including actuarial gains or losses, changes in the impact of the asset cap (net of the amounts included in the net interest on defined benefit plan obligation) and return on the asset in the plan (net of the amounts included in the net interest on defined benefit plan obligation) is recognised in the balance sheet immediately and recorded in shareholders' equity through other comprehensive income in the accounting period the re-measurement occurred, and shall not be reversed to profit or loss in the subsequent accounting periods.

The previous service costs should be recognised as current expenses at the earlier of the following dates: a) when the Group modifies the defined benefit plans; and b) when the Group recognises relevant restructuring costs or termination benefits.

Net interest equals to the net liability or asset in defined benefit plan multiply by the discount rate. The Group recognised changes in the net defined benefit plan obligation as management expenses in the statement of profit or loss and other comprehensive income. Those changes include service costs, including current service costs, previous service costs and gains and losses on settlement, and net interest, including the interest income of the asset in the plan, interest expenses of the obligation under the plan and interest of the impact of the asset cap.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Employee remuneration (Continued)

(3) *Accounting methods for termination benefits*

Applicable Not applicable

Termination benefits

The Group recognises a liability for employee remuneration arising from termination benefits, and charged to current profit or loss at the earlier of the following dates: when the Group can no longer withdraw the offer of those benefits unilaterally due to proposed termination of employment or proposal for rundown; and when the entity recognises costs or expenses for restructuring that related to the payment of termination benefits.

For the employee's internal retirement plan, the Group will use the salary of the early retired employee to be paid by the enterprise on a monthly basis and the social insurance premium as the termination benefits from the period when the employee stops providing the service to the normal retirement date, and account for them adopting the same principle as the above-mentioned termination benefits. The specific terms of each termination benefit and the employee's internal retirement plan vary according to the relevant employee's position, service years and regions and other factors.

(4) *Accounting methods for other long-term employee benefits*

Applicable Not applicable

Other long-term employee benefits provided to employees shall be recognised in accordance with the relevant provisions of post-employment benefits and used to measure net liabilities or net assets of other long-term employee benefits, but the changes are recognised in profit or loss for the period or related asset costs.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

29. Provisions

Applicable Not applicable

Except for contingent consideration and contingent liabilities assumed in business combinations, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and
- (3) 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 a 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 estimation.

30. Lease liabilities

Applicable Not applicable

Please refer to Note V. 36

31. Preference shares, perpetual bonds and other financial instruments

Applicable Not applicable

The perpetual debt equity investment issued by the Group have no maturity date. After the maturity date, the Group has the right to make unlimited renewals. For coupon interest of perpetual debt equity investment, the Group has the right to make deferred payment. Those that the Group has no contractual obligation to pay cash or other financial assets shall be classified as equity instruments.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. Revenue

(1). *Accounting policies adopted for revenue recognition and measurement*

Applicable Not applicable

The Group recognises revenue when a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Acquiring “control” of the goods or services means being able to dominate the use of the goods or the provision of the services and obtain almost all of the economic benefits therefrom.

Sales agreement of goods

The sales agreement of goods entered into between the Group and its customers usually only includes the performance obligations of the transferred goods. The Group usually recognises the revenue at the time of transfer of control, taking into account the following factors: obtaining the current collection rights of the goods, transfer of the key risks and rewards of the ownership of the goods, transfer of the legal ownership of the goods, transfer of physical assets of goods and customers’ acceptance of the goods.

Service agreement

The service agreement entered into between the Group and its customers usually includes performance obligations such as technology development. As the services provided by the Group during the performance of the agreement have irreplaceable uses, and during the entire contract period, the Group has the right to take the revenue from the completion of performance of the agreement accumulated to date as the performance obligation performed within a certain period of time, and recognise the revenue based on the performance progress, except where the performance progress cannot be reasonably determined. The Group determines the performance progress for the services provided in accordance with the input method. When the performance progress cannot be reasonably determined, if the costs incurred by the Group are expected to be compensated, the revenue will be recognised based on the amount of costs incurred, until the performance progress can be reasonably determined.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. Revenue (Continued)

(1). *Accounting policies adopted for revenue recognition and measurement (Continued)*

Construction contract

The construction contract entered into between the Group and its customers usually includes performance obligations such as construction services. As the customers can control the goods under construction in the performance of the Group, the Group considers them as performance obligations within a certain period of time, and recognise the revenue based on the performance progress, except where the performance progress cannot be reasonably determined. The Group determines the performance progress for the services provided in accordance with the input method. When the performance progress cannot be reasonably determined, if the costs incurred by the Group are expected to be compensated, the revenue will be recognised based on the amount of costs incurred, until the performance progress can be reasonably determined.

Significant financing component

If the contract includes 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 is obtained by the customer. By discounting the nominal amount of the contract consideration to the discount rate of the current selling price of the goods, the difference between the transaction price determined and the contract consideration of the contract committed shall be amortised within the contract period using effective interest rate method.

If the Group expects that the period between when the Group transfers a promised good to a customer and when the customer pays for that good will be one year or less, the Group needs not to consider the significant financing component.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. Revenue (Continued)

(1). *Accounting policies adopted for revenue recognition and measurement (Continued)*

Quality assurance obligation

According to the contractual agreement, legal provisions, etc., the Group provides quality assurance for the goods sold or assets constructed. For assurance-type quality assurance to the customers to ensure that the goods sold meet the established standards, the Group performs accounting treatment in accordance with Note V 32. For service-type quality assurance for a separate service provided in addition to ensuring to the customers that the goods sold meet the established standards, the Group considers it as a single performance obligation, and according to the relative proportion of the individual selling prices for providing quality assurance for goods and services, amortises part of the transaction price to the service-type quality assurance, and recognises the revenue when the customer obtains control of the service. In assessing whether the quality assurance provides a separate service in addition to ensuring to the customers that the goods sold meet the established standards, the Group considers whether the quality assurance is a statutory requirement, a quality assurance period and the nature of the Group's commitment to perform its tasks and other factors.

Principal/agent

For the Group to obtain control of the goods or other assets from a third party and then transfer it to the customer, the Group has the right to determine the price of the goods traded at its own discretion, that is, the Group is a principal if it controls the specified good before that good 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 shall be 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.

NOTES TO FINANCIAL STATEMENTS

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. Revenue (Continued)

(1). *Accounting policies adopted for revenue recognition and measurement (Continued)*

Change in contract

When there is a change to the construction contract entered into between the Group and its customers:

- (1) If the change in contract adds a clearly distinguishable construction service and contract price, and the new contract price reflects the individual selling price of the new construction service, the Group will consider the change in contract as a separate contract for accounting treatment;
- (2) If the change in contract does not fall within the circumstances stated in item (1) above, and the transferred construction service and the construction service which has not been transferred can be clearly distinguished at the date of change in contract, the Group considers it as termination of the original contract, and at the same time, the non-performance part of the original contract and the modified part of the contract will be combined into a new contract for accounting treatment;
- (3) If the change in contract does not fall within the circumstances stated in item (1) above, and the transferred construction service and the construction service which has not been transferred cannot be clearly distinguished at the date of change in contract, the Group will make the modified part of the contract as an integral part of the original contract for accounting treatment, of which the impact on the recognised revenue as a result of such change will be adjusted as the revenue for the period on the date of change in contract.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

33. Contract costs

Applicable Not applicable

The Group's assets relating to contract costs include costs of obtaining a contract and costs to fulfil a contract. The assets are presented as inventories, other current assets and other non-current assets based on its liquidity.

The Group shall recognise as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs, unless the asset amortisation period does not exceed one year.

If the costs incurred in fulfilling a contract with a customer are not within the scope of other standards (for example, inventories, fixed assets or intangible assets), the Group shall recognise an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- (1) the costs relate directly to a current or anticipated contract that the entity can specifically identify, including direct labor cost, directly material cost, manufacturing overheads (or similar expenditure), costs that are explicitly chargeable to the customer under the contract and other costs that are incurred only because of the contract;
- (2) the costs enhance resources of the entity that will be used in satisfying performance obligations in the future; and
- (3) the costs are expected to be recovered.

The Group amortises the asset relating to contract costs on a basis that is consistent with the revenue recognition relating to the asset and recognises it in profit or loss.

The Group shall recognise an impairment loss in profit or loss to the extent that the carrying amount of an asset relating to contract costs exceeds:

- (1) the remaining amount of consideration that the entity expects to receive in exchange for the goods to which the asset relates;
- (2) the costs that relate directly to providing those goods.

If the factors of impairment in the previous period have changed, and the difference between (1) minus (2) is higher than the book value of the asset, it should be transferred back to the original provision for impairment of assets, and included in the current profit or loss, but the reversed book value of the subsequent asset shall not exceed the book value of the asset on the date of reversal, assuming no provision for impairment.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

34. Government grants

Applicable Not applicable

Government grants are recognised only when the attached conditions are met and they can be received. Government grants are measured at the amount received or receivable when in the form of a monetary asset, and at fair value when in the form of a non-monetary asset. Where the fair value is not reliably determinable, the government grants are measured at the nominal amount.

Government documents stipulate that if the long-term assets are obtained by acquisitions, constructions or other forms, the grants should be recognised as the government grants related to assets. If the government documents are unclear, they should be judged on the basis of the basic conditions necessary for obtaining such grants, if the long-term assets are obtained by acquisitions, constructions or other forms, the grants should be recognised as the government grants related to assets, and the others should be recognised as income-related government grants.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised or adjusted against the relevant cost; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised immediately in profit or loss for the current period or is adjusted against the relevant cost.

Government grants related to assets are adjusted against the book value of the assets or recognised as deferred income and evenly distributed in profit or loss over the useful period of related assets in a reasonable and systematic way. Government grants measured at their nominal amounts shall be recognised immediately in profit or loss for the current period. If the relevant assets are sold, transferred, disposed of or ruined before their useful life ends, the undistributed relevant deferred income shall be transferred to the gain from asset disposal for the current period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

35. Deferred tax assets/deferred tax liabilities

Applicable Not applicable

Income tax comprises current and deferred tax. Income tax is recognised as income or an expense in profit or loss for the current period, or recognised directly in shareholders' equity if it arises from a business combination or relates to a transaction or event which is recognised directly in shareholders' equity.

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

For temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the carrying amounts and the tax bases of items which have not been recognised as assets and liabilities but the tax bases of which can be determined for tax purposes, deferred taxes are provided using the liability method.

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

- (1) where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: (i) the transaction is not a business combination; and (ii) at the time of the transaction, it affects neither accounting profit nor taxable profit or deductible loss; and
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, carryforward 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 carryforward of deductible tax losses and tax credits can be utilised, except:

- (1) where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, neither the accounting profit nor taxable profit or deductible loss is affected; and
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures when all of the following conditions are satisfied simultaneously, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

35. Deferred tax assets/deferred tax liabilities (Continued)

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date to recover the assets or settle the liabilities.

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 income tax assets to be utilised. Deferred tax assets which have not been recognised 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 all of the following conditions are satisfied simultaneously, the deferred income tax assets and deferred income tax liabilities are listed as the net amount after offsetting: the Group has a legal right to settle current tax assets and income tax liabilities on a net basis; the deferred taxes are related to the same tax payer within the Group and the same taxation authority, or related to different tax payers but during the period when each of the significant deferred income tax assets and deferred income tax liabilities is reversed and the tax payer involved intends to settle the current income tax asset and current income tax liability on a net basis, or simultaneously obtain assets and pay off the debts.

36. Leases

(1). *Accounting method for operating leases*

Applicable Not applicable

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. 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 of consideration. To determine whether the right to control the use of identified assets within a certain period of time under a contract has been transferred, the Group assesses whether a client in the contract has the right to use almost all of the economic benefits arising from the use of the identified assets during the period of use, and has the right to dominate the use of identified assets during this period of use.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

36. Leases (Continued)

(1). *Accounting method for operating leases (Continued)*

Where a contract concurrently contains multiple separate leases, the Group splits the contract and conduct accounting treatment respectively for all separate leases. Where the following conditions are concurrently met, use of the rights of identified assets shall constitute a separate lease in the contract:

- (1) A lessee may earn profits from separate use of the assets or joint use with other resources readily available;
- (2) There is no high dependence or high correlation between the assets and other assets in the contract.

Where a contract concurrently includes both leased and non-leased parts, the Group, as the lessor, shall split the leased and non-leased parts and conduct accounting treatment.

As lessee

The categories of assets leased by the Group mainly include buildings and transportation vehicles.

Initial measurement

On the commencement date of the lease term, the Group recognises its right to use the leased assets over the lease term as right-of-use assets, and recognises the present value of the lease payments that have not been paid as lease liabilities, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the leased interest rate as the discount rate; if the interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate.

The lease term is the period during which the Group has the right to use the leased assets and it is irrevocable. The Group has the option to renew lease, namely, has the right to choose to renew a lease and reasonably determine that the option will be exercised, the lease term shall also include the period covered by the option to renew lease. The Group has the option to terminate lease, namely, has the right to choose to terminate lease of the assets and reasonably determine that the option will not be exercised, the lease term shall include the period covered by the option to terminate lease. In the event of a major event or change within the controllable scope of the Group and where it affects whether the Group reasonably determines that the corresponding option will be exercised, the Group shall re-assess whether it reasonably determines that it will exercise the option to renew lease and call option or not to exercise the option to terminate lease.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

36. Leases (Continued)

(1). *Accounting method for operating leases (Continued)*

Subsequent measurement

The Group uses the straight-line method to depreciate the right-of-use assets. If it is reasonable to determine the ownership of the leased assets at the expiration of the lease term, the Group shall depreciate the remaining useful life of the leased assets. If it is not reasonable to determine that the ownership of the leased assets can be obtained at the expiry of the lease term, the leased assets shall be fully depreciated over the shorter one of the lease term or its useful life.

The Group calculates interest expenses in each period during the lease term based on a constant periodic rate of interest, and recognises the interest expenses in profit or loss.

Variable lease payments not included in the measurement of the lease liabilities are recognised in profit or loss as incurred.

After the commencement date of the lease period, in the event of change in the actual fixed payment amount, change in the amounts expected to be payable under a residual value guarantee, change in future lease payments resulting from a change in an index or a rate used to determine those payments, or change in the assessment of an option to purchase the underlying asset, to extend or terminate the lease, or the exercise of the option to extend or terminate the lease is different from the previous assessment, the Group shall remeasure the lease liabilities according to the present value of the changed lease payments, and adjust the book value of the right-of-use assets accordingly. However, if the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of the lease liabilities, the Group recognises any remaining amount of the remeasurement in profit or loss.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

36. Leases (Continued)

(1). *Accounting method for operating leases (Continued)*

Modification of lease

Modification of lease is modification of lease scope, lease consideration, and lease term outside the original contract terms, including the addition or termination of the rights of use of one or more leased assets, and the extension or shortening of the lease period stipulated in the contract.

If modification of lease happens and meets the following conditions, the Group will conduct accounting treatment for the modification of lease as a separate lease:

- (1) the modification of lease expands the scope of lease by increasing the rights use of one or more leased assets;
- (2) the increased consideration and the individual price of the expanded part of lease are equivalent after adjustment is made in accordance with situation of the contract.

If accounting treatment for the modification of lease as a separate lease is not conducted, the Group shall redetermines the lease term on the effective date of modification of lease and discount the modified lease payments using the revised discount rate, in order to remeasure the lease liabilities. When calculating the present value of the lease payments after modification, the Group adopts the interest rate implicit in the lease for the remaining lease periods the discount rate; if the lease interest rate implicit in the lease for the remaining lease period cannot be readily determined, the Group's incremental borrowing increase shall then be used as the discount rate on the effective date of modification of lease.

In view of the consequences of the above adjustment of the lease liabilities, the Group conducts accounting treatment in each of the following cases accordingly:

- (1) if the modification of lease results in a narrower scope of lease or a shorter lease term, the Group reduces the book value of the right-of-use assets to reflect the partial or complete termination of the lease. The Group recognises the gain or loss relevant to the partial or complete termination of the leases in the current profit or loss;
- (2) for other modification of lease, the Group adjusts the book value of the right-of-use assets accordingly.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

36. Leases (Continued)

(1). *Accounting method for operating leases (Continued)*

Short-term leases and low-value asset leases

On the commencement date of the lease term, the Group shall recognise leases with a lease term of less than 12 months and not including a purchase option as a short-term lease; single leases with a value of less than RMB50,000 when being a new asset are recognised as low-value asset leases. If the Group subleases or expects to sublease the leased assets, the original leases shall not be recognised as low-value asset lease. The Group does not recognise the right-of-use assets and lease liabilities for short-term leases and low-value asset leases. During different periods in the lease term, short-term leases and low-value asset leases shall be recognised in the related asset cost or current profit and loss on a straight-line basis. Contingent rents incurred shall be recognised as profit or loss in the period in which they actually arise.

As lessor

On the commencement date of the lease term, all leases with risks and rewards incident to the ownership of the leased assets are substantially transferred into finance leases, and all other leases are operating leases.

As the lessor of an operating lease

Lease payments under an operating lease are recognised by a lessee on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period. Contingent rents are recognised as profit or loss in the period in which they actually arise.

In case of modification of an operating lease changes, the Group shall treat it as a new lease from the effective date of modification, and the amount of the advance receipt or receivable related to the lease before the modification shall be regarded as the collection amount of the new lease.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

37. Other significant accounting policies and accounting estimates

Applicable Not applicable

(1) *Profit distribution*

Cash dividends of the Company are recognised as a liability when they are approved by the shareholders in general meetings.

(2) *Safety production expenses*

The safety production expenses accrued in accordance with the regulations are recorded in the relevant product cost or profit or loss of the current period and the special reserve. The treatment for usage of the safety production expenses depends on whether fixed assets are formed or not. If the usage of the safety production expenses is of expenditure, it is directly reversed against the special reserve. If the usage of the safety production expenses forms fixed assets, the expenditure incurred is accumulated and recognised as fixed assets when the intended usage condition is achieved. Meanwhile, the special reserve of an equivalent amount is reversed and recognised as accumulated depreciation.

38. Significant accounting judgements and estimates

Applicable Not applicable

The preparation of the financial statements requires management to make judgements, estimations and assumption that affect the reported amounts and disclosures of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimations could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Operating leases – the Group as lessor

The Group has entered into operating leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

38. Significant accounting judgements and estimates (Continued)

Judgements (Continued)

Lease term – lease contracts that include the option to renew the leases

A lease term is the period during which the Group has the right to use the leased asset and is irrevocable, and in which the Group has an option to renew the lease and it is reasonably determined that the option will be exercised. The lease term also includes the period covered by the option to renew the lease. In assessing whether it is reasonable to determine whether the option to renew the lease will be exercised, the Group will consider all relevant facts and circumstances that bring economic benefits to the exercise of the renewal option of the Group, including the expected changes in facts and circumstances from the date of the lease term to the date of exercise of the option. The Group believes that the Group can reasonably determine that it will exercise the option to renew the lease. Therefore, the lease term includes the period covered by the option to renew the lease.

Determination of progress towards completion of the performance of obligations for construction contracts

The Group uses the input method to determine the progress towards completion of the performance obligations for the construction contracts. To be specific, the Group determines the progress towards completion of the performance obligations on the basis of the percentage of the accumulative actual construction costs incurred to the expected total costs. The accumulative actual costs include the direct and indirect costs incurred during the process of transferring goods to the customers. The Group believes that the construction contract price with the customers is determined on the basis of the construction costs, and the actual construction costs as a percentage of the estimated total costs can accurately reflect the progress of the construction service. The Group determines the performance of the contract based on the accumulative actual construction costs as a percentage of the estimated total costs, and recognises the income accordingly. In view of the long duration of construction contracts, which may span several accounting periods, the Group will review and revise the budget as the construction contracts progress, and adjust the income recognition amount accordingly.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are described below.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

38. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Construction contracts and labour service results

The Group recognises revenue based on the percentage of completion of individual contracts providing construction contracts and labour services. The management estimates the percentage of project completion based on the actual costs involved in the total budgeted costs and also estimates the relevant contract revenue. Due to the nature of the activities carried out in the contracts, the dates of the activities and the dates of completion of the activities are usually classified into different accounting periods. The Group will review and revise the budget and contract cost estimates as the contracts process (if the actual contract revenue is less than the estimated or actual contract costs, provision for the estimated contract losses is to be made).

Impairment of financial instruments

The Group has adopted the expected credit loss model to evaluate the impairment of financial instruments. The application of the expected credit loss model requires significant judgement and estimates and the consideration of all reasonable and soundly based information, including forward-looking information. In making such judgement and estimates, the Group estimates the projected movements of the debtor's credit risk according to past repayment records, economic policies, macro-economic indicators and industry risks, etc.

Impairment of non-current assets other than financial assets (excluding goodwill)

The Group assesses whether there are any indicators of impairment for non-current assets other than financial assets as at the balance sheet date. Intangible assets with indefinite useful lives are tested for impairment annually and at other times when such an indicator exists. Other non-current assets other than financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its present value of future cash flows. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO FINANCIAL STATEMENTS

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

38. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Impairment of goodwill

Goodwill is tested for impairment at least annually. For the purpose of impairment testing, the present value of future cash flows, which are generated from asset groups or sets of asset groups considered together with allocated goodwill, is estimated. The Group estimates the present value of future cash flows from asset groups or sets of asset groups by forecasting the related cash flow and selecting a suitable discount rate.

Fair value of non-listed equity investments

Non-listed equity investments are valued as expected future cash flows based on the current discount rate of other financial instruments with similar contractual terms and risk characteristics. This requires the Group to estimate future cash flows, credit risks, fluctuations and discount rates and is therefore uncertain.

Impairment of inventories

The Group determines the write-down for obsolescence of inventories. These estimates are made with reference to aged inventory analyses, projections of expected future sales 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 realizable values. Due to changes in market conditions, actual sales of goods may be different from estimation and profit or loss in the current period could be affected by differences in this estimation.

Development expenditures

Determination of the capitalisation amount requires estimation of future cash flows of the related assets, choosing a suitable discount rate and estimation of beneficial useful lives in order to calculate the present value by management.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

38. Significant accounting judgements and estimates (Continued)

Measurement of defined benefit scheme obligations

The Group has recognised the supplementary retirement benefits under the defined benefit scheme as a liability. The estimated amount of these welfare expenses and liabilities shall be calculated and paid on the basis of various assumptions. These assumptions include the discount rate, the growth rate of welfare expenses during relevant period, as well as other factors. Deviations between actual results and actuarial assumptions will affect the accuracy of the relevant accounting estimates. Although the management believes that the above assumptions are reasonable, any changes in assumptions shall still affect the estimated liabilities of the relevant supplementary pension insurance and other external welfare plans.

Useful lives and residual values of fixed assets

The useful lives of fixed assets are estimated based on historical experience of the Group with similar assets used in a similar way. If useful lives of the fixed assets are estimated to be shorter than previously estimated, the Group will increase the depreciation rates accordingly, or dispose of those assets that are idle or technically obsolete.

In determining the useful lives and net residual values of fixed assets, the Group periodically reviews the changes in market conditions, estimated physical wear and tear, and the maintenance of an asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives and/or the net residual values of fixed assets are less than previous estimation. Useful lives and net residual values are reviewed, at the end of each reporting period, based on changes in circumstances.

Quality guarantee

The Group will make a reasonable estimate of the warranty rate for the contract combination with similar characteristics based on historical warranty data and current warranty conditions, taking into account all relevant information such as product improvement and market changes. The Group re-evaluates the warranty rate at least on each balance sheet date and determines the estimated liabilities based on the re-evaluated warranty rate.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

39. Changes in significant accounting policies and estimates

(1) *Changes in significant accounting policies*

Applicable Not applicable

New lease standard

In 2018, the Ministry of Finance issued the revised “Accounting Standard for Business Enterprises No. 21-Leasing” (the “New Lease Standard”) which adopts the single model similar to that used for the current accounting treatment for finance lease and requires the lessee to recognize right-of-use asset and lease liability for all leases other than short-term and low-value assets leases and recognise depreciation and interest expenses, respectively. Since 1 January 2019, the Group has conducted accounting treatment in accordance with the newly revised lease standard and elected not to reevaluate whether the contracts that have existed before the date of first implementation are or contain leases. According to the transitional requirements, the information for the comparable period will not be adjusted and retained earnings at the beginning of current reporting period will be retrospectively adjusted based on the difference between the New Lease Standard and the current lease standard on the first day of implementation:

- (1) The Group presents the right-of-use assets and lease liabilities for finance leases before the date of first implementation at the original book value of the assets acquired under finance leases and finance lease payables, respectively;
- (2) The Group presents the lease liabilities according to the discounted present value of the remaining amount of the lease payments at the incremental borrowing rate, and at the amount equivalent to the lease liabilities with regard to each lease, and presents the right-of-use assets according to the prepaid rents subject to necessary adjustments. The right-of-use assets is presented using the incremental borrowing interest rate of the Group being the lessee on the date of first implementation as the book value of the discount rate, assuming that the New Lease Standard is adopted from the commencement date of the lease term;
- (3) The Group conducted impairment test on the right-of-use assets in accordance with Note V.25 and conducted corresponding accounting treatment.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

39. Changes in significant accounting policies and estimates (Continued)

(1) *Changes in significant accounting policies (Continued)*

New lease standard (Continued)

The Group adopted simplified treatment for the operating leases whose leased assets are low-value assets or completed within 12 months before the date of first implementation, and did not recognise the right-of-use asset and lease liability. In addition, the Group adopted the following simplified treatment for the operating leases prior to the date of first implementation:

- (1) When presenting the lease liabilities, the same discount rate may be adopted for leases with similar characteristics; the presentation of right-of-use assets may not include initial direct costs;
- (2) Where a renewal option or a termination option is available to the lease, the Group determines the lease term based on the actual exercise of the option and other recent situations before the date of first implementation;
- (3) As an alternative to the impairment test of the right-of-use assets, the Group assesses whether the contract including the lease is an onerous contract before the date of first implementation according to Note V.25, and adjusts the right-of-use assets based on the provision for losses presented in the balance sheet before the date of first implementation;
- (4) The Group conducts accounting treatment based on the final arrangement of the lease modification for modification of leases before the date of first implementation.

NOTES TO FINANCIAL STATEMENTS

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

39. Changes in significant accounting policies and estimates (Continued)

(1) Changes in significant accounting policies (Continued)

New lease standard (Continued)

For the significant operating leases disclosed in the 2018 financial statement whose minimum lease payments have not been paid, the Group adjusts the difference between the present value discounted at the incremental borrowing rate of the Group as the lessee on 1 January 2019 and the lease liabilities included in the balance sheet as at 1 January 2019, as follows:

Minimum lease payments for significant operating leases as at 31 December 2018	154,055,649.46
Less: Minimum lease payments with simplified processing	-12,440,534.65
Including: short-term leases	-12,440,534.65
Minimum lease payments under New Lease Standard at as 1 January 2019	141,615,114.81
Weighted average of incremental borrowing rate as at 1 January 2019	4.75%
Lease liabilities at as 1 January 2019	114,677,184.12

The implementation of New Lease Standard has the following impact on items in the consolidated balance sheet as at 1 January 2019:

Consolidated Balance Sheet

Assets	Balance sheet value	Presumed value under original standard	Impact on value
Right-of-use assets	121,521,710.80	-	121,521,710.80
Other receivables	1,340,435,728.99	1,340,863,519.49	-427,790.50
Prepayments	900,603,315.00	907,020,051.18	-6,416,736.18
Total assets	<u>2,362,560,754.79</u>	<u>2,247,883,570.67</u>	<u>114,677,184.12</u>

NOTES TO FINANCIAL STATEMENTS

30 June 2019

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

39. Changes in significant accounting policies and estimates (Continued)

(1) Changes in significant accounting policies (Continued)

New lease standard (Continued)

	Balance sheet value	Presumed value under original standard	Impact on value
Liabilities			
Lease liabilities	72,021,808.83	–	72,021,808.83
Non-current liabilities due within one year	<u>413,054,636.98</u>	<u>370,399,261.69</u>	<u>42,655,375.29</u>
Total liabilities	<u>485,076,445.81</u>	<u>370,399,261.69</u>	<u>114,677,184.12</u>

The implementation of New Lease Standard has no impact on items in the Company's balance sheet as at 1 January 2019.

The implementation of New Lease Standard has the following impact on the financial statements as at 30 June 2019:

Consolidated Balance Sheet

	Balance sheet value	Presumed value under original standard	Impact on value
Right-of-use assets	167,031,765.88	–	167,031,765.88
Lease liabilities	125,675,190.73	–	125,675,190.73
Non-current liabilities due within one year	<u>301,197,134.66</u>	<u>270,624,724.94</u>	<u>30,572,409.72</u>

The implementation of New Lease Standard has no impact on items in the Company's balance sheet as at 30 June 2019.

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30 June 2019

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

39. Changes in significant accounting policies and estimates (Continued)

(1) *Changes in significant accounting policies (Continued)*

The implementation of New Lease Standard has the following impact on the financial statements for the six months ended 30 June 2019:

Consolidated income statement

	Balance sheet value	Presumed value under original standard	Impact on value
operating costs	15,731,610,829.12	15,734,128,172.03	-2,517,342.91
Administrative expenses	1,087,937,234.04	1,088,596,624.90	-659,390.86
Selling and distribution expenses	369,696,340.19	370,256,415.74	-560,075.55
Research and development expenses	581,151,441.08	581,174,996.98	-23,555.90
Finance costs	<u>-1,634,215.20</u>	<u>-5,337,680.89</u>	<u>3,703,465.69</u>
	<u>17,768,761,629.23</u>	<u>17,768,818,528.76</u>	<u>-56,899.53</u>

The implementation of New Lease Standard has no impact on items in the Company's income statement for the six months ended 30 June 2019.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

39. Changes in significant accounting policies and estimates (Continued)

(1) *Changes in significant accounting policies (Continued)*

Changes in presentation of financial statement

To meet the requirements of the Notice on Revising and Issuing Format of 2019 Annual Financial Statements for General Business Enterprises (Cai Kuai [2019] No. 6) (《關於修訂印發2019年度一般企業財務報表格式的通知》(財會[2019]6號)), in the balance sheet, the “notes and accounts receivables” shall be split into “notes receivable” and “accounts receivables”, the “notes and accounts payables” shall be split into “notes payable” and “accounts payables”; for government grants included in deferred income, if the amortisation period is only one year or less, or the part that is expected to be amortised in the next year (including one year), it shall not be classified as a current liability, nor shall it be transferred to “non-current liabilities due within one year”. It shall be kept as an item in “deferred income”; “receivables for financing” is added to present the notes receivable and accounts receivables at fair value through other comprehensive income as at the balance sheet date, etc. The changes in such accounting policy has no impact on consolidated and the Company’s net profit and ownership interest.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

39. Changes in significant accounting policies and estimates (Continued)

(2). Particulars in relation to adjustments made to relevant items of the financial statements as at the beginning of the year of the initial adoption of new financial instrument standard, new revenue standard and New Lease Standard

√ Applicable □ Not applicable

The Consolidated Balance Sheet

	Carrying amount listed under the original standard 31 December 2018	Impact of the New Lease Standard	Impact of other changes in financial statement presentation	Unit: Yuan Currency: RMB Carrying amount listed under the new standard 1 January 2019
Notes receivable and accounts receivable	15,443,711,969.67	-	-15,443,711,969.67	-
Accounts receivable	-	-	13,598,595,282.88	13,598,595,282.88
Receivables for financing	-	-	1,845,116,686.79	1,845,116,686.79
Other receivables	1,340,863,519.49	-427,790.50	-	1,340,435,728.99
Prepayments	907,020,051.18	-6,416,736.18	-	900,603,315.00
Right-of-use assets	-	121,521,710.80	-	121,521,710.80
Total assets	17,691,595,540.34	114,677,184.12	-	17,806,272,724.46
Bills payable and accounts payables	35,968,507,321.24	-	-35,968,507,321.24	-
Bills payable	-	-	849,268,364.25	849,268,364.25
Accounts payables	-	-	35,119,238,956.99	35,119,238,956.99
Lease liabilities	-	72,021,808.83	-	72,021,808.83
Other current liabilities	139,210,157.40	-	-31,712,040.37	107,498,117.03
Non-current liabilities				
due within one year	370,399,261.69	42,655,375.29	-	413,054,636.98
Deferred income	119,658,838.03	-	31,712,040.37	151,370,878.40
Total liabilities	36,597,775,578.36	114,677,184.12	-	36,712,452,762.48

NOTES TO FINANCIAL STATEMENTS

30 June 2019

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

39. Changes in significant accounting policies and estimates (Continued)

(2). *Particulars in relation to adjustments made to relevant items of the financial statements as at the beginning of the year of the initial adoption of new financial instrument standard, new revenue standard and New Lease Standard (Continued)*

Balance Sheet of the parent company

Unit: Yuan Currency: RMB

	Carrying amount listed under the original standard 31 December 2018	Impact of other changes in financial statement presentation	Carrying amount listed under the new standard 1 January 2019
Bills receivable and accounts receivable	2,410,746,518.13	-2,410,746,518.13	–
Receivables for financing	–	1,500,000.00	1,500,000.00
Accounts receivable	–	2,409,246,518.13	2,409,246,518.13
Total assets	<u>2,410,746,518.13</u>	<u>–</u>	<u>2,410,746,518.13</u>
Bills payable and accounts payables	<u>5,745,791,677.93</u>	<u>-5,745,791,677.93</u>	<u>–</u>
Accounts payables	–	5,745,791,677.93	5,745,791,677.93
Other current liabilities	772,124.28	-772,124.28	–
Deferred income	<u>32,152,082.64</u>	<u>772,124.28</u>	<u>32,924,206.92</u>
Total liabilities	<u>5,778,715,884.85</u>	<u>–</u>	<u>5,778,715,884.85</u>

(3). *Changes in significant accounting estimates*

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

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VI. TAXATION

1. Main taxes and tax rates

Main taxes and tax rates

√ Applicable □ Not applicable

Category	Tax determination basis	Tax rate
Value added tax	<p>Except for construction and installation enterprises of the Group, if the Group is recognised as general VAT taxpayer, it shall pay output tax at the rate of 6%, 10% and 16% of the taxable income before 1 April 2019. After 1 April 2019, the output tax is calculated at the tax rate of 6%, 9%, and 13% of the taxable income, and the value-added tax is paid according to the difference after deducting the input tax amount that is allowed to be deducted in the current period.</p> <p>According to the provisions of the “Provisions on Matters Concerning the Pilot Program of Replacing Business Tax with Value-Added Tax” issued by the Ministry of Finance and the State Administration of Taxation in 2016, the Group’s enterprises engaged in construction and installation will pay value-added tax instead of business tax starting from 1 May 2016, with simple taxable items at 3% tax rate and general taxable items at 11% tax rate. From 1 May 2018 on, the value-added tax of general taxable items are calculated at the rate of 10%.</p>	3%-16%
City maintenance and construction tax	Levied on the basis of turnover taxes paid.	5%-7%
Educational surcharge	Levied on the basis of turnover taxes paid.	3%
Local educational surcharge	Levied on the basis of turnover taxes paid.	1%-2%
Property tax	Based on 1.2% of the residual value of the original value of the property minus 10%-30%, or 12% of the rental income of the property.	–
Stamp duty	Based on the taxable amount and the applicable tax rate stated on the tax payment certificate.	–
Land use tax	Based on the actual area of land occupied and the applicable tax rate of the location of the land.	–

VI. TAXATION (Continued)

1. Main taxes and the rates (Continued)

Main taxes and tax rates (Continued)

Disclosure statement of taxable entities subject to different enterprise income tax rates

Applicable Not applicable

Please refer to tax preferential for details.

2. Tax preferential

Applicable Not applicable

Refund-upon-collection policy for VAT for software enterprises

According to the Notice of the State Council on Issuing Several Policies on Further Encouraging the Development of the Software and Integrated Circuit Industries (No. 4 [2011] of the State Council), Beijing National Railway Research & Design Institute of Signal & Communication Co., Ltd., Casco Signal Ltd., CRSC Communication & Information Group Company Ltd., and CRSC Wanquan signal equipment CO., LTD enjoy the refund-upon-collection policy for VAT for software enterprises.

Tax preferential policy for high-new technology enterprises

Beijing Xiandai Signal & Communication Engineering Consultant Ltd. applied in 2014 and was finally recognised as a high-new technology enterprise on 30 October 2014. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2017, and obtained the updated high-new technology enterprise certificate on 25 October 2017. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2017 to 2020.

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VI. TAXATION (Continued)

2. Tax preferential (Continued)

Taxation preferential policy for high-new technology enterprises (Continued)

Shenyang Railway Signal Co., Ltd. applied and was finally recognised as a high-new technology enterprise in 2012. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2018, and obtained the updated high-new technology enterprise certificate on 12 October 2018. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2018 to 2021.

Tianjin Railway Signal Co., Ltd. applied and was finally recognised as a high-new technology enterprise in 2012. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2018, and obtained the updated high-new technology enterprise certificate on 23 November 2018. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2018 to 2021.

Xi'an Railway Signal Co., Ltd. applied in 2015 and was finally recognised as a high-new technology enterprise on 19 November 2015. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2018, and obtained the updated high-new technology enterprise certificate on 29 October 2018. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2018 to 2021.

Beijing Railway Signal Co., Ltd. applied and was finally recognised as a high-new technology enterprise. The certificate is valid for three years in 2011. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2017, and obtained the updated high-new technology enterprise certificate on 25 October 2017. The certificate is valid for three years. The company paid corporate income tax at the preferential tax rate of 15% from 2017 to 2020.

Shanghai Railway Communication Co., Ltd. applied and was finally recognised as a high-new technology enterprise in 2011. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2017, and obtained the updated high-new technology enterprise certificate on 23 October 2017. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2017 to 2020.

VI. TAXATION (Continued)

2. Tax preferential (Continued)

Tax preferential policy for high-new technology enterprises (Continued)

Shanghai Deuta Electronic & Electrical Equipment Co., Ltd. applied and was finally recognised as a high-new technology enterprise in 2012. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2018, and obtained the updated high-new technology enterprise certificate on 2 November 2018. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2018 to 2021.

Tianshui Railway Cable Co., Ltd. applied and was finally recognised as a high-new technology enterprise in 2012. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2018, and obtained the updated high-new technology enterprise certificate on 23 July 2018. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2018 to 2021.

Jiaozuo Railway Cable Co., Ltd. applied in 2013 and was finally recognised as a high-new technology enterprise on 23 October 2013. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2016, and obtained the updated high-new technology enterprise certificate on 1 December 2016. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2016 to 2019.

Beijing National Railway Research & Design Institute of Signal & Communication Co., Ltd. applied and was finally recognised as a high-new technology enterprise in 2011. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2017, and obtained the updated high-new technology enterprise certificate on 25 October 2017. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2017 to 2020.

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VI. TAXATION (Continued)

2. Tax preferential (Continued)

Tax preferential policy for high-new technology enterprises (Continued)

Beijing Nera Stentofon Communication Equipment Co., Ltd. applied and was finally recognised as a high-new technology enterprise in 2011. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2017, and obtained the updated high-new technology enterprise certificate on 6 December 2017. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2017 to 2020.

CRSC Communication & Information Group Company Ltd. applied and was finally recognised as a high-new technology enterprise in 2011. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2017, and obtained the updated high-new technology enterprise certificate on 10 August 2017. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2017 to 2020.

Shanghai China Railway Communication & Signal Testing Co., Ltd. applied in 2015 and was finally recognised as a high-new technology enterprise on 30 October 2015. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2018, and passed the vetting process of the Administration of the Certification of High-Tech Enterprises on 16 November 2018, with the result announced. The company shall pay corporate income tax at the preferential tax rate of 15% from 2018 to 2021.

CRSC Wanquan signal equipment CO., LTD. applied and was finally recognised as a high-new technology enterprise in 2012. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2018, and obtained the updated high-new technology enterprise certificate on 30 November 2018. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2018 to 2021.

VI. TAXATION (Continued)

2. Tax preferential (Continued)

Tax preferential policies for high-new technology enterprises (Continued)

COSCO Signal Ltd. applied in 2014 and was finally recognised as a high-new technology enterprise on 4 September 2014. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2017, and obtained the updated high-new technology enterprise certificate on 23 November 2017. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2017 to 2020.

CRSC Communication & Information Group Shanghai Company Ltd. applied in 2014 and was finally recognised as a high-new technology enterprise on 4 September 2014. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2017, and obtained the updated high-new technology enterprise certificate on 23 November 2017. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2017 to 2020.

CRSC Information Industry Co., Ltd. applied in 2015 and was finally recognised as a high-new technology enterprise on 21 July 2015. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2018, and obtained the updated high-new technology enterprise certificate on 10 September 2018. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2018 to 2021.

Shanghai Xinhaixin Information Technology Co., Ltd. applied to Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, Shanghai Municipal Tax Service, State Taxation Administration, and Shanghai Municipal Administration of Local Taxation in 2016 and was finally recognised as a high-new technology enterprise on 24 November 2016. The certificate is valid for three years. The company paid corporate income tax at the preferential tax rate of 15% from 2016 to 2019.

Chengdu Railway Communication Equipment Co., Ltd. applied in 2014 and was finally recognised as a high-new technology enterprise on 9 July 2014. The company submitted the high-tech enterprise qualification review materials to the competent authorities in August 2017, and obtained the updated high-new technology enterprise certificate on 29 August 2017. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2017 to 2020.

CRSCE Beijing Research & Design Experiment Center Ltd. applied in 2015 and was finally recognised as a high-new technology enterprise on 24 November 2015. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2018, and obtained the updated high-new technology enterprise certificate on 31 October 2018. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2018 to 2021.

NOTES TO FINANCIAL STATEMENTS

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VI. TAXATION (Continued)

2. Tax preferential (Continued)

Taxation preferential policies for high-new technology enterprises (Continued)

CRSC Engineering Bureau Group Information Technology Co., Ltd. applied in 2015 and was finally recognised as a high-new technology enterprise on 21 July 2015. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2018, and obtained the updated high-new technology enterprise certificate on 10 September 2018. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2018 to 2021.

CRSC Engineering Bureau Group Construction Engineering Co., Ltd. (通號工程局集團建設工程有限公司) applied to the Hunan Provincial Science & Technology Department, Hunan Provincial Department of Finance, Hunan Provincial Tax Service, State Taxation Administration and Hunan Provincial Local Taxation Bureau in 2016 and was finally recognised as a high-new technology enterprise on 6 December 2016. The certificate is valid for three years. The company paid corporate income tax at the preferential tax rate of 15% from 2016 to 2019.

CRSC (Beijing) Rail Industry Group Co., Ltd. applied to the Beijing Municipal Science and Technology Committee, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau in 2016 and was finally recognised as a high-new technology enterprise on 1 December 2016. The certificate is valid for three years. The company paid corporate income tax at the preferential tax rate of 15% from 2016 to 2019.

CRSC (Changsha) Railway Traffic Control Technology Co., Ltd. applied to the Hunan Provincial Science & Technology Department, Hunan Provincial Department of Finance, Hunan Provincial Tax Service, State Taxation Administration and Hunan Provincial Local Taxation Bureau in 2017 and was finally recognised as a high-new technology enterprise on 1 December 2017. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2017 to 2020.

CRSC Guizhou Construction Co., Ltd. applied to Department of Science and Technology of Guizhou Province, Guizhou Provincial Finance Bureau, Guizhou Provincial Tax Service, State Taxation Administration and Local Taxation Bureau of Guizhou Province in 2017 and was finally recognised as a high-new technology enterprise on 13 November 2017. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2017 to 2020.

Xi'an Quanlutonghao Equipment Research Co., Ltd. applied to Department of Science and Technology of Shaanxi Province, Financial Department of Shaanxi Province, Shaanxi Provincial Tax Service, State Taxation Administration and Local Taxation Bureau of Shaanxi Province in 2016 and was finally recognised as a high-new technology enterprise on 6 December 2016. The certificate is valid for three years. The company paid corporate income tax at the preferential tax rate of 15% from 2016 to 2019.

VI. TAXATION (Continued)

2. Tax preferential (Continued)

Taxation preferential policies for high-new technology enterprises (Continued)

CRSC Engineering Group Electric Engineering Co., Ltd. applied to Tianjin Science and Technology Committee, Tianjin Municipal Finance Bureau, Tianjin Municipal Office, SAT and Tianjin Municipal Local Taxation Bureau in 2018 and was finally recognised as a high-new technology enterprise on 23 November 2018. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2018 to 2021.

CRSCE Tianjin Tongze Railway Engineering Equipment Ltd. applied to Tianjin Science and Technology Committee, Tianjin Municipal Finance Bureau, Tianjin Municipal Office, SAT and Tianjin Municipal Local Taxation Bureau in 2016 and was finally recognised as a high-new technology enterprise on 9 December 2016. The certificate is valid for three years. The company paid corporate income tax at the preferential tax rate of 15% from 2016 to 2019.

CRSC Institute of Smart City Research & Design applied to Beijing Science and Technology Committee, Beijing Municipal Finance Bureau, Beijing Municipal Office, SAT and Beijing Municipal Local Taxation Bureau in 2018 and was finally recognised as a high-new technology enterprise on 19 July 2018. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2018 to 2021.

Preferential taxation policies for the western development

According to the “Notice on the further implementation of the relevant tax policies of the western development strategy” (Cai Shui [2011], No. 58) published by the Ministry of Finance, General Administration of Customs and SAT, from 1 January 2011 to 31 December 2020, an enterprise in western area engaged in industries encouraged is subjected to the enterprise income tax rate of 15%. Xi’an Railway Signal Co., Ltd. is eligible for the preferential tax policies related to the western development strategy.

Preferential taxation policies for small low-profit enterprises

According to the “Notice of the Ministry of Finance and the State Administration of Taxation on Expanding the Scope of Preferential Income Tax Policies for Small Low-Profit Enterprises” (Cai Shui [2018], No. 77), for small low-profit enterprises whose annual taxable income is less than RMB1 million (including RMB1 million), their income tax shall be based on the taxable income minus 50% and at the enterprise income tax rate of 20%. Xi’an Tonghao Railway Signal Product Inspection Station Co., Ltd. and Kunming Zhongtie Innovation Construction Project Management Ltd. are eligible for the preferential tax policies for small low-profit enterprises.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Applicable Not applicable

Unit: Yuan Currency: RMB

item	Closing balance	Opening balance
Cash on hand	1,423,721.94	2,382,812.51
Bank deposits	11,319,789,749.46	11,549,590,855.07
Other monetary funds	348,733,625.37	160,509,665.09
Total	11,669,947,096.77	11,712,483,332.67
including: Total amount deposited abroad	1,042,671,035.87	911,014,822.32

Other explanation:

As at 30 June 2019, the Group's cash and bank balances with title restrictions were RMB348,733,625.37 (31 December 2018: RMB160,509,665.09).

2. Accounts receivable

(1). Disclosure by aging

Applicable Not applicable

Accounts receivable generally have a credit period of six months. Accounts receivable do not.

An aging analysis of accounts receivable is listed as follows:

Unit: Yuan Currency: RMB

Aging	Closing balance	Opening balance
Within 1 year	13,076,243,152.22	10,724,998,490.68
1 to 2 years	2,384,795,416.11	1,918,266,659.29
2 to 3 years	765,815,848.57	746,015,098.93
Over 3 years	915,049,419.09	789,451,562.09
Total	17,141,903,835.99	14,178,731,810.99

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Accounts receivable (Continued)

(1). Disclosure by aging (Continued)

Movements in the provision for bad debts of receivables are listed as follows:

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Closing balance for last year	580,136,528.11	624,742,269.64
Changes in accounting policies	—	-155,920,761.57
Opening balance for the period/year	580,136,528.11	468,821,508.07
Provision for the period/year	147,522,131.41	188,148,516.13
Transfer of contract assets	97,129,012.19	—
Acquisition of subsidiaries	—	6,725,028.70
Reversal for the period/year	42,834,488.69	83,462,520.83
Write-off for the period/year	17,832.60	96,003.96
Closing balance for the period/year	781,935,350.42	580,136,528.11

(2). Disclosure by classification with the method of provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Gross carrying amount		Provision for bad debt			Gross carrying amount		Provision for bad debt		
	Amount	Proportion	Amount	Provision	Carrying amount	Amount	Proportion	Amount	Provision	Carrying amount
		(%)		withdrawal			withdrawal			
Amount	(%)	Amount	proportion (%)	amount	Amount	(%)	Amount	proportion (%)	amount	
Single provision for bad debt	2,123,780,662.35	12.39	202,223,813.17	9.52	1,921,556,849.18	871,196,032.12	6.14	67,159,618.22	7.71	804,036,413.90
Provision withdrawn for bad debt on a combination basis	15,018,123,173.64	87.61	579,711,537.25	3.86	14,438,411,636.39	13,307,535,778.87	93.86	512,976,909.89	3.85	12,794,558,868.98
Total	17,141,903,835.99	/	781,935,350.42	/	16,359,968,485.57	14,178,731,810.99	/	580,136,528.11	/	13,598,595,282.88

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Accounts receivable (Continued)

(2). Disclosure by classification with the method of provision for bad debt (Continued)

Single provision for bad debt:

Applicable Not applicable

Unit: Yuan Currency: RMB

Name	Closing balance			Reason
	Gross carrying amount	Provision for bad debt	Provision withdrawal proportion (%)	
Tongren Municipal People's Government Land and Mineral Rights Reserve Bureau	962,537,565.16	139,906,267.28	14.54	Note
Shanghai Yingtai International Trade Co., Ltd.	41,338,848.47	41,338,848.47	100.00	Note
Shangqiu Hongying Coal Co., Ltd.	9,371,840.00	9,371,840.00	100.00	Note
Beijing MTR Construction Administration Corporation	5,018,332.90	4,014,666.32	80.00	Note
Others	1,105,514,075.82	7,592,191.10	0.69	
Total	2,123,780,662.35	202,223,813.17	9.52	/

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Accounts receivable (Continued)

(2). Disclosure by classification with the method of provision for bad debt (Continued)

Unit: Yuan Currency: RMB

Name	Opening balance			Reason
	Gross carrying amount	Provision for bad debt	Provision withdrawal proportion (%)	
Shanghai Yingtai International Trading Co., Ltd. (上海盈泰國際貿易有限公司)	41,338,848.47	41,338,848.47	100.00	Note
Shangqiu Hongying Coal Co., Ltd. (商丘市鴻贏煤炭有限公司)	9,371,840.00	9,371,840.00	100.00	Note
Beijing Metro Construction Administration Corporation Ltd. (北京市軌道交通建設管理有限公司)	5,018,332.90	4,014,666.32	80.00	Note
Others	815,467,010.75	12,434,263.43	1.52	
Total	871,196,032.12	67,159,618.22	7.71	/

Note: The Group shall make provision for bad debts in whole or in part based on its aging and business conditions with other companies.

Descriptions of single provision for bad debt:

Applicable Not applicable

Provision withdrawn for bad debt on a combination basis:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Accounts receivable (Continued)

(2). Disclosure by classification with the method of provision for bad debt (Continued)

Item for which provision is withdrawn on a combination basis: Combination of aging

Unit: Yuan Currency: RMB

Name	Closing balance		Percentage of provision (%)
	Accounts receivable	Bad debt provision	
Within 1 year	11,037,023,836.45	55,185,119.26	0.50
1 to 2 years	2,412,571,007.58	120,628,550.45	5.00
2 to 3 years	772,421,044.26	77,242,104.43	10.00
Over 3 years	796,107,285.35	326,655,763.11	41.03
Total	<u>15,018,123,173.64</u>	<u>579,711,537.25</u>	<u>/</u>

Unit: Yuan Currency: RMB

Name	Opening balance		Percentage of provision (%)
	Accounts receivable	Bad debt provision	
Within 1 year	10,170,397,649.74	50,851,988.32	0.50
1 to 2 years	1,784,287,849.14	89,214,392.51	5.00
2 to 3 years	698,081,329.41	69,808,132.94	10.00
Over 3 years	654,768,950.58	303,102,396.12	46.29
Total	<u>13,307,535,778.87</u>	<u>512,976,909.89</u>	<u>/</u>

Recognition standards and descriptions of provision withdrawn for bad debt on a combination basis:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019
RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Accounts receivable (Continued)

(3). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Opening balance	Increase/decrease during the period			Write-off or cancellation	Closing balance
	Provision	Transfer of contract assets	Recovery or reversal		
580,136,528.11	147,522,131.41	97,129,012.19	42,834,488.69	17,832.60	781,935,350.42

Significant amounts recovered or reversed to bad debts in the period:

Applicable Not applicable

(4). Top five debtors with the largest closing balance of accounts receivable

Applicable Not applicable

30 June 2019

Unit: Yuan Currency: RMB

Name of Debtor	Gross carrying amount	Provision for bad debt	Proportion of accounts receivable (%)
Tongren Municipal People's Government Land and Mineral Rights Reserve Bureau	962,537,565.16	139,906,267.28	5.62
Liupanshui Meihuashan Ecological Culture Tourism Development Co., Ltd.	459,525,708.24	24,413,819.95	2.68
China Railway Electrification Bureau Group Co., Ltd.	588,020,049.28	41,761,573.67	3.43
China Railway Zhengzhou Group Co., Ltd.	315,721,862.72	1,000,000.00	1.84
CRSC Foshan Real Estate Co., Ltd.	197,310,008.84	986,550.04	1.15
Total	<u>2,523,115,194.24</u>	<u>208,068,210.94</u>	<u>14.72</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Accounts receivable (Continued)

(4). Top five debtors with the largest closing balance of accounts receivable (Continued)

√ Applicable □ Not applicable

31 December 2018

Unit: Yuan Currency: RMB

Name of Debtor	Gross carrying amount	Provision for bad debt	Proportion of accounts receivable (%)
China Railway Zhengzhou Group Co., Ltd.	468,531,831.12	—	3.30
Liupanshui Meihuashan Ecological Culture Tourism Development Co., Ltd.	464,525,708.24	20,159,421.80	3.28
China Railway Electrification Bureau Group Co., Ltd.	378,398,892.45	32,519,240.71	2.67
China Road and Bridge Corporation	259,280,276.58	1,295,401.38	1.83
Yuxi High-tech Zone Longyuan Development and Construction Co., Ltd.	201,635,303.79	1,008,176.52	1.42
Total	<u>1,772,372,012.18</u>	<u>54,982,240.41</u>	<u>12.50</u>

Other explanation:

√ Applicable □ Not applicable

As at 30 June 2019 and 31 December 2018, the Group had no accounts receivable that were terminated due to the transfer of almost all the risks and rewards of ownership to the transferee.

The Group had no accounts receivable that are measured at amortised cost or are deducted from the financial institution for non-recourse. (2018: Nil).

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Receivables for financing

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Commercial acceptance bills	678,544,250.97	866,620,864.79
Bank acceptance bills	538,688,981.79	978,495,822.00
Total	<u>1,217,233,232.76</u>	<u>1,845,116,686.79</u>

Pledged notes receivable are as follows:

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Commercial acceptance bills	15,500,000.00	23,387,415.57
Bank acceptance bills	80,770,802.37	83,898,897.42
Total	<u>96,270,802.37</u>	<u>107,286,312.99</u>

The Group endorses or discounts some of the bank acceptance bills in the daily fund management. The business model for managing the above-mentioned acceptances receivable is aimed at both collection of contractual cash flow and the sale. As a result, the Group reclassifies the note receivables as financial assets measured at fair value through other comprehensive income, and states them as receivables for financing.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Receivables for financing (Continued)

The note receivables that have been endorsed or discounted but have not expired on the balance sheet date are as follows:

Unit: Yuan Currency: RMB

	Closing balance		Opening balance	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Commercial acceptance bills	—	92,086,065.08	—	153,050,902.42
Bank acceptance bills	168,158,957.25	146,291,519.75	391,910,657.03	149,003,028.37
Total	168,158,957.25	238,377,584.83	391,910,657.03	302,053,930.79

The increase/decrease and fair value change of receivables for financing in the period:

Applicable Not applicable

If provision for bad debt is made as per the general model of ECL, please make disclosure with reference to other receivables:

Applicable Not applicable

Other descriptions:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Prepayments

(1). Prepayments set out by aging

Applicable Not applicable

Unit: Yuan Currency: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	954,023,666.47	94.28	841,470,418.38	92.77
1-2 years	33,502,202.88	3.31	45,550,877.83	5.02
2-3 years	14,501,417.27	1.43	10,854,490.56	1.20
Over 3 years	9,889,995.94	0.98	9,144,264.41	1.01
Total	<u>1,011,917,282.56</u>	<u>100.00</u>	<u>907,020,051.18</u>	<u>100.00</u>

Reasons for delayed settlement of significant prepayments with an age of over one year:

As at 30 June 2019, large-amount prepayments with an age of over one year are as follows

Unit: Yuan Currency: RMB

Debtor	Gross carrying amount	Aging
Chongqing Changran Technology Co., Ltd.	6,765,807.00	1-3 years
China Railway Inspection and Certification Center Co., Ltd.	5,153,660.00	1-2 years
Beijing Fengtai Science and Technology Park Construction Development Co., Ltd.	2,560,484.00	2-3 years
China Council for the Promotion of International Trade Patent and Trademark Office	1,694,849.06	1-2 years
China Mobile Construction Co., Ltd. Shaanxi Branch	<u>1,345,270.70</u>	1-2 years
Total	<u>17,520,070.76</u>	

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Prepayments (Continued)

(1). *Prepayments set out by aging (Continued)*

As at 31 December 2018, large-amount prepayments with an age of over one year are as follows:

Unit: Yuan Currency: RMB

Debtor	Gross carrying amount	Aging
Shanghai Complete Machinery Equipment (Group) Co., Ltd.	24,133,498.38	1-2 years
Shanghai Pudong International Airport Customs	8,917,910.56	1-2 years
Hunan Zefeng Trade Co., Ltd.	7,572,222.08	1-2 years
Hangzhou Jianlongda Electronics Co., Ltd.	2,496,789.20	1-2 years
Eolane Neuilly en Thelle	1,707,246.77	1-2 years
Total	<u>44,827,666.99</u>	

Main reasons for delayed settlement of the above-mentioned large-amount prepayments with an age of over one year are that the relevant projects have not been completed or the materials and equipment have not been received.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Prepayments (Continued)

(2). Top five entities with the largest closing balances of prepayments by subjects of prepayment

Applicable Not applicable

As at 30 June 2019, the top five entities with the largest amount of prepayments are as follows:

Unit: Yuan Currency: RMB

Name of debtor	Gross carrying amount	Proportion of total prepayments (%)
China Railway Seventh Group Co., Ltd.	224,303,455.10	22.17
Shanghai Complete Machinery Equipment (Group) Co., Ltd.	68,731,505.87	6.79
China Railway Electrification Bureau (Group) Co., Ltd.	40,831,416.61	4.04
China Electric Import and Export Co. Ltd.	29,843,514.38	2.95
Shenzhen Keanda Electronic Technology Co., Ltd.	19,291,816.26	1.91
Total	<u>383,001,708.22</u>	<u>37.86</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Prepayments (Continued)

(2). Top five entities with the largest closing balances of prepayments by subjects of prepayment (Continued)

As at 31 December 2018, the top five entities with the largest amount of prepayments are as follows:

Unit: Yuan Currency: RMB

Name of debtor	Gross carrying amount	Proportion of total prepayments (%)
China Railway Electrification Bureau (Group) Co., Ltd	229,808,169.00	25.34
Shanghai Complete Machinery Equipment (Group) Co., Ltd.	103,027,826.66	11.36
China Electric Import and Export Co. Ltd.	56,507,786.08	6.23
Shenzhen Keanda Electronic Technology Co., Ltd.	18,807,500.00	2.07
Beijing Dinghan Technology Group Co., Ltd.	14,224,140.80	1.57
Total	<u>422,375,422.54</u>	<u>46.57</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables

Item

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Dividends receivable	12,750,000.00	3,100,000.00
Other receivables	1,478,886,407.44	1,337,763,519.49
Total	1,491,636,407.44	1,340,863,519.49

Other explanation:

Applicable Not applicable

Dividends receivable

(1). Dividends receivable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item (or Investee)	Closing balance	Opening balance
Xi'an Schaltbau Electric Corp., Ltd.	12,750,000.00	—
Siemens Signalling Company Ltd.	—	3,100,000.00
Total	12,750,000.00	3,100,000.00

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(2). Disclosure by aging

Applicable Not applicable

Unit: Yuan Currency: RMB

Aging	Closing balance	Opening balance
Within 1 year	1,036,319,171.55	893,259,208.75
1-2 years	319,620,764.31	301,531,973.46
2-3 years	117,818,692.92	82,682,397.78
Over 3 years	179,129,949.26	207,140,319.62
Total	<u>1,652,888,578.04</u>	<u>1,484,613,899.61</u>

The changes in provision for bad debt of other receivables are as follows:

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Closing balance for last year	146,850,380.12	196,439,190.82
Changes in accounting policies	—	-6,724,236.85
Opening balance for the period/year	146,850,380.12	189,714,953.97
Provision for the period/year	31,758,170.14	16,679,380.50
(Disposals)/Acquisitions of subsidiaries	-971,451.71	114,881.36
Reversal for the period/year	3,508,365.11	59,658,835.71
Write-off for the period/year	126,562.84	—
Balance of the period/year	<u>174,002,170.60</u>	<u>146,850,380.12</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019
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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(3). Classification by nature of receivables

Applicable Not applicable

Unit: Yuan Currency: RMB

Nature of receivables	Closing gross carrying amount	Opening gross carrying amount
Performance and tender bonds	695,393,505.96	627,228,516.47
Advance payments	556,374,415.40	506,099,908.92
Various deposits	124,440,825.12	100,156,477.20
Dividends receivable	12,750,000.00	3,100,000.00
Others	276,679,831.56	251,128,997.02
Total	<u>1,665,638,578.04</u>	<u>1,487,713,899.61</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(4). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL (non-credit- impaired)	Lifetime ECL (credit- impaired)	
Amounts due as at 1 January 2019	39,364,329.22	56,046,745.19	51,439,305.71	146,850,380.12
Amounts due for the period as at 1 January 2019				
– Transferred to stage 2	—	—	—	—
– Transferred to stage 3	—	12,822,871.56	-12,822,871.56	—
– Reversed to stage 2	—	—	—	—
– Reversed to stage 1	—	—	—	—
Provision for the period	2,312,719.16	22,317,012.58	7,128,438.40	31,758,170.14
Reversal for the period	3,508,365.11	—	—	3,508,365.11
Write-off for the period	126,562.84	—	—	126,562.84
Cancellation for the period	—	—	—	—
Other changes	-971,451.71	—	—	-971,451.71
Amounts due as at 30 June 2019	<u>37,070,668.72</u>	<u>65,540,886.21</u>	<u>71,390,615.67</u>	<u>174,002,170.60</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(4). Provision for bad debt (Continued)

	Unit: Yuan Currency: RMB			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL (non-credit- impaired)	Lifetime ECL (credit- impaired)	Total
Provision for bad debt				
Amounts due as at				
31 December 2017	72,892,064.07	67,435,009.69	56,112,117.06	196,439,190.82
Changes in accounting policies	-6,724,236.85	—	—	-6,724,236.85
Amounts due as at 1 January				
2018	66,167,827.22	67,435,009.69	56,112,117.06	189,714,953.97
Amounts due for the period				
as at 1 January 2018				
– Transferred to stage 2	434,088.37	-434,088.37	—	—
– Transferred to stage 3	—	—	—	—
– Reversed to stage 2	—	—	—	—
– Reversed to stage 1	—	—	—	—
Provision for the period	6,333,834.83	10,345,545.67	—	16,679,380.50
Reversal for the period	32,818,125.82	22,167,898.54	4,672,811.35	59,658,835.71
Write-off for the period	—	—	—	—
Cancellation for the period	—	—	—	—
Other changes	114,881.36	—	—	114,881.36
Amounts due as at				
31 December 2018	<u>-39,364,329.22</u>	<u>-56,046,745.19</u>	<u>-51,439,305.71</u>	<u>-146,850,380.12</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(4). Provision for bad debt (Continued)

Description about obvious changes in gross carrying amount of other receivables for which loss provision has changed in the period:

Applicable Not applicable

Unit: Yuan Currency: RMB

	Stage 1 12-month ECL	Stage 2 Lifetime ECL (non-credit- impaired)	Stage 3 Lifetime ECL (credit- impaired)	Total
Amounts due as at 31 December 2018	1,156,641,515.22	276,533,078.68	51,439,305.71	1,484,613,899.61
Amounts due for the period as at 1 January 2019				
– Transferred to stage 2	—	—	—	—
– Transferred to stage 3	—	-19,951,309.96	19,951,309.96	—
– Reversed to stage 2	—	—	—	—
– Reversed to stage 1	—	—	—	—
Increase	784,690,799.14	—	—	784,690,799.14
Derecognised	605,773,553.95	—	—	605,773,553.95
Write-off for the period	126,562.84	—	—	126,562.84
Other changes	-10,516,003.92	—	—	-10,516,003.92
Amounts due as at 30 June 2019	<u>1,324,916,193.65</u>	<u>256,581,768.72</u>	<u>71,390,615.67</u>	<u>1,652,888,578.04</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(4). Provision for bad debt (Continued)

	Unit: Yuan			Currency: RMB
	Stage 1 12-month ECL	Stage 2 Lifetime ECL (non-credit- impaired)	Stage 3 Lifetime ECL (credit- impaired)	Total
Amounts due as at				
31 December 2017	1,548,658,968.70	67,435,009.69	56,112,117.06	1,672,206,095.45
Amounts due for the period as at 1 January 2018				
– Transferred to stage 2	-209,098,068.99	209,098,068.99	—	—
– Transferred to stage 3	—	—	—	—
– Reversed to stage 2	—	—	—	—
– Reversed to stage 1	—	—	—	—
Increase	885,003,281.08	—	—	885,003,281.08
Derecognised	1,080,851,404.59	—	4,672,811.35	1,085,524,215.94
Other changes	12,928,739.02	—	—	12,928,739.02
Amounts due as at				
31 December 2018	<u>1,156,641,515.22</u>	<u>276,533,078.68</u>	<u>51,439,305.71</u>	<u>1,484,613,899.61</u>

Amount of provision for bad debt for the period and basis for evaluating whether credit risk of financial instruments increase significantly:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(5). Provision for bad debt

Applicable Not applicable

Unit: Yuan Currency: RMB

Opening balance	Increase/decrease during the period				Closing balance
	Provision	Disposal of subsidiaries	Recovery or reversal	Write-off or cancellation	
146,850,380.12	31,758,170.14	-971,451.71	3,508,365.11	126,562.84	174,002,170.60

Significant amounts of provision for bad debts recovered or reversed in the period:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(6). Top five debtors with the largest closing balance of other receivables

√ Applicable □ Not applicable

As at 30 June 2019, top five debtors with the largest balance of other receivables are as follows:

Unit: Yuan Currency: RMB

Name of entity	Nature of receivable	Closing balance	Aging	Proportion of the closing balance of other receivables (%)	Closing balance of provision for bad debt
Tongren Municipal People's Government Land and Mineral Rights Reserve Bureau	Demolition receivable	415,476,700.96	Within 1 year and 1-3 years	25.14	11,143,433.07
Tancheng County Urban Construction Integrated Development Company	Receivable current payments	58,600,000.00	Within 1 year	3.55	—
Guizhou Construction Engineering Group Co., Ltd.	Receivable current payments	55,329,140.77	Over 3 years	3.35	55,329,140.77
Xihua Economic Development Zone Comprehensive Investment Co., Ltd.	Receivable current payments	50,000,000.00	Within 1 year	3.03	—
Pingdingshan Yong'an Transportation and Trade Co., Ltd.	Receivable current payments	<u>40,292,324.40</u>	Over 3 years	<u>2.44</u>	<u>40,292,324.40</u>
Total	/	<u>619,698,166.13</u>	/	<u>37.51</u>	<u>106,764,898.24</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(6). Top five debtors with the largest closing balance of other receivables (Continued)

As at 31 December 2018, top five debtors with the largest balance of other receivables are as follows:

Unit: Yuan Currency: RMB

Name of entity	Nature of receivable	Closing balance	Aging	Proportion of the closing balance of other receivables (%)	Closing balance of provision for bad debt
Tongren Municipal People's Government Land and Mineral Rights Reserve Bureau	Demolition receivable	329,896,170.97	Within 1 year and 2-3 years	22.22	10,994,319.03
Tancheng County Urban Construction Integrated Development Company	Receivable current payments	68,600,000.00	Within 1 year	4.62	—
Guizhou Construction Engineering Group Co., Ltd.	Receivable current payments	55,329,140.77	Over 3 years	3.73	33,161,242.23
Xihua Economic Development Zone Comprehensive Investment Co., Ltd.	Receivable current payments	50,000,000.00	Within 1 year	3.37	—
Pingdingshan Yong'an Transportation and Trade Co., Ltd.	Receivable current payments	40,292,324.40	Over 3 years	2.71	40,292,324.40
Total	/	<u>544,117,636.14</u>	/	<u>36.65</u>	<u>84,447,885.66</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Inventories

(1). Inventory classification

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories/ provision for impairment of contract performance cost	Carrying amount	Gross carrying amount	Provision for decline in value of inventories/ provision for impairment of contract performance cost	Carrying amount
Raw materials	845,857,138.31	5,920,362.09	839,936,776.22	686,450,908.11	5,920,362.09	680,530,546.02
Work-in-progress	493,429,783.83	1,814,658.14	491,615,125.69	359,881,337.10	1,814,658.14	358,066,678.96
Finished goods	889,467,953.03	1,696,377.95	887,771,575.08	788,804,721.10	1,696,377.95	787,108,343.15
Turnover materials	4,042,847.69	—	4,042,847.69	18,889,517.26	—	18,889,517.26
Cost of properties under development	—	—	—	2,241,956,699.21	—	2,241,956,699.21
Total	2,232,797,722.86	9,431,398.18	2,223,366,324.68	4,095,983,182.78	9,431,398.18	4,086,551,784.60

As at 30 June 2019 and 31 December 2018, the Group had no capitalized borrowing costs in the closing balance of inventories and no inventories with restricted ownership.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Inventories (Continued)

(2). Provision for decline in value of inventories and provision for impairment of contract performance cost

Applicable Not applicable

For the six months ended 30 June 2019:

Unit: Yuan Currency: RMB

Item	Opening balance	Increase		Decrease		Closing balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	5,920,362.09	—	—	—	—	5,920,362.09
Work-in-progress	1,814,658.14	—	—	—	—	1,814,658.14
Finished goods	1,696,377.95	—	—	—	—	1,696,377.95
Total	<u>9,431,398.18</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,431,398.18</u>

31 December 2018

Unit: Yuan Currency: RMB

Item	Balance at the end of the previous year	Changes in accounting policies	Opening balance	Increase		Decrease		Closing balance
				Provision	Others	Reversal or write-off	Others	
Raw materials	5,809,079.90	—	5,809,079.90	114,987.10	—	3,704.91	—	5,920,362.09
Work-in-progress	1,855,682.57	—	1,855,682.57	—	—	41,024.43	—	1,814,658.14
Finished goods	1,980,047.25	—	1,980,047.25	108,900.59	—	392,569.89	—	1,696,377.95
Assets derived from construction contract and service contract	7,814,728.03	-7,844,728.03	—	—	—	—	—	—
Total	<u>17,489,537.75</u>	<u>-7,844,728.03</u>	<u>9,644,809.72</u>	<u>223,887.69</u>	<u>—</u>	<u>437,299.23</u>	<u>—</u>	<u>9,431,398.18</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Contract assets

(1). Information of contract assets

Applicable Not applicable

Contract assets are from the Group's construction operations. The Group provides construction services in accordance with the construction contract entered into with customers and recognizes revenue based on performance progress over the contract period. According to the contract term, customers of the Group make progress billings with the Group based on the performance progress and make payment for the progress billings within the specified credit term. Revenue recognised based on performance progress in excess of progress billings is presented as contract assets while progress billings in excess of revenue recognised based on performance progress is presented as contract liabilities.

Unit: Yuan Currency: RMB

Closing balance			Opening balance		
Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
34,285,577,916.68	104,007,904.49	34,181,570,012.19	31,128,735,266.68	187,260,448.89	30,941,474,817.79

(2). Provision for impairment of contract assets in the period

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Provision for the period	Reversal for the period	Cancellation or write-off for the period	Reason
Contract assets	14,439,043.88	562,576.09	97,129,012.19	/

If provision for bad debt is made as per the general model of ECL, please make disclosure with reference to other receivables:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Non-current assets due within one year

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Project quality deposit due within one year	<u>92,577,566.05</u>	<u>102,922,228.08</u>

Important debt investments at the end of the period and other debt investments:

Applicable Not applicable

9. Other current assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
VAT input to be deducted	775,093,410.35	737,257,994.98
Prepaid corporate income tax	900,842.40	10,101,107.23
Others	<u>8,272,137.87</u>	<u>33,045,273.62</u>
Total	<u>784,266,390.62</u>	<u>780,404,375.83</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Debt investment

(1). Information of debt investment

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Shandong Railway Development Fund Co., Ltd.	273,172,183.50	—	273,172,183.50	—	—	—

The Company completed investment in Shandong Railway Development Fund Co., Ltd. on 28 January 2019, with the investment return to be paid by Shandong Development Fund as per 10% off the benchmark interest rate for more-than-5-year loans issued by the People's Bank of China (PBoC) (the prevailing interest rate $4.9\% \times 0.9 = 4.41\%$), and the interest would be calculated as from the date the investments were in place on a phased basis, subject to adjustment according to interest rate of the PBoC. At the end of the tenth year of the project cooperation period (i.e., 28 January 2029), Shandong Railway Development Fund Co., Ltd. will receive the equity in lump sum as per the original capital contribution. Therefore, the main purpose of holding the investment is to obtain contractual cash flows, and cash flows in specific dates are solely for the payments of the investment principal and interests incurred from the outstanding amount, falling within financial assets measured as at amortised cost stated as debt investment.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Long-term receivables

(1) Long-term receivables

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for bad debt	Carrying amount	Gross carrying amount	Provision for bad debt	Carrying amount
"Build-Transfer" project receivables (Note 1)	88,698,137.56	506,524.24	88,191,613.32	655,186,715.04	2,670,548.70	652,516,166.34
"Build-Operate-Transfer" project receivables (Note 2)	3,513,851,139.40	21,324,049.55	3,492,527,089.85	3,256,724,948.94	20,477,866.00	3,236,247,082.94
Project receivables	1,825,816,938.38	8,279,274.47	1,817,537,663.91	731,447,325.13	3,657,236.62	727,790,088.51
Total	5,428,366,215.34	30,109,848.26	5,398,256,367.08	4,643,358,989.11	26,805,651.32	4,616,553,337.79

Note 1: The Group signed a municipal engineering investment construction repurchase agreement with relevant government departments, and the relevant government departments authorized the Group to undertake the "build-transfer" project to implement the investment and financing functions on its behalf, carry out the municipal engineering construction, and hand over the project to the relevant government departments after completion of construction, and the relevant government departments pay repurchase funds within the prescribed time limit according to the repurchase agreement.

Note 2: The Group has signed a municipal engineering construction and franchise agreements with relevant government departments. The relevant government departments have authorized the Group to undertake "build-operate-transfer" projects to implement investment and financing functions, conduct municipal engineering construction and franchise, and hand over the project to the relevant government departments after the expiration of franchise period, and the relevant government departments will pay the repurchase funds within the prescribed time limit according to the repurchase agreement.

As at 30 June 2019, the Group's long-term receivables of RMB2,256,357,357.32 (31 December 2018: RMB1,103,115,389.15), which were formed by the earning rights of the franchise pledged and all proceeds under it, were used to obtain long-term loans of RMB1,437,352,774.84 (31 December 2018: RMB625,017,582.09).

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019
RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Long-term receivables (Continued)

(2) Provision for bad debt

Applicable Not applicable

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

Opening balance	Increase/decrease during the period			Closing balance
	Provision	Recovery or reversal	Cancellation or write-off	
26,805,651.32	3,518,344.92	214,147.98	—	30,109,848.26

In 2018

Unit: Yuan Currency: RMB

Closing balance for last year	Changes in accounting policies	Opening balance	Increase/decrease during the year			Closing balance
			Provision	Recovery or reversal	Cancellation or write-off	
—	15,315,202.56	15,315,202.56	11,490,448.76	—	—	26,805,651.32

Description of significant changes in the book balance of long-term receivables with changes in provisions for losses in the current period:

Applicable Not applicable

Amount of provision for bad debt for the period and basis for evaluating whether credit risk of financial instruments increase significantly:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019
RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Long-term equity investments

√ Applicable □ Not applicable

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

Investee	Notes	Opening balance	Increase in investment	Decrease in investment	Investment gains/losses confirmed based on equity method	Increase/decrease for the period				Closing balance of provision for impairment	
						Adjustments of other comprehensive income	Other equity changes	Cash dividends or profits declared to be distributed	Provision for impairment		
I. Joint ventures											
Xi'an Schalbau Electric Corp., Ltd. ("Schalbau") (西安沙爾堡電氣有限公司)		161,420,044.80	—	—	12,999,999.94	—	—	25,500,000.00	—	148,920,044.84	—
CRSC Smart Technology Co., Ltd. ("Smart Technology") (通銳智慧科技有限公司)		15,647,639.72	—	—	—	—	—	—	—	15,647,639.72	—
Sichuan Development CRSC Urban Investment Co., Ltd. (“Sichuan Development”) (四川發展成都城市投資有限公司)	Note 1	56,733,823.16	—	56,733,823.16	—	—	—	—	—	—	—
Beijing CRSC Beifang Real Estate Co., Ltd. (“Beifang Real Estate”) (北京通銳北方置業有限公司)	Note 2	—	20,400,000.00	20,400,000.00	—	—	—	—	—	—	—
Beijing CRSC Construction and Development Co., Ltd. (“CRSC Construction and Development”) (北京通銳建設開發有限公司)	Note 2	19,689,812.76	—	19,689,812.76	—	—	—	—	—	—	—
Wenzhou-Hangwen High-Speed Railway Investment Partnership (LLP) (“Wenzhou-Hangwen High-Speed Railway”) (溫州杭溫高鐵路投資合夥企業(有限合夥))	Note 3	—	76,500,000.00	—	—	—	—	—	—	76,500,000.00	—
Subtotal		253,491,320.54	96,900,000.00	96,823,635.92	12,999,999.94	—	—	25,500,000.00	—	241,067,684.56	—
II. Associates											

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019
RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Long-term equity investments (Continued)

Investee	Notes	Opening balance	Increase in investment	Decrease in investment	Increase/decrease for the period					Closing balance	Closing balance of provision for impairment	
					Investment gains/losses confirmed based on equity method	Adjustments of other comprehensive income	Other equity changes	Cash dividends or profits declared to be distributed	Provision for impairment			Others
Spring Integrated Pipeline Construction Co., Ltd. ("Spring Pipeline") (四川綜合管線建設有限公司)		134,715,266.36	-	-	-	-	-	-	-	-	134,715,266.36	-
CRSC Airbus Co., Ltd. ("Airbus") (空中巴士華南有限公司)		20,248,799.36	-	-	-582,661.94	-	-	-	-	-	19,666,137.42	-
CRSC Private Equity Fund (Limited Partnership) ("CRSC Private Equity Fund") (橫琴瑞誠投資基金(有限合夥))		4,650,658.97	-	-	-	-	-	-	-	-	4,650,658.97	-
Siemens Signalling Company Ltd. ("SSCX") (西門子信號有限公司)		78,427,682.44	-	-	7,000,000.26	-	-	-	-	-	85,427,682.70	-
Guizhou Jiantong Real Estate Development Co., Ltd. (Guizhou Jiantong) (貴州建通房地產開發有限公司)		22,548,632.50	-	-	-933,286.55	-	-	-	-	-	21,615,345.95	-
CSCCEC Fostan Joint Investment Co., Ltd. ("CSCCEC Fostan") (佛山中建交建聯合投資有限公司)		82,300,609.21	-	64,240,000.00	-730,773.97	-	-	-	-	-	17,329,835.24	-
CRSC (Beijing) Electronic Technology Co., Ltd. (CRSC Electronics) (德訊北京電子科技有限公司)		3,880,751.98	-	-	-941,911.44	-	-	-	-	-	2,938,840.54	-
Guangdong Ultrust Financial Leasing Co., Ltd. (Guangdong Ultrust Financial Leasing) (廣東聯誠金融租賃股份有限公司)		302,243,054.50	-	-	2,474,445.59	-	-	-	-	-	304,717,500.09	-
China Tielong Railway Operation Co., Ltd. (China Tielong Railway) (中鐵聯運華南有限公司)		13,841,677.43	-	-	7,131,142.41	-	342,782.12	-	-	-	21,315,601.96	-
CRSC Transhui Tram Co., Ltd. ("Transhui Tram") (太原越誠通車有限公司)	Note 4	88,761,761.27	53,266,500.00	-	-	-	-	-	-	-	142,028,261.27	-
CRSC Changqing (Zhejiang) Technology Co., Ltd. (Changqing Technology) (德誠浙江科技股份有限公司)		810,666.12	1,004,331.02	-	-	-	-	-	-	-	1,815,297.14	-
Subtotal		752,450,080.14	54,270,831.02	64,240,000.00	13,417,004.36	-	342,782.12	-	-	-	765,220,697.64	-
Total		1,005,921,400.68	151,170,831.02	161,063,655.92	26,417,044.30	-	342,782.12	-	-	-	997,298,392.20	-

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019
RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Long-term equity investments (Continued)

In 2018

Investee	Notes	Opening balance	Increase in investment	Decrease in investment	Increase/decrease for the period				Closing balance of provision for impairment
					Investment gains/ losses confirmed based on equity method	Other equity changes	Cash dividends or profits declared to be distributed	Provision for impairment	
Unit: Yuan Currency: RMB									
I. Joint ventures									
Xi'an Schalibau Electric Corp., Ltd. ("Schalibau") (西安沙爾特實電氣有限公司)		164,616,695.44	—	—	22,303,349.46	—	25,500,000.00	—	161,420,044.90
CRSC Smart Technology Co., Ltd. ("Smart Technology") (通誠智慧科技(有限)公司)		20,194,840.05	—	—	4,547,200.33	—	—	—	15,647,639.72
Sichuan Development CRSC Urban Investment Co., Ltd. ("Sichuan Development") (四川發達通號城市投資有限責任公司)	Note 1	56,048,330.51	—	—	685,492.65	—	—	—	56,733,823.16
Tianshui Tiantong Tramway Co., Ltd. ("Tianshui Tiantong") (天水天通有軌電車有限責任公司)		100,038,121.69	—	101,469,410.01	1,431,288.32	—	—	—	—
Beijing CRSC Construction and Development Co., Ltd. ("CRSC Construction and Development") (北京通號建設開發有限公司)	Note 2	20,139,950.19	—	—	450,137.43	—	—	—	19,689,812.76
Subtotal		361,037,937.88	—	101,469,410.01	19,422,792.67	—	25,500,000.00	—	253,491,320.54

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As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Long-term equity investments (Continued)

Investee	Note	Opening balance	Increase in investment	Decrease in investment	Increase/decrease for the period			Closing balance of provision for impairment
					Investment gains/ losses confirmed based on equity method	Other equity charges	Cash dividends or profits declared to be distributed	
II. Associates								
Siping Integrated Pipeline Construction Co., Ltd. ("Siping Pipeline") (四平中哈合管廠建設有限公司)		134,715,266.36	—	—	—	—	—	134,715,266.36
CRSC Airbus Co., Ltd. ("Airbus") (通車空中快車有限公司)		18,608,547.91	—	—	1,640,251.45	—	—	20,248,799.36
CRSC Private Equity Fund (Limited Partnership) ("CRSC Private Equity Fund") (橫琴通誠股權投資基金(有限合伙))		2,349,909.90	—	—	2,300,949.07	—	—	4,650,858.97
Siemens Signalling Company Ltd. ("SSCX") (西門子信號有限公司)		82,020,017.09	—	—	22,507,665.35	26,100,000.00	—	78,427,682.44
Guizhou Jiantong Real Estate Development Co., Ltd. ("Guizhou Jiantong") (貴州建通房地產開發有限公司)		22,548,652.50	—	—	—	—	—	22,548,652.50
CSCEC Foshan Joint Investment Co., Ltd. ("CSCEC Foshan") (佛山中建交通聯合投資有限公司)		70,178,157.91	—	—	12,122,451.30	—	—	82,300,609.21
CRSC (Beijing) Electronics Technology Co., Ltd. ("CRSC Electronics") (通誠(北京)電子科技有限公司)		4,868,978.56	—	—	-988,226.58	—	—	3,880,751.98
Guangdong Ultrast Financial Leasing Co., Ltd. ("Guangdong Ultrast Financial Leasing") (廣東粵財金融租賃股份有限公司)		301,442,926.69	—	—	800,127.81	—	—	302,243,054.50
China Tietong Railway Operation Co., Ltd. ("China Tietong Railway") (中鐵通車運營有限公司)		2,580,039.17	10,500,000.00	—	761,638.26	—	—	13,841,677.43
CRSC Tianshui Tram Co., Ltd. ("Tianshui Tram") (天水通誠有軌電車有限公司)	Note 4	—	88,777,500.00	—	-15,738.73	—	—	88,761,761.27
CRSC Changxing (Zhejiang) Technology Co., Ltd. ("Changxing Technology") (通誠興行(浙江)科技股份有限公司)		2,156,000.00	—	—	-1,345,033.88	—	—	810,966.12
Ansaldo Signal Transportation System (Beijing) Co., Ltd. ("Ansaldo") (安薩爾多信號系統(北京)有限公司)		737,737.18	—	737,737.18	—	—	—	—
Subtotal		642,206,233.27	99,277,500.00	737,737.18	37,784,084.05	26,100,000.00	—	752,430,080.14
Total		1,003,244,171.15	99,277,500.00	102,207,147.19	57,206,876.72	51,600,000.00	—	1,005,921,400.88

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Long-term equity investments (Continued)

Key information of joint ventures and associates

For the six months ended 30 June 2019

	Principal place of business/ registration	Business nature	Registered capital	Shareholding ratio of the Group (%)		Voting ratio of the Group (%)
				Direct	Indirect	
Joint ventures						
Schaltbau	Xi'an City	Product manufacturing	US\$ 4,400,000.00	—	50.00	33.00
Smart Technology	Guangzhou City	Research and experimental development	61,000,000.00	—	49.18	49.18
Wenzhou-Hangwen High-Speed Railway	Wenzhou City	Railway investment and construction	5,010,000,000.00	29.99	—	29.99
Associates						
SSCX	Xi'an City	Product manufacturing	€5,220,000.00	—	30.00	30.00
Guizhou Jiantong	Guiyang City	Project contracting	80,000,000.00	—	30.00	30.00
CSCEC Foshan	Guangzhou City	Investment project construction	600,000,000.00	11.00	—	11.00
Siping Pipeline	Siping City	Project contracting	1,125,608,500.00	20.00	—	20.00
Airbus	Wenling City	Rail transit supplies	100,000,000.00	40.00	—	40.00
CRSC Private Equity Fund	Zhuhai City	Equity investment management	200,000,000.00	—	40.00	40.00
CRSC Electronics	Beijing City	Product manufacturing	10,000,000.00	—	49.00	49.00
Guangdong Ultrust Financial Leasing	Guangzhou City	Financial leasing	1,000,000,000.00	30.00	—	30.00
China Tietong Railway	Wenzhou City	Rail transit operation	50,000,000.00	—	30.00	30.00
Tianshui Tram	Tianshui City	Project contracting	498,400,000.00	35.63	—	35.63
Changxing Technology	Taizhou City	Rail transit supplies	22,000,000.00	—	49.00	49.00

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Long-term equity investments (Continued)

Key information of joint ventures and associates (Continued)

In 2018

	Principal place of business/ registration	Business nature	Registered capital	Shareholding ratio of the Group (%)		Voting ratio of the Group (%)
				of the Group (%)		
				Direct	Indirect	
Joint ventures						
Schaltbau	Xi'an City	Product manufacturing	US\$ 4,400,000.00	—	50.00	33.00
Smart Technology	Guangzhou City	Research and experimental development	61,000,000.00	—	49.18	49.18
Sichuan Development	Chengdu City	Project contracting	1,500,000,000.00	40.00	—	40.00
Tianshui Tiantong	Tianshui City	Project contracting	1,275,510,000.00	49.00	—	49.00
CRSC Construction and Development	Beijing City	Project contracting	100,000,000.00	—	60.00	60.00
Associates						
SSCX	Xi'an City	Product manufacturing	€5,220,000.00	—	30.00	30.00
Guizhou Jiantong	Guiyang City	Project contracting	80,000,000.00	—	30.00	30.00
CSCEC Foshan	Guangzhou City	Investment project construction	600,000,000.00	11.00	—	11.00
Siping Pipeline	Siping City	Project contracting	1,125,608,500.00	20.00	—	20.00
Airbus	Wenling City	Rail transit supplies	100,000,000.00	40.00	—	40.00
CRSC Private Equity Fund	Zhuhai City	Equity investment management	200,000,000.00	—	40.00	40.00
CRSC Electronics	Beijing City	Product manufacturing	10,000,000.00	—	49.00	49.00
Guangdong Ultrast Financial Leasing	Guangzhou City	Financial leasing	1,000,000,000.00	30.00	—	30.00
China Tietong Railway	Wenzhou City	Rail transit operation	50,000,000.00	—	30.00	30.00
Tianshui Tram	Tianshui City	Project contracting	498,400,000.00	35.63	—	35.63
Changxing Technology	Taizhou City	Rail transit supplies	22,000,000.00	—	49.00	49.00
Ansaldo	Beijing City	Rail transit supplies	€836,945.00	—	20.00	20.00

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Long-term equity investments (Continued)

Key information of joint ventures and associates (Continued)

Note 1: As of 30 June 2019, the Company has transferred 40% of the equity in Sichuan Development CRSC Urban Investment Co., Ltd. (四川發展通號城市投資有限責任公司) to another shareholder Sichuan Development Holding Co., Ltd. at the consideration of RMB60 million.

Note 2: On 10 June 2019, CRSC Innovative Investment, the subsidiary of the Company, signed an equity transfer agreement with our parent company CRSC, according to which it agreed to transfer its 51% equity in Beifang Real Estate and 60% equity in CRSC Construction and Development at the consideration of RMB21,322,200.

Note 3: In December 2018, the Company, Wenzhou Parkson United High-Speed Railway Investment Partnership (LLP) (温州百盛聯合高鐵投資合夥企業有限合夥), Parkson United Rail Transit Co., Ltd. (百盛聯合軌道交通有限公司), Parkson United Group Co., Ltd. (百盛聯合集團有限公司) and CRSC Jiahe Industrial Investment Fund Management Co., Ltd. (通號嘉和產業投資基金管理有限公司) jointly established Wenzhou-Hangwen High-Speed Railway. The Company subscribed for RMB1,500 million, with a shareholding ratio of 29.99%. As of 30 June 2019, the Company actually contributed RMB76.5 million. Wenzhou-Hangwen High-Speed Railway, as a joint venture of the Group, was calculated by the equity method.

Note 4: In May 2018, the Company, China Railway 11 Bureau Group Co., Ltd., Tianshui City Rail Transit Investment Construction and Operation Co., Ltd. (天水市城市軌道交通投資建設經營有限責任公司) and China Railway Fifth Survey and Design Institute Group Co., Ltd. jointly established the Tianshui Tram. In particular, the Company's investment cost was RMB177.555 million, holding 35.625% equity of Tianshui Tram. As of 30 June 2019, the Company has actually invested RMB142.044 million. The Company had a significant impact on Tianshui Tram and was calculated by the equity method as an associate of the Company.

On 30 June 2019 and 31 December 2018, there was no restriction on the ability of the investee to transfer funds to the Group from the long-term equity investment held by the Group.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Other equity instrument investment

(1). Information of other equity instrument investment

√ Applicable □ Not applicable

For the six months ended 30 June 2019

Unit: yuan Currency: RMB

Item	Cost	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend income for the current period		Reason for designating as at fair value through other comprehensive income
				Equity instruments derecognized in the current period	Equity instruments still held	
Beijing Yawan High Speed Railway Co., Ltd. (北京雅萬高速鐵路有限公司)	269,266,888.00	—	269,266,888.00	—	—	It is expected to be strategically held for a long time
China Railway International (USA) Co., Ltd. (中國鐵路國際(美國)有限公司)	5,739,120.00	—	5,739,120.00	—	—	It is expected to be strategically held for a long time
Ganzhou-Shenzhen Railway (Guangdong) Company Limited (贛深鐵路(廣東)有限公司)	100,000,000.00	—	100,000,000.00	—	—	It is expected to be strategically held for a long time
Beijing Rail Transit Operation Control System National Engineering Research Center Co., Ltd. (北京軌道交通運行控制系統國家工程研究中心有限公司)	2,141,159.20	—	2,141,159.20	—	—	It is expected to be strategically held for a long time
Hunan Maglev Group Co., Ltd. (湖南磁浮集團股份有限公司)	100,000,000.00	—	100,000,000.00	—	—	It is expected to be strategically held for a long time
Lunan High Speed Railway Co., Ltd. (魯南高速鐵路有限公司)	274,267,062.00	—	274,267,062.00	—	—	It is expected to be strategically held for a long time
Total	751,414,229.20	—	751,414,229.20	—	—	

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Other equity instrument investment (Continued)

(1). Information of other equity instrument investment (Continued)

In 2018

Item	Cost	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend income for the current period		Reason for designating as at fair value through other comprehensive income
				Equity instruments derecognized in the current period	Equity instruments still held	
Beijing Yawan High Speed Railway Co., Ltd. (北京雅萬高速鐵路有限公司)	269,266,888.00	—	269,266,888.00	—	—	It is expected to be strategically held for a long time
China Railway International (USA) Co., Ltd. (中國鐵路國際(美國)有限公司)	5,739,120.00	—	5,739,120.00	—	—	It is expected to be strategically held for a long time
Dujiangyan Rail Transit Co., Ltd. (都江堰軌道交通有限責任公司)	2,400,000.00	—	2,400,000.00	—	—	It is expected to be strategically held for a long time
Beijing Rail Transit Operation Control System National Engineering Research Center Co., Ltd. (北京軌道交通運行控制系統國家工程研究中心有限公司)	2,141,159.20	—	2,141,159.20	—	—	It is expected to be strategically held for a long time
Shanxi Haixin Iron and Steel Co., Ltd. (山西海鑫鋼鐵有限公司)	716,815.00	—	—	—	—	Insolvency
Hunan Maglev Group Co., Ltd. (湖南磁浮集團股份有限公司)	100,000,000.00	—	100,000,000.00	—	—	It is expected to be strategically held for a long time
Lunan High Speed Railway Co., Ltd. (魯南高速鐵路有限公司)	274,267,062.00	—	274,267,062.00	—	—	It is expected to be strategically held for a long time
Total	654,531,044.20	—	653,814,229.20	—	—	

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019
RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Investment properties

Measurement model of investment properties

(1). Investment properties measured under cost method

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

Item	Buildings	Land use rights	Total
I. Original book value			
1. Opening balance	234,163,170.34	118,614,400.00	352,777,570.34
2. Increase	—	—	—
3. Decrease	—	—	—
4. Closing balance	234,163,170.34	118,614,400.00	352,777,570.34
II. Accumulated depreciation and accumulated amortization			
1. Opening balance	98,376,334.92	23,993,421.02	122,369,755.94
2. Increase	5,066,015.83	1,371,052.60	6,437,068.43
(1) Provision or amortization	5,066,015.83	1,371,052.60	6,437,068.43
3. Decrease	—	—	—
4. Closing balance	103,442,350.75	25,364,473.62	128,806,824.37
III. Book value			
1. Ending book value	130,720,819.59	93,249,926.38	223,970,745.97
2. Beginning book value	135,786,835.42	94,620,978.98	230,407,814.40

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Investment properties (Continued)

(1). Investment properties measured under cost method (Continued)

In 2018

Unit: Yuan Currency: RMB

Item	Buildings	Land use rights	Total
I. Original book value			
1. Opening balance	234,163,170.34	118,614,400.00	352,777,570.34
2. Increase	—	—	—
3. Decrease	—	—	—
4. Closing balance	<u>234,163,170.34</u>	<u>118,614,400.00</u>	<u>352,777,570.34</u>
II. Accumulated depreciation and accumulated amortization			
1. Opening balance	88,244,303.28	21,251,315.73	109,495,619.01
2. Increase	10,132,031.64	2,742,105.29	12,874,136.93
(1) Provision or amortization	10,132,031.64	2,742,105.29	12,874,136.93
3. Decrease	—	—	—
4. Closing balance	<u>98,376,334.92</u>	<u>23,993,421.02</u>	<u>122,369,755.94</u>
III. Book value			
1. Ending book value	<u>135,786,835.42</u>	<u>94,620,978.98</u>	<u>230,407,814.40</u>
2. Beginning book value	<u>145,918,867.06</u>	<u>97,363,084.27</u>	<u>243,281,951.33</u>

(2). Information of investment properties to which a certificate of title has not been obtained:

Applicable Not applicable

Other explanations

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Fixed assets

Presentation of item

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Fixed assets	3,884,873,753.53	3,936,432,967.69
Disposal of fixed assets	—	—
Total	<u>3,884,873,753.53</u>	<u>3,936,432,967.69</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Fixed assets (Continued)

(1). Information about fixed assets

Applicable Not applicable

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

Item	Buildings	Machinery	Vehicles	Electronic equipment and others	Total
I. Original book value:					
1. Opening balance	3,934,027,616.54	840,551,330.13	435,159,819.18	1,049,879,454.05	6,259,618,219.90
2. Increase during the period	461,219.43	58,250,697.20	11,485,612.03	51,086,949.17	121,284,477.83
(1) Additions	16,509.43	36,819,343.76	11,485,612.03	40,269,622.59	88,591,087.81
(2) Transferred from construction in progress	444,710.00	21,431,353.44	—	10,817,326.58	32,693,390.02
3. Decrease during the period	378,564.82	7,257,341.82	5,527,494.34	6,284,112.48	19,447,513.46
(1) Disposal or retirement	378,564.82	7,257,341.82	3,786,342.51	5,663,899.57	17,086,148.72
(2) Disposal of subsidiaries	—	—	1,741,151.83	620,212.91	2,361,364.74
4. Closing balance	3,934,110,271.15	891,544,685.51	441,117,936.87	1,094,682,290.74	6,361,455,184.27
II. Accumulated depreciation					
1. Opening balance	792,383,718.73	587,149,899.38	291,664,086.58	651,955,429.46	2,323,153,134.15
2. Increase during the period	48,520,305.93	39,689,710.77	28,133,235.53	52,843,552.34	169,186,804.57
(1) Provision	48,520,305.93	39,689,710.77	28,133,235.53	52,843,552.34	169,186,804.57
3. Decrease during the period	728.05	6,554,729.90	3,813,299.73	5,421,868.36	15,790,626.04
(1) Disposal or retirement	728.05	6,554,729.90	3,233,929.13	4,933,044.39	14,722,431.47
(2) Disposal of subsidiaries	—	—	579,370.60	488,823.97	1,068,194.57
4. Closing balance	840,903,296.61	620,284,880.25	315,984,022.38	699,377,113.44	2,476,549,312.68
III. Provision for impairment					
1. Opening balance	—	32,118.06	—	—	32,118.06
2. Closing balance	—	32,118.06	—	—	32,118.06
IV. Book value					
1. Closing book value	3,093,206,974.54	271,227,687.20	125,133,914.49	395,305,177.30	3,884,873,753.53
2. Opening book value	3,141,643,897.81	253,369,312.69	143,495,732.60	397,924,024.59	3,936,432,967.69

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Fixed assets (Continued)

(1). Information about fixed assets (Continued)

In 2018

Unit: Yuan Currency: RMB

Item	Buildings	Machinery	Vehicles	Electronic equipment and others	Total
I. Original book value:					
1. Opening balance	3,357,279,528.08	694,394,258.57	421,942,472.02	927,670,902.82	5,401,287,161.49
2. Increase during the period	579,297,575.35	166,821,758.20	34,465,611.54	168,990,616.75	949,575,561.84
(1) Additions	5,313,328.06	144,570,213.41	30,446,896.57	165,726,445.38	346,056,883.42
(2) Transferred from construction in progress	547,769,413.10	21,576,484.96	—	1,989,540.17	571,335,438.23
(3) Acquisition of subsidiaries	26,214,834.19	675,059.83	4,018,714.97	1,274,631.20	32,183,240.19
3. Decrease during the period	2,549,486.89	20,664,686.64	21,248,264.38	46,782,065.52	91,244,503.43
(1) Disposal or retirement	2,549,486.89	20,664,686.64	21,248,264.38	46,782,065.52	91,244,503.43
4. Closing balance	<u>3,934,027,616.54</u>	<u>840,551,330.13</u>	<u>435,159,819.18</u>	<u>1,049,879,454.05</u>	<u>6,259,618,219.90</u>
II. Accumulated depreciation					
1. Opening balance	695,345,500.74	534,884,612.33	252,650,214.77	588,115,910.49	2,070,996,238.33
2. Increase during the period	97,069,030.48	71,051,898.79	58,748,762.02	104,268,613.54	331,138,304.83
(1) Provision	91,654,934.22	70,746,020.23	57,334,408.44	102,797,428.92	322,532,791.81
(2) Acquisition of subsidiaries	5,414,096.26	305,878.56	1,414,353.58	1,471,184.62	8,605,513.02
3. Decrease during the period	30,812.49	18,786,611.74	19,734,890.21	40,429,094.57	78,981,409.01
(1) Disposal or retirement	30,812.49	18,786,611.74	19,734,890.21	40,429,094.57	78,981,409.01
4. Closing balance	<u>792,383,718.73</u>	<u>587,149,899.38</u>	<u>291,664,086.58</u>	<u>651,955,429.46</u>	<u>2,323,153,134.15</u>
III. Provision for impairment					
1. Opening balance	—	32,118.06	—	—	32,118.06
2. Closing balance	—	32,118.06	—	—	32,118.06
IV. Book value					
1. Closing book value	<u>3,141,643,897.81</u>	<u>253,369,312.69</u>	<u>143,495,732.60</u>	<u>397,924,024.59</u>	<u>3,936,432,967.69</u>
2. Opening book value	<u>2,661,934,027.34</u>	<u>159,477,528.18</u>	<u>169,292,257.25</u>	<u>339,554,992.33</u>	<u>3,330,258,805.10</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Fixed assets (Continued)

(1). Information about fixed assets (Continued)

As at 30 June 2019, the original value of fixed assets of the Group which have been fully provided for depreciation but still in use was RMB1,133,962,350.97 (31 December 2018: RMB1,139,088,195.59).

As at 30 June 2019, the Group had no temporarily idle fixed assets in the fixed assets the Group mainly produced and operated (31 December 2018: None).

As at 30 June 2019 and 31 December 2018, the Group had no fixed assets with title restriction.

(2). Information about fixed assets for which a certificate of title has not been obtained

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Book value	Reasons why the certificate of title has not been obtained
Buildings	1,749,330,912.20	In progress

16. Construction in progress

Presentation of item

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Construction in progress	654,076,116.64	637,726,255.10
Construction materials	—	—
Total	<u>654,076,116.64</u>	<u>637,726,255.10</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019
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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in progress (Continued)

(1). Changes in important projects under construction for the current period

√ Applicable Not applicable

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

Name of project	Budget	Opening balance	Increase during the period	Transferred into fixed assets during the period	Other decrease during the period	Closing balance	Proportion of total project investment in the budget (%)	Project progress	Cumulative amount of interest capitalized	Including: Amount of interest capitalized for the current period	Interest capitalization rate for the current period (%)	Source of fund
Technology upgrade of rail transportation safety control system	678,909,800.00	112,544,252.80	21,718,239.52	—	—	134,262,492.32	98.59	98.59	—	—	—	Self-raised
CRSC Changsha industrial park	775,000,000.00	448,149,601.17	18,491,481.33	—	—	466,641,082.50	90.30	90.30	—	—	—	Self-raised
Others	/	77,032,401.13	8,833,500.71	32,693,390.02	—	53,172,541.82	/	/	—	—	—	Self-raised
Total	1,453,909,800.00	637,726,255.10	49,043,251.56	32,693,390.02	—	654,076,116.64	/	/	—	—	—	/

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in progress (Continued)

(1). Changes in important projects under construction for the current period (Continued)

In 2018

Unit: Yuan Currency: RMB

Name of project	Budget	Opening balance	Increase during the period	Transferred into fixed assets during the period	Other decrease during the period	Closing balance	Proportion of total project investment in the budget (%)	Project progress	Cumulative amount of interest capitalized	Including: Amount of interest capitalized for the current period	Interest capitalization rate for the current period (%)	Source of fund
Technology upgrade of rail transportation safety control system	678,909,800.00	586,764,245.69	46,572,795.35	520,792,788.24	—	112,544,252.80	83.70	83.70	—	—	—	Self-raised
CRSC Chengde industrial park	775,000,000.00	372,524,955.56	75,624,645.61	—	—	448,149,601.17	87.77	87.77	—	—	—	Self-raised
Office buildings of subsidiaries in Chengde	24,756,184.44	18,573,955.24	6,182,229.20	24,756,184.44	—	—	100.00	100.00	—	—	—	Self-raised
Others	/	14,861,856.05	88,157,010.63	25,786,465.55	—	77,032,401.13	/	/	—	—	—	Self-raised
Total	1,478,665,984.44	992,525,012.54	216,536,680.79	571,335,438.23	—	637,726,255.10	/	/	—	—	—	/

As at 30 June 2019 and 31 December 2018, the Group had no construction in progress with title restriction.

As at 30 June 2019 and 31 December 2018, the Group did not need to make provisions for impairments of construction in progress.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Right-of-use-assets

Applicable Not applicable

For the six months ended 30 June 2019

	Unit: Yuan Currency: RMB		
Item	Buildings	Vehicles	Total
I. Original book value			
1. Opening balance	119,534,605.43	1,987,105.37	121,521,710.80
2. Increase during the period	72,641,016.23	37,429.98	72,678,446.21
3. Closing balance	192,175,621.66	2,024,535.35	194,200,157.01
II. Accumulated depreciation			
1. Opening balance	—	—	—
2. Increase during the period	26,705,269.45	463,121.68	27,168,391.13
3. Closing balance	26,705,269.45	463,121.68	27,168,391.13
III. Book value			
1. Closing book value	165,470,352.21	1,561,413.67	167,031,765.88
2. Opening book value	119,534,605.43	1,987,105.37	121,521,710.80

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Intangible assets

√ Applicable □ Not applicable

(1). information about intangible assets

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

Item	Land use rights	Patents	Software	Contracts (not completed)	Customer relationship	Total
I. Original book value						
1. Opening balance	2,454,218,896.69	433,153,296.49	274,818,562.86	169,921,119.24	244,325,834.78	3,576,437,710.06
2. Increase during the period	—	1,290,832.04	10,001,057.50	—	—	11,291,889.54
(1) Additions	—	7,813.21	10,001,057.50	—	—	10,008,870.71
(2) Internal research and development	—	1,283,018.83	—	—	—	1,283,018.83
3. Decrease during the period	—	—	1,093,904.73	—	—	1,093,904.73
(1) Disposal	—	—	1,093,904.73	—	—	1,093,904.73
4. Closing balance	2,454,218,896.69	434,444,128.53	283,725,715.63	169,921,119.24	244,325,834.78	3,586,635,694.87
II. Accumulated amortization						
1. Opening balance	293,906,132.37	272,753,954.51	224,340,792.83	169,921,119.24	108,815,756.56	1,069,737,755.51
2. Increase during the period	22,657,224.64	12,101,096.77	17,582,113.19	—	13,626,950.81	65,967,385.41
(1) Provision	22,657,224.64	12,101,096.77	17,582,113.19	—	13,626,950.81	65,967,385.41
3. Decrease during the period	—	—	1,090,226.57	—	—	1,090,226.57
(1) Disposal	—	—	1,090,226.57	—	—	1,090,226.57
4. Closing balance	316,563,357.01	284,855,051.28	240,832,679.45	169,921,119.24	122,442,707.37	1,134,614,914.35
III. Book value						
1. Closing book value	2,137,655,539.68	149,589,077.25	42,893,036.18	—	121,883,127.41	2,452,020,780.52
2. Opening book value	2,160,312,764.32	160,399,341.98	50,477,770.03	—	135,510,078.22	2,506,699,954.55

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Intangible assets (Continued)

(1). Information about intangible assets (Continued)

In 2018

Unit: Yuan Currency: RMB

Item	Land use rights	Patents	Software	Contracts (not completed)	Customer relationship	Total
I. Original book value						
1. Opening balance	2,434,287,902.81	376,623,129.72	195,553,107.50	169,921,119.24	244,325,834.78	3,420,711,094.05
2. Increase during the period	46,795,304.00	56,530,166.77	79,265,455.36	—	—	182,590,926.13
(1) Additions	—	515,351.64	77,487,189.95	—	—	78,002,541.59
(2) Internal research and development	—	56,014,815.13	—	—	—	56,014,815.13
(3) Acquisition of subsidiaries	46,795,304.00	—	1,778,265.41	—	—	48,573,569.41
3. Decrease during the period	26,864,310.12	—	—	—	—	26,864,310.12
(1) Disposal	8,446,660.37	—	—	—	—	8,446,660.37
(2) Transferred to inventories	18,417,649.75	—	—	—	—	18,417,649.75
4. Closing balance	<u>2,454,218,896.69</u>	<u>433,153,296.49</u>	<u>274,818,562.86</u>	<u>169,921,119.24</u>	<u>244,325,834.78</u>	<u>3,576,437,710.06</u>
II. Accumulated amortization						
1. Opening balance	243,739,175.79	244,928,352.57	151,367,980.07	169,921,119.24	81,561,854.92	891,518,482.59
2. Increase during the period	52,604,379.94	27,825,601.94	72,972,812.76	—	27,253,901.64	180,656,696.28
(1) Provision	50,712,048.90	27,825,601.94	72,261,619.61	—	27,253,901.64	178,053,172.09
(2) Acquisition of subsidiaries	1,892,331.04	—	711,193.15	—	—	2,603,524.19
3. Decrease during the period	2,437,423.36	—	—	—	—	2,437,423.36
(1) Transferred to inventories	1,031,443.58	—	—	—	—	1,031,443.58
(2) Disposal	1,405,979.78	—	—	—	—	1,405,979.78
4. Closing balance	<u>293,906,132.37</u>	<u>272,753,954.51</u>	<u>224,340,792.83</u>	<u>169,921,119.24</u>	<u>108,815,756.56</u>	<u>1,069,737,755.51</u>
III. Book value						
1. Closing book value	<u>2,160,312,764.32</u>	<u>160,399,341.98</u>	<u>50,477,770.03</u>	<u>—</u>	<u>135,510,078.22</u>	<u>2,506,699,954.55</u>
2. Opening book value	<u>2,190,548,727.02</u>	<u>131,694,777.15</u>	<u>44,185,127.43</u>	<u>—</u>	<u>162,763,979.86</u>	<u>2,529,192,611.46</u>

As at 30 June 2019 and 31 December 2018, the Group had no intangible assets with title restriction.

As at 30 June 2019, the intangible assets developed by internal research and development accounted for 3.68% of the closing book value of intangible assets (31 December 2018: 3.80%).

As of the date of approval of this financial statement, the Group has obtained the ownership certificates and completed the procedures for registration for the land use rights as at 30 June 2019.

Other Explanations:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Development expenditure

Applicable Not applicable

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Internal development expenditure	Others	Recognised as intangible assets	Transferred to profit or loss for the period	
Development expenditure	<u>30,019,437.59</u>	<u>194,810,467.25</u>	<u>—</u>	<u>1,283,018.83</u>	<u>189,099,046.98</u>	<u>34,447,839.03</u>

In 2018

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period Internal development expenditure	Decrease for the period		Closing balance
			Recognised as intangible assets	Transferred to profit or loss for the period	
Development expenditure	<u>28,305,036.51</u>	<u>553,750,402.18</u>	<u>56,014,815.13</u>	<u>496,021,185.97</u>	<u>30,019,437.59</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Goodwill

(1). Original carrying amount of goodwill

Applicable Not applicable

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

Name of investee or matters forming goodwill	Opening balance	Increase for the period Arising from business combination	Decrease for the period Disposal	Closing balance
Shanghai Deuta	669,345.89	—	—	669,345.89
Zhengzhou Zhongyuan	30,525,980.16	—	—	30,525,980.16
CRSC CASCO	201,027,354.70	—	—	201,027,354.70
CRSC Wanquan	3,865,524.80	—	—	3,865,524.80
Zhengzhou Zhong' an	27,673,509.65	—	—	27,673,509.65
Guizhou Construction	3,802,223.24	—	—	3,802,223.24
Changsha Design Institute	37,429,932.37	—	—	37,429,932.37
Others	330,257.77	—	—	330,257.77
Total	305,324,128.58	—	—	305,324,128.58

In 2018

Unit: Yuan Currency: RMB

Name of investee	Opening balance	Increase for the period Arising from business combination	Decrease for the period Disposal	Closing balance
Shanghai Deuta	669,345.89	—	—	669,345.89
Zhengzhou Zhongyuan	30,525,980.16	—	—	30,525,980.16
CRSC CASCO	201,027,354.70	—	—	201,027,354.70
CRSC Wanquan	3,865,524.80	—	—	3,865,524.80
Zhengzhou Zhong' an	27,673,509.65	—	—	27,673,509.65
Guizhou Construction	3,802,223.24	—	—	3,802,223.24
Changsha Design Institute	—	37,429,932.37	—	37,429,932.37
Others	330,257.77	—	—	330,257.77
Total	267,894,196.21	37,429,932.37	—	305,324,128.58

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Long-term prepaid expenses

Applicable Not applicable

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Other decreases	Closing balance
Costs of improvements to fixed assets under operating leases	41,748,151.25	13,832,977.52	10,683,980.77	—	44,897,148.00
Total	41,748,151.25	13,832,977.52	10,683,980.77	—	44,897,148.00

In 2018

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Closing balance
Costs of improvements to fixed assets under operating leases	22,508,387.80	37,571,250.98	18,331,487.53	41,748,151.25
Total	22,508,387.80	37,571,250.98	18,331,487.53	41,748,151.25

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Deferred tax assets/liabilities

(1). Deferred tax assets not offset

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	1,114,754,948.90	212,004,191.23	915,817,361.98	189,257,896.34
Unrealised profit in intra-group transactions	380,832,176.51	95,208,044.13	386,269,194.38	96,567,298.59
Deferred income	138,864,259.10	24,135,973.16	126,959,069.62	22,274,954.74
Unpaid employee benefits payable	105,186,354.45	24,320,129.22	50,177,840.08	8,148,323.06
Estimated liabilities	97,078,645.46	14,866,977.29	86,989,147.11	13,814,014.59
Others	23,313,060.40	4,774,282.32	19,277,060.60	5,802,096.46
Total	<u>1,860,029,444.82</u>	<u>375,309,597.35</u>	<u>1,585,489,673.77</u>	<u>335,864,583.78</u>

(2). Deferred tax liabilities not offset

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax Liabilities	Taxable temporary difference	Deferred tax Liabilities
Fair value adjustment of business combination not under the same control	176,138,104.69	44,365,162.79	192,821,775.09	48,598,827.97
Depreciation of fixed assets	32,009,040.94	4,801,356.14	—	—
Total	<u>208,147,145.63</u>	<u>49,166,518.93</u>	<u>192,821,775.09</u>	<u>48,598,827.97</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Deferred tax assets/liabilities (Continued)

(3). Breakdown of unrecognised deferred tax assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	3,005,461.96	27,958,410.09
Deductible loss	<u>446,750,781.64</u>	<u>440,632,733.33</u>
Total	<u>449,756,243.60</u>	<u>468,591,143.42</u>

Note: The Group believes that it is not likely to generate taxable income for deducting the above deductible temporary differences and deductible losses in the future. The deferred income tax assets of the above items as a result are not recognised.

(4). Deductible loss for which no deferred tax assets are recognised will become due in the following years

Applicable Not applicable

Unit: Yuan Currency: RMB

Year	Closing balance	Opening balance	Remark
2019	13,112,781.87	13,112,781.87	—
2020	30,511,256.07	30,511,256.07	—
2021	101,713,350.88	101,491,128.90	—
2022	158,217,729.06	147,330,881.13	—
2023	125,314,989.42	148,186,685.36	—
2024	<u>17,880,674.34</u>	—	—
Total	<u>446,750,781.64</u>	<u>440,632,733.33</u>	/

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Other non-current assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for impairment	book value	Gross carrying amount	Provision for impairment	book value
Retention money receivables	131,018,049.08	568,178.62	130,449,870.46	124,863,102.89	552,915.43	124,310,187.46
Prepayment for fixed assets	41,849,595.59	—	41,849,595.59	35,257,909.29	—	35,257,909.29
Prepayment for land	5,947,419.88	—	5,947,419.88	5,947,419.88	—	5,947,419.88
Less: Non-current assets due within one year	<u>-93,025,338.83</u>	<u>-447,772.79</u>	<u>-92,577,566.04</u>	<u>-103,421,984.10</u>	<u>-499,756.02</u>	<u>-102,922,228.08</u>
Total	<u>85,789,725.72</u>	<u>120,405.83</u>	<u>85,669,319.89</u>	<u>62,646,447.96</u>	<u>53,159.41</u>	<u>62,593,288.55</u>

Changes in impairment provision for long-term retention money receivables:

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Closing balance of last year	552,915.43	—
Changes in accounting policies	—	1,331,358.97
Opening balance of the period/year	552,915.43	1,331,358.97
Provision during the period/year	53,266.31	—
Reversal during the period/year	38,003.12	778,443.54
Closing balance for the period/year	<u>568,178.62</u>	<u>552,915.43</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Short-term borrowings

(1). Breakdown of short-term borrowings

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Secured borrowings	77,229,147.76	99,556,312.99
Guaranteed borrowings	10,000,000.00	12,000,000.00
Credit loans	1,014,000,000.00	1,006,000,000.00
Total	1,101,229,147.76	1,117,556,312.99

Description of short-term borrowing classification:

- (1) Secured borrowings: as at 30 June 2019, the book value of bank acceptances and commercial acceptances secured by the Group were RMB72,229,147.76 and RMB5,000,000.00, respectively, which were made for obtaining short-term borrowings of RMB77,229,147.76; as at 31 December 2018, the Group's secured bank acceptances and commercial acceptances were RMB76,168,897.42 and RMB23,387,415.57, respectively, which were made to obtain short-term borrowings of RMB99,556,312.99.
- (2) Guaranteed borrowings: as at 18 April 2019, the subsidiaries of the Company were guaranteed by Shanghai Re-guarantee Co., Ltd. to obtain short-term borrowings of RMB10,000,000.00, at an annual interest rate of 5.22%; in 2018, the subsidiaries of the Company were guaranteed by the Shanghai Small and Medium-sized Enterprises Policy Financing Guarantee Fund Management Center to obtain short-term borrowings of RMB9,000,000.00, and the Company's parent company provided guarantees to obtain short-term borrowings of RMB3,000,000.00 at annual interest rates from 3.71% to 7.70%.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Bills payable

Applicable Not applicable

Unit: yuan Currency: RMB

Types of bills	Closing balance	Opening balance
Commercial acceptances	308,056,940.61	158,220,285.82
Bank acceptances	590,678,089.18	691,048,078.43
Total	<u>898,735,029.79</u>	<u>849,268,364.25</u>

As at 30 June 2019 and 31 December 2018, the Group had no unpaid overdue bills payable.

26. Accounts payable

(1). Breakdown of accounts payable

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Within 1 year	30,943,207,263.74	29,100,394,911.84
1-2 years	4,774,795,808.66	4,009,057,307.01
2-3 years	1,811,570,653.20	1,127,094,244.15
Over 3 years	1,004,181,825.67	882,692,493.99
Total	<u>38,533,755,551.27</u>	<u>35,119,238,956.99</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Accounts payable (Continued)

(2). Major accounts payable aged over one year

√ Applicable □ Not applicable

As at 30 June 2019, major accounts payable aged over one year are listed below:

Unit: yuan Currency: RMB

Item	Closing balance	Reason for unsettlement or carrying forward
Guangdong Yuetie Technology Co., Ltd.	261,972,304.89	Materials payment, not settled
Guizhou Jinhongxing Construction Engineering Co., Ltd.	163,572,000.90	Project payment, not settled
Guizhou Rongjibao Labor Service Co., Ltd.	159,874,686.60	Project payment, not settled
Tianjin Wanbo Wire & Cable CO., LTD	110,762,873.19	Materials payment, not settled
Beijing Kehua Hengsheng Technology Co., Ltd.	93,199,795.00	Materials payment, not settled
Total	<u>789,381,660.58</u>	/

As at 31 December 2018, major accounts payable aged over one year are listed below:

Unit: yuan Currency: RMB

Item	Closing balance	Reason for unsettlement or carrying forward
Fujian Anxi Zhenxing Electric Power Engineering Co., Ltd.	161,419,091.90	Provisional estimate project payment, not settled
Xiangxi Wuling Construction and Installation Co., Ltd.	133,836,117.29	Materials payment, not settled
Sichuan Jiuyi Labor Service Co., Ltd.	132,080,430.00	Project payment, not settled
Beijing Jingtou Yiyajie Transportation Technology Co., Ltd.	92,746,562.08	Materials payment, not settled
Yinjiang Autonomous County Yueqian Commercial concrete Distribution Co., Ltd. (印江自治縣粵黔商砼配送有限公司)	91,123,735.96	Materials payment, not settled
Total	<u>611,205,937.23</u>	/

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Employee benefits payable

(1). Breakdown of employee benefits payable

Applicable Not applicable

For the six months ended 30 June 2019

Unit: yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Short-term remunerations	430,108,558.21	1,785,867,589.33	1,660,107,329.42	555,868,818.12
II. Post-employment benefits (defined contribution plans)	25,753,611.93	283,373,102.94	284,720,682.69	24,406,032.18
III. Termination benefits	—	—	—	—
IV. Other benefits due within one year	57,037,000.00	26,223,000.00	26,300,000.00	56,960,000.00
V. Others	470,377.58	102,023,656.39	101,771,141.21	722,892.76
Total	<u>513,369,547.72</u>	<u>2,197,487,348.66</u>	<u>2,072,899,153.32</u>	<u>637,957,743.06</u>

In 2018

Unit: yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Short-term remunerations	333,346,682.80	3,882,757,059.09	3,785,995,183.68	430,108,558.21
II. Post-employment benefits (defined contribution plans)	25,858,607.13	535,275,325.37	535,380,320.57	25,753,611.93
III. Termination benefits	—	—	—	—
IV. Other benefits due within one year	62,779,000.00	53,394,000.00	59,136,000.00	57,037,000.00
V. Others	7,559,332.07	91,679,198.53	98,768,153.02	470,377.58
Total	<u>429,543,622.00</u>	<u>4,563,105,582.99</u>	<u>4,479,279,657.27</u>	<u>513,369,547.72</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Employee benefits payable (Continued)

(2). Breakdown of short-term remunerations

Applicable Not applicable

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Wages, bonuses, allowances and subsidies	96,482,752.26	1,318,192,345.18	1,247,605,451.68	167,069,645.76
II. Employee welfare benefits	150,178,698.19	125,450,187.43	82,569,569.64	193,059,315.98
III. Social insurance premiums	46,700,764.40	154,754,459.97	157,661,303.47	43,793,920.90
Including: medical insurance premiums	44,618,290.05	139,962,381.72	142,865,976.44	41,714,695.33
Industrial injury insurance premiums	1,224,547.20	6,553,589.24	6,607,979.11	1,170,157.33
Maternity insurance premiums	857,927.15	8,238,489.01	8,187,347.92	909,068.24
IV. Housing provident fund	2,614,536.84	139,699,525.28	138,595,575.48	3,718,486.64
V. Labor union funds and staff education funds	134,131,806.52	47,771,071.47	33,675,429.15	148,227,448.84
Total	430,108,558.21	1,785,867,589.33	1,660,107,329.42	555,868,818.12

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Employee benefits payable (Continued)

(2). Breakdown of short-term remunerations (Continued)

In 2018

		Unit: yuan		Currency: RMB	
Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	
I. Wages, bonuses, allowances and subsidies	60,065,972.78	3,027,193,466.02	2,990,776,686.54	96,482,752.26	
II. Employee welfare benefits	119,902,246.84	214,978,652.99	184,702,201.64	150,178,698.19	
III. Social insurance premiums	37,472,999.70	270,227,036.62	260,999,271.92	46,700,764.40	
Including: medical insurance premiums	35,645,589.86	241,442,129.94	232,469,429.75	44,618,290.05	
Industrial injury insurance premiums	931,637.11	13,594,964.64	13,302,054.55	1,224,547.20	
Maternity insurance premiums	895,772.73	15,189,942.04	15,227,787.62	857,927.15	
IV. Housing provident fund	2,439,676.67	260,777,338.30	260,602,478.13	2,614,536.84	
V. Trade union funds and staff education funds	113,465,786.81	109,580,565.16	88,914,545.45	134,131,806.52	
Total	333,346,682.80	3,882,757,059.09	3,785,995,183.68	430,108,558.21	

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Employee benefits payable (Continued)

(3). Breakdown of defined contribution plan

Applicable Not applicable

For the six months ended 30 June 2019

Unit: yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance	19,073,429.32	225,484,784.57	230,741,426.92	13,816,786.97
2. Unemployment insurance	649,663.64	7,535,069.72	7,409,920.40	774,812.96
3. Enterprise annuity payment	6,030,518.97	50,353,248.65	46,569,335.37	9,814,432.25
Total	<u>25,753,611.93</u>	<u>283,373,102.94</u>	<u>284,720,682.69</u>	<u>24,406,032.18</u>

In 2018

Unit: yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance	18,922,895.17	447,686,977.91	447,536,443.76	19,073,429.32
2. Unemployment insurance	854,975.59	11,270,646.18	11,475,958.13	649,663.64
3. Enterprise annuity payment	6,080,736.37	76,317,701.28	76,367,918.68	6,030,518.97
Total	<u>25,858,607.13</u>	<u>535,275,325.37</u>	<u>535,380,320.57</u>	<u>25,753,611.93</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Tax payable

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Value-added tax	337,437,422.59	582,501,526.88
Enterprise income tax	336,865,558.66	457,861,986.04
Individual income tax	8,627,396.79	83,988,512.90
City maintenance and construction tax	11,079,630.34	30,877,601.18
Others	20,297,221.40	34,442,921.28
Total	<u>714,307,229.78</u>	<u>1,189,672,548.28</u>

29. Other payables

Breakdown

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Interest payable	780,000.00	8,000.00
Dividends payable	134,105,443.54	19,800,372.35
Other payables	1,273,403,003.07	1,279,885,695.91
Total	<u>1,408,288,446.61</u>	<u>1,299,694,068.26</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Other payables (Continued)

Interest payable

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Interest	780,000.00	8,000.00
Total	<u>780,000.00</u>	<u>8,000.00</u>

Major overdue unpaid interest:

Applicable Not applicable

Other explanations:

Applicable Not applicable

Dividends payable

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Dividends payable – Alstom Investment (Shanghai) Co., Ltd.	107,610,860.00	—
Dividends payable – Guizhou Construction Engineering Group Co., Ltd.	16,811,908.84	16,811,908.84
Dividends payable – DEUTA GROUP GMBH	8,442,584.30	—
Dividends payable – ZHAO Zhengping	744,054.24	744,054.24
Dividends payable – WU Jiang	496,036.16	496,036.16
Dividends payable – Eltek AS	—	937,521.71
Dividends payable – Zenitel Norway AS	—	810,851.40
Total	<u>134,105,443.54</u>	<u>19,800,372.35</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Other payables (Continued)

Other payables

(1). Breakdown of other payables by nature

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Current payments	545,010,375.73	555,852,539.68
Acquisition of fixed assets	406,843,755.66	350,149,774.21
Deposits and margins	277,071,529.63	338,528,462.51
Public facility maintenance funds	16,971,842.62	11,516,518.59
Others	27,505,499.43	23,838,400.92
Total	<u>1,273,403,003.07</u>	<u>1,279,885,695.91</u>

(2). Other major accounts payable aged over one year

Applicable Not applicable

As at 30 June 2019, other major payables aged over one year are listed below:

Unit: yuan Currency: RMB

Item	Closing balance	Reason for unsettlement or carrying forward
China Railway Construction Group Co., Ltd.	159,352,493.54	Estimated project payment, not settled
Huaxia Bank Beijing Chegongzhuang Branch	43,890,000.00	Current payment, not settled
Guizhou Xingqian Yongdao Technology Co., Ltd.	23,000,000.00	Project payment, not settled
Shenzhen Grentech Co., Ltd.	3,000,000.00	Construction deposit, not returned
Shandong Guangzhu Construction Engineering Co., Ltd	<u>2,240,000.00</u>	Guaranteed deposits payment, not settled
Total	<u>231,482,493.54</u>	/

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Other payables (Continued)

Other payables (Continued)

(2). Other major accounts payable aged over one year (Continued)

As at 31 December 2018, other major payables aged over one year are listed below:

Unit: yuan Currency: RMB

Name of debtor	Opening balance	Reason for unsettlement
China Railway Construction Group Co., Ltd.	159,352,493.54	Estimated project payment, not settled
Huaxia Bank Beijing Chegongzhuang Branch	43,890,000.00	Current payment, not settled
Shanghai Housing Provident Fund Management Center	4,612,278.54	Maintenance activity not yet started
Shenzhen Grentech Co., Ltd.	3,000,000.00	Construction deposit, not returned
Total	<u>210,854,772.08</u>	/

Other explanations:

Applicable Not applicable

The ageing of other payables is as follows:

Unit: yuan Currency: RMB

Ageing	Closing balance	Opening balance
Within 1 year	885,557,366.51	846,731,760.18
1-2 years	84,969,296.88	142,833,894.69
2-3 years	46,648,133.26	31,884,231.71
Over 3 years	256,228,206.42	258,435,809.33
Total	<u>1,273,403,003.07</u>	<u>1,279,885,695.91</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Contract liabilities

Breakdown of contract liabilities

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Advances	3,018,021,116.34	3,221,894,444.95
Incomplete project, settled	<u>4,366,756,378.24</u>	<u>3,811,338,935.54</u>
Total	<u>7,384,777,494.58</u>	<u>7,033,233,380.49</u>

31. Non-current liabilities due within one year

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	220,145,450.00	320,145,455.00
Long-term payables due within one year	50,479,274.94	50,253,806.69
Lease liabilities due within one year	<u>30,572,409.72</u>	—
Total	<u>301,197,134.66</u>	<u>370,399,261.69</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Other current liabilities

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Product quality guarantee deposits	36,584,751.01	32,827,918.10
Output VAT to be transferred	117,981,645.81	74,670,198.93
Total	<u>154,566,396.82</u>	<u>107,498,117.03</u>

33. Long-term borrowings

(1). Breakdown of long-term borrowings

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Pledged loans	1,437,352,774.84	625,017,582.09
Guaranteed loans	231,000,000.00	231,000,000.00
Credit loans	320,145,450.00	320,290,905.00
Less: long-term borrowings due within one year	<u>-220,145,450.00</u>	<u>-320,145,455.00</u>
Total	<u>1,768,352,774.84</u>	<u>856,163,032.09</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33. Long-term borrowings (Continued)

(1). Breakdown of long-term borrowings (Continued)

Other descriptions, including interest rate range:

Applicable Not applicable

Note 1: The above loans are bank loans and other loans made at floating annual interest rates ranging from 3.30% to 5.39%.

Note 2: As at 30 June 2019, the Group's long-term receivables formed by pledges of franchise rights and income rights, and all incomes thereunder accounted for RMB2,256,357,357.32, which were used to obtain long-term loans of RMB1,437,352,774.84. As at 31 December 2018, the Group's long-term receivables formed by pledges of franchise rights and income rights, and all incomes thereunder accounted for RMB1,103,115,389.15, which were used to obtain long-term loans of RMB625,017,582.09.

Note 3: As at 30 June 2019, the Group's guaranteed loans amounted to RMB231,000,000.00, which was borrowed by Yibin Tonghao Hongshun Project Management Co., Ltd., a subsidiary of the Company. The loan was guaranteed by CRSC Construction Group Guizhou Engineering Co., Ltd. The loan existed as at 31 December 2018.

34. Lease liabilities

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Lease liabilities	156,247,600.45	—
Less: lease liabilities due within one year	-30,572,409.72	—
Total	<u>125,675,190.73</u>	—

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35. Long-term payables

Breakdown

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Long-term payables	<u>25,465,263.83</u>	<u>26,088,533.74</u>
Total	<u>25,465,263.83</u>	<u>26,088,533.74</u>

Long-term payables

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
Construction quality guarantee deposits	<u>75,944,538.77</u>	<u>76,342,340.43</u>
Less: long-term payables due within one year	<u>-50,479,274.94</u>	<u>-50,253,806.69</u>
Total	<u>25,465,263.83</u>	<u>26,088,533.74</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Long-term employee benefits payable

Applicable Not applicable

(1) Breakdown of long-term employee benefits payable

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Closing balance	Opening balance
I. Post-employment benefits (net liabilities under defined benefit plans)	665,482,000.00	674,956,000.00
II. Dismissal benefits	34,320,000.00	39,165,000.00
III. Other long-term benefits	—	—
Less: remunerations payable within one year	<u>-56,960,000.00</u>	<u>-57,037,000.00</u>
Total	<u>642,842,000.00</u>	<u>657,084,000.00</u>

The Group provides an integrated external supplemental retirement benefit plan (defined benefit plans) for its retired employees. These plans include monthly pension benefits, medical reimbursement benefits, annual medical insurance premiums, and funeral benefits for employees who are retired. The amount of the subsidy is determined based on the period during which the employee serves the Group and the relevant subsidy and welfare policy.

Some employees of the Group have gone through internal retirement. The internal retirement payables are accrued in the relevant legal entities within the Group during the period in which the Group has entered into relevant agreements/documents with relevant employees or informing individual employees of the specific internal retirement terms. The specific terms of internal retirement vary depending on factors such as the position of the relevant employee, length of service and the region of service.

The plan is subject to interest rate risk, risk of changes in life expectancy of pension beneficiaries, and stock market risks.

The Group's supplementary retirement benefits and internal retirement payable in each year/period are calculated by the independent actuary, Towers Watson Management Consulting, using the rolling method or the projected unit credit method.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Long-term employee benefits payable (Continued)

(1) Breakdown of long-term employee benefits payable (Continued)

The following table shows the main actuarial assumptions used on the balance sheet date:

Unit: yuan Currency: RMB

	Closing balance	Opening balance
Discount rate	3.50%	3.50%
Mortality rate	Average mortality rate of residents in China	Average mortality rate of residents in China
Average life expectancy	18	18
Average annual growth rate of medical expenses	8.00%	8.00%
Growth rate of supplementary pension benefits for retired personnel	3.00%	3.00%
Annual growth rate of benefits for internal retired personnel	4.50%	4.50%

Relevant plans recognised in profit or loss are as follows:

Unit: yuan Currency: RMB

	Closing balance	Opening balance
Historical service costs included in management fees	—	-113,000.00
Actuarial loss included in management expenses	57,000.00	231,000.00
Net interests included in management expenses	11,920,000.00	28,029,000.00
Total	11,977,000.00	28,147,000.00

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Long-term employee benefits payable (Continued)

(2) Changes in defined benefit plans

Present value of obligations under defined benefit plans:

Applicable Not applicable

Plan assets:

Applicable Not applicable

Net liabilities (net assets) under defined benefit plans:

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Total amount accounted for the current period	Total amount accounted for the previous period
I. Opening balance for the period	714,121,000.00	735,719,000.00
II. Cost of defined benefits included in profit or loss for the period	11,977,000.00	28,147,000.00
III. Cost of defined benefits included in other comprehensive income	4,000.00	9,391,000.00
IV. Other changes	-26,300,000.00	-59,136,000.00
V. Closing balance	699,802,000.00	714,121,000.00

Impacts of the details of the defined benefit plan and its associated risks on the Company's future cash flow, timing, and uncertainty:

Applicable Not applicable

Key actuarial assumptions and sensitivity analysis results of defined benefit plans

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Provisions

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Opening balance	Closing balance	Reasons of formation
Product quality guarantee deposits	88,154,716.16	97,078,645.49	After-sales services as per agreement
Pending onerous contract	11,893,451.33	11,893,451.33	Market conditions
Provisions due within one year	<u>-32,827,918.10</u>	<u>-36,584,751.01</u>	
Total	<u>67,220,249.39</u>	<u>72,387,345.81</u>	/

Other descriptions (including the relevant important assumptions and estimates of the significant provisions) are as follow:

The Group estimates the quality guarantee deposits according to the sales revenue and the estimated warranty rate and taking into account the different stages of the product life cycle of different products. The estimated rate of warranty occurrence is based on the historical experience data of the actual occurrence of warranty for the same type of products, and may be estimated according to significant changes due to the different stages of product life cycle of different products and similar products. As at the balance sheet date, the quality guarantee deposits that the Group expects to incur in the future according to the above method shall be included into the profit or loss for the period.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Deferred income

Deferred income

Applicable Not applicable

For the six months ended 30 June 2019

Unit: yuan Currency: RMB

Item	Opening balance	Increase	Decrease	Closing balance	Reasons of formation
Government grants related to assets	79,013,543.46	—	904,479.51	78,109,063.95	Policy
Government grants related to income	72,357,334.94	77,350,450.37	48,149,772.60	101,558,012.71	Policy
Less: Deferred income due within one year	—	-8,464,445.00	-8,464,445.00	—	/
Total	<u>151,370,878.40</u>	<u>68,886,005.37</u>	<u>40,589,807.11</u>	<u>179,667,076.66</u>	/

In 2018

Unit: yuan Currency: RMB

Item	Opening balance	Increase	Decrease	Closing balance	Reasons of formation
Government grants related to assets	93,996,182.20	2,008,541.19	16,991,179.93	79,013,543.46	Policy
Government grants related to income	87,144,602.22	40,747,572.33	55,534,839.61	72,357,334.94	Policy
Less: Deferred income due within one year	-24,469,697.61	-26,978,333.54	-51,448,031.15	—	/
Total	<u>156,671,086.81</u>	<u>15,777,779.98</u>	<u>21,077,988.39</u>	<u>151,370,878.40</u>	/

Projects related to government grants:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Deferred income (Continued)

Deferred income (Continued)

For the six months ended 30 June 2019:

Unit: yuan Currency: RMB

Liability	Opening balance	Additions of grants for the period	Included in non-operating income for the period	Included in other income for the period	Closing balance	Related to assets/income
Demolition grants	65,064,299.17	—	904,479.51	—	64,159,819.66	Assets
Research grants	53,393,467.94	44,590,450.37	—	48,149,772.60	49,834,145.71	Income
Others	32,913,111.29	32,760,000.00	—	—	65,673,111.29	Assets/income

Other explanation:

Applicable Not applicable

In 2018:

Unit: yuan Currency: RMB

Liability	Opening balance	Additions of grants for the period	Included in non-operating income for the period	Included in other income for the period	Closing balance	Related to assets/income
Demolition grants	71,279,227.89	2,008,541.19	8,223,469.91	—	65,064,299.17	Assets
Research grants	49,216,869.22	40,747,572.33	—	36,570,973.61	53,393,467.94	Income
Others	60,644,687.31	—	—	27,731,576.02	32,913,111.29	Assets/income

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Share capital

Applicable Not applicable

Unit: yuan Currency: RMB

	Opening balance	New shares	Changes for the period (+, -)			Subtotal	Closing balance
			Bonus shares	Reserve transferred to shares	Others		
Total shares	8,789,819,000.00	—	—	—	—	—	8,789,819,000.00

40. Other equity instruments

(1) *Basic information of other financial instruments such as preference shares and perpetual securities outstanding at the end of the period*

On 3 August 2018, Bridge Trust Co., Ltd. made a renewable debt investment to the Company using the fund under the trust plan, with an investment amount of RMB2,800,000,000.00. The initial investment period is 3 years, and the interest rate of the initial investment period is fixed at 6.7%/year. The Group has the right to choose to defer the interest payment. After the expiration, the Group has the right to choose renewal; the reset rate during the renewal period jumped 300 basis points based on the annual interest rate applicable to the previous investment period. The Group classified it as other equity instruments.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Other equity instruments (Continued)

(2) Changes of other financial instruments such as preference shares and perpetual debt equity investment outstanding at the end of the period

Applicable Not applicable

Unit: yuan Currency: RMB

Outstanding financial instruments	Opening balance		Increase		Decrease		Closing balance	
	Number	Carrying value	Number	Carrying value	Number	Carrying value	Number	Carrying value
Bridge-Hengyi 622 Collective Fund Trust Plan	28,000,000	2,800,000,000.00	—	—	—	—	28,000,000	2,800,000,000.00
Total	<u>28,000,000</u>	<u>2,800,000,000.00</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>28,000,000</u>	<u>2,800,000,000.00</u>

Unit: yuan Currency: RMB

Equity attributable to shareholders of the parent

Equity attributable to ordinary shareholders of the parent

Equity attributable to other equity holders of the parent

Including: Dividends distributed during the period

Accumulated retained dividends

30 June 2019

26,566,412,201.78

2,800,000,000.00

94,842,222.22

—

Changes (increase or decrease) during the period, reasons for such changes and basis for relevant accounting treatment of other equity instruments:

Applicable Not applicable

Other explanation:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41. Capital reserve

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium (share capital premium)	6,984,530,894.72	—	—	6,984,530,894.72
Other capital reserve	424,934,002.36	342,782.12	37,721,884.92	387,554,899.56
Total	<u>7,409,464,897.08</u>	<u>342,782.12</u>	<u>37,721,884.92</u>	<u>7,372,085,794.28</u>

42. Other comprehensive income

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Opening balance	Amount for the period					Less: Income tax	Amount attributable to the parent company after tax	Amount attributable to the minority shareholders after tax	Closing balance
		Balance before income tax during the period	Less: Amount transferred to profit or loss from other comprehensive income	Less: Amount transferred to retained earnings from other comprehensive income	Less: Amount transferred to retained earnings from other comprehensive income	Less: Amount transferred to retained earnings from other comprehensive income				
1. Other comprehensive income not to be reclassified to profit or loss	-245,208,000.00	-4,000.00	—	—	—	—	-4,000.00	—	-245,212,000.00	
Including: Changes of the re-measurement of defined benefit plans	-245,208,000.00	-4,000.00	—	—	—	—	-4,000.00	—	-245,212,000.00	
2. Other comprehensive income to be reclassified to profit or loss	-3,263,666.82	202,381.47	—	—	—	—	202,381.47	—	-3,061,285.35	
Differences on translation of foreign currency financial statements	47,833.68	17,704.82	—	—	—	—	17,704.82	—	65,538.50	
Effective portion of commodity futures hedging	-3,311,500.50	184,676.65	—	—	—	—	184,676.65	—	-3,126,823.85	
Total other comprehensive income	<u>-248,471,666.82</u>	<u>198,381.47</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>198,381.47</u>	<u>—</u>	<u>-248,273,285.35</u>	

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Special reserve

Applicable Not applicable

For the six months ended 30 June 2019

Unit: yuan Currency: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Production safety expenses	<u>372,846,705.67</u>	<u>354,768,534.55</u>	<u>289,973,732.01</u>	<u>437,641,508.21</u>
Total	<u>372,846,705.67</u>	<u>354,768,534.55</u>	<u>289,973,732.01</u>	<u>437,641,508.21</u>

In 2018

Unit: yuan Currency: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Production safety expenses	<u>262,399,066.15</u>	<u>483,493,514.19</u>	<u>373,045,874.67</u>	<u>372,846,705.67</u>
Total	<u>262,399,066.15</u>	<u>483,493,514.19</u>	<u>373,045,874.67</u>	<u>372,846,705.67</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019
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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Surplus reserve

Applicable Not applicable

For the six months ended 30 June 2019

Unit: yuan Currency: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	<u>1,104,399,533.39</u>	—	—	<u>1,104,399,533.39</u>
Total	<u>1,104,399,533.39</u>	—	—	<u>1,104,399,533.39</u>

In 2018

Unit: yuan Currency: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	<u>892,801,282.73</u>	<u>211,598,250.66</u>	—	<u>1,104,399,533.39</u>
Total	<u>892,801,282.73</u>	<u>211,598,250.66</u>	—	<u>1,104,399,533.39</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Retained earnings

√ Applicable □ Not applicable

Unit: yuan Currency: RMB

Item	Current period	Last period
Retained earnings at the end of last period before adjustment	8,680,338,212.67	6,892,042,625.95
Total amount of retained earnings at the beginning of the adjustment period (increase +, decrease -)	—	-370,469.02
Retained earnings at the beginning of the period after adjustment	8,680,338,212.67	6,891,672,156.93
Add: Net profits attributable to owners of the parent company during the current period	2,267,893,086.86	1,984,028,544.45
Disposal of subsidiaries	37,715,001.94	—
Less: Appropriation to statutory surplus reserve	—	—
Cash dividend payable	1,757,963,800.00	1,318,472,850.00
Dividends paid to other equity holders	94,842,222.22	—
Appropriation to employee reward and welfare fund	22,400,628.00	—
Retained earnings at the end of the period	<u>9,110,739,651.25</u>	<u>7,557,227,851.38</u>

Note1: In accordance with the resolution at the 2019 annual general meeting of Company, on 15 April 2019, the Company declared a special dividend for the remaining distributable profits as of 31 December 2017, and distributed cash dividend of RMB0.20 per share (including tax), with a total tax of RMB1,757,963,800.00.

Note2: CRSC CASCO, a subsidiary of the Company, is a Sino-foreign joint venture that draws employee incentives and welfare funds for non-recurring rewards for employees, subsidies and repairs of housing and so on, in accordance with the relevant laws and regulations of foreign-invested enterprises and the resolutions of the Board of Directors. In the first half of 2019, CRSC CASCO accrued employee award and welfare fund totalling RMB43,922,800.00, of which RMB22,400,628.00 was attributable to the parent company.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Revenue and costs

(1). Revenue and costs

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the current period		Amount for the last period	
	Revenue	Cost	Revenue	Cost
Principal operations	20,376,099,390.17	15,651,408,713.26	18,781,405,386.60	14,690,112,128.75
Other operations	<u>135,478,452.69</u>	<u>80,202,115.86</u>	<u>125,656,906.91</u>	<u>59,358,936.68</u>
Total	<u>20,511,577,842.86</u>	<u>15,731,610,829.12</u>	<u>18,907,062,293.51</u>	<u>14,749,471,065.43</u>

Revenue as presented by segments

Unit: yuan Currency: RMB

Type of segment	Amount for the current period	Amount for the last period
Rail transportation control system		
Equipment manufacturing	3,385,397,431.66	2,812,182,062.80
System implementation	6,770,907,131.16	6,241,587,646.01
Design and integration	5,168,020,493.59	4,179,746,355.13
Construction contracting	5,163,142,158.63	5,654,368,091.75
Others	24,110,627.82	<u>19,178,137.82</u>
Total	<u>20,511,577,842.86</u>	<u>18,907,062,293.51</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Revenue and costs (Continued)

(1). Revenue and costs (Continued)

Costs as presented by segments

Unit: yuan Currency: RMB

Type of segment	Amount for the current period	Amount for the last period
Rail transportation control system		
Equipment manufacturing	1,845,211,413.51	1,573,546,652.28
System implementation	5,987,814,137.11	5,532,269,133.91
Design and integration	3,357,947,387.89	2,722,613,456.59
Construction contracting	4,530,014,353.33	4,913,790,377.52
Others	10,623,537.28	7,251,445.13
Total	15,731,610,829.12	14,749,471,065.43

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Revenue and costs (Continued)

(2). Revenue generated from contracts

Applicable Not applicable

For the six months ended 30 June 2019

Unit: yuan Currency: RMB

	Rail transportation control system	Construction contracting	Others	Total
Principle area of business				
China	15,186,563,445.22	5,163,142,158.63	24,110,627.82	20,373,816,231.67
Other countries and regions	137,761,611.19	—	—	137,761,611.19
Total	<u>15,324,325,056.41</u>	<u>5,163,142,158.63</u>	<u>24,110,627.82</u>	<u>20,511,577,842.86</u>

For the six months ended 30 June 2018

Unit: yuan Currency: RMB

	Rail transportation control system	Construction contracting	Others	Total
Principle area of business				
China	12,969,278,282.34	5,654,368,091.75	19,178,137.82	18,642,824,511.91
Other countries and regions	264,237,781.60	—	—	264,237,781.60
Total	<u>13,233,516,063.94</u>	<u>5,654,368,091.75</u>	<u>19,178,137.82</u>	<u>18,907,062,293.51</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Revenue and costs (Continued)

(3). Details of performance obligation

Applicable Not applicable

For the six months ended 30 June 2019

Unit: yuan Currency: RMB

	Rail transportation control system	Construction contracting	Others	Total
Time of revenue recognition				
Revenue recognised at a certain point of time	2,215,401,215.24	—	24,110,627.82	2,239,511,843.06
Revenue recognised within a certain period of time	<u>13,108,923,841.17</u>	<u>5,163,142,158.63</u>	—	<u>18,272,065,999.80</u>
Total	<u>15,324,325,056.41</u>	<u>5,163,142,158.63</u>	<u>24,110,627.82</u>	<u>20,511,577,842.86</u>

For the six months ended 30 June 2018

Unit: yuan Currency: RMB

	Rail transportation control system	Construction contracting	Others	Total
Time of revenue recognition				
Revenue recognised at a certain point of time	1,626,283,970.71	—	19,178,137.82	1,645,462,108.53
Revenue recognised within a certain period of time	<u>11,607,232,093.23</u>	<u>5,654,368,091.75</u>	—	<u>17,261,600,184.98</u>
Total	<u>13,233,516,063.94</u>	<u>5,654,368,091.75</u>	<u>19,178,137.82</u>	<u>18,907,062,293.51</u>

As at 30 June 2019, the Group's remaining performance obligations are mainly related to the Group's construction contract. The remaining contractual performance obligations are expected to be recognised as revenue based on the progress of contracted construction in the next 1 to 5 years.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Taxes and surcharges

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the current period	Amount for the last period
City maintenance and construction tax	46,179,409.37	33,996,080.80
Educational surcharge	32,144,498.78	25,200,426.50
Property tax	25,767,945.67	22,629,251.43
Stamp duty	10,958,205.00	9,459,675.73
Urban Land use tax	6,771,703.66	5,747,462.62
Others	15,482,123.34	3,785,255.61
Total	<u>137,303,885.82</u>	<u>100,818,152.69</u>

48. Selling and distribution expenses

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the current period	Amount for the last period
Employee compensation costs	183,177,489.67	149,594,651.59
Transportation expenses	51,777,299.15	46,779,446.72
Sales service expenses	46,926,461.96	50,675,644.65
Bidding and tendering expenses	25,652,125.10	20,614,221.92
Quality guarantee deposits	23,278,475.17	-63,122,406.99
Advertising expenses	7,591,096.68	2,006,425.59
Others	31,293,392.46	9,120,091.01
Total	<u>369,696,340.19</u>	<u>215,668,074.49</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49. General and administrative expenses

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the current period	Amount for the last period
Employee benefits	583,701,027.07	490,394,564.55
Safety production expenses	185,369,811.70	185,696,694.34
Depreciation and amortisation	129,556,814.86	113,098,665.42
Office expenses	57,328,780.05	42,793,744.77
Travel and business entertainment	40,518,175.22	48,575,602.92
Others	91,462,625.14	62,180,781.41
Total	<u>1,087,937,234.04</u>	<u>942,740,053.41</u>

50. Research and development expenses

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the current period	Amount for the last period
Personnel expenses	372,083,609.31	313,387,514.58
General and administrative expenses	54,232,028.96	62,004,262.60
Testing and processing expenses	40,008,149.29	28,216,776.46
Materials expenses	36,909,300.63	41,672,628.93
Depreciation and amortisation	17,998,773.74	29,215,113.88
Travel expenses	13,849,853.05	14,304,504.25
Others	46,069,726.10	58,072,313.96
Total	<u>581,151,441.08</u>	<u>546,873,114.66</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. Finance costs

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the current period	Amount for the last period
Interest expense	93,335,784.66	50,455,340.73
Less: Interest income	-108,107,819.27	-97,949,410.18
Exchange losses/(gains)	2,284,051.62	-17,434,439.19
Financial institutions commissions	14,184,714.30	10,403,980.53
Others	-3,330,946.51	-1,136,606.30
Total	<u>-1,634,215.20</u>	<u>-55,661,134.41</u>

The details of interest income are as follows:

Unit: yuan Currency: RMB

	Balance for the current period	Amount for the last period
Cash and bank balances	108,107,819.27	97,949,410.18
Total	<u>108,107,819.27</u>	<u>97,949,410.18</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

52. Other income

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the current period	Amount for the last period
Government grants related to income:		
Refund of taxes (refund of software value-added tax, immediate levy and refund)	52,007,206.08	39,046,861.18
Other research grants	34,155,835.08	25,244,856.59
Total	<u>86,163,041.16</u>	<u>64,291,717.77</u>

53. Investment income

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the current period	Amount for the last period
Income from long-term equity investments under the equity method	26,417,004.30	22,685,452.73
Investment income from disposal of long-term equity investments	225,084,245.39	-205,119.33
Investment income from disposal of other equity instruments	6,400.00	—
Others	79,507,660.87	-249,250.00
Total	<u>331,015,310.56</u>	<u>22,231,083.40</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

54. Credit impairment losses

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the period	Amount for the previous period
Losses from bad debts of accounts receivables	-104,687,642.72	-21,707,236.22
Losses from bad debts of other receivables	-28,249,805.03	70,824,313.60
Losses from bad debts of long-term receivables	-3,304,196.94	-3,679,192.05
Losses from impairment of contracted assets	-13,876,467.79	-30,078,565.84
Losses from bad debts of retention money in other non-current assets	-15,263.19	—
Total	<u>-150,133,375.67</u>	<u>15,359,319.49</u>

55. Gains from disposal of assets

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the period	Amount for the previous period
Losses from disposal of fixed assets	-1,356,544.68	-308,934.25
Total	<u>-1,356,544.68</u>	<u>-308,934.25</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

56. Non-operating income

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the period	Amount for the previous period	Amount included in current non-recurring profit or loss
Government grants	904,479.51	1,038,774.20	904,479.51
Compensation payments	2,117,881.14	3,835,472.09	2,117,881.14
Accounts payable	2,385,311.71	4,945,614.57	2,385,311.71
Others	6,863,513.99	20,012,794.31	6,863,513.99
Total	<u>12,271,186.35</u>	<u>29,832,655.17</u>	<u>12,271,186.35</u>

Government grants recognized through profit and loss for the period

Applicable Not applicable

Unit: yuan Currency: RMB

Granting item	Amount for the period	Amount for the previous period	In relation to assets/income
Demolition grants	<u>904,479.51</u>	<u>1,038,774.20</u>	In relation to assets

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

57. Non-operating expenses

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the period	Amount for the previous period	Amount included in current non-recurring profit or loss
Losses from damage and scrap of non-current assets	212,140.17	—	212,140.17
External donations	68,400.00	475,000.00	68,400.00
Lawsuits compensation	2,098,410.14	—	2,098,410.14
Others	7,735,053.99	723,948.41	7,735,453.99
Total	10,114,404.30	1,198,948.41	10,114,404.30

58. Income tax expenses

(1) Table for income tax expenses

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the period	Amount for the previous period
Current income tax expenses	475,510,748.19	449,518,576.57
Deferred income tax expenses	-39,567,147.97	-27,942,931.47
Total	435,943,600.22	421,575,645.10

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

58. Income tax expenses (Continued)

(2) Adjustment process for accounting profit and income tax

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the period	Amount for the previous period
Total profit	2,873,357,541.23	2,537,359,860.41
Income tax at the statutory/applicable income tax rate	718,339,385.31	634,339,965.10
Effect of different tax rates for subsidiaries	-241,536,875.16	-216,690,653.21
Effect of adjustments in respect of income tax of previous periods	-6,251,945.49	10,186,742.14
Effect of non-taxable income	-14,795,728.37	-17,578,584.83
Effect of non-deductible cost, expenses and loss	32,263,639.55	26,746,155.58
Effect of utilization of deductible losses in deferred income tax assets not recognized in previous period	-32,226,936.10	-544,432.33
Effect of deductible temporary differences or deductible losses in deferred income tax assets not recognized in current period	5,221,534.08	14,781,459.85
Share of profits and losses of joint ventures and associates	-6,604,251.08	-5,671,363.19
Tax effect of additional deductions	-20,428,447.19	-25,578,664.65
Others	1,963,224.67	1,585,020.64
Income tax expenses	<u>435,943,600.22</u>	<u>421,575,645.10</u>

Other explanations:

Applicable Not applicable

The Group's income tax has been provided at the applicable rate on the estimated profits assessable arising in the PRC during the period. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

59. Other comprehensive income

Applicable Not applicable

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

	Balance before tax	Income tax	Attributable to the parent company	Attributable to non-controlling interests
Other comprehensive losses not to be reclassified to profit or loss:				
Changes in re-measurement of defined benefit plan	-4,000.00	—	-4,000.00	—
Other comprehensive losses to be reclassified to profit or loss:				
Differences on translation of foreign currency financial statements	17,704.82	—	17,704.82	—
Effective portion of commodity futures hedging	184,676.65	—	184,676.65	—
Total	198,381.47	—	198,381.47	—

For the six months ended 30 June 2018

Unit: Yuan Currency: RMB

	Balance before tax	Income tax	Attributable to the parent company	Attributable to non-controlling interests
Other comprehensive losses not to be reclassified to profit or loss:				
Changes in re-measurement of changes in amount of defined benefit plan	-39,373,000.00	—	-39,373,000.00	—
Other comprehensive losses to be reclassified to profit or loss:				
Differences on translation of foreign currency financial statements	-52,821.33	—	-52,821.33	—
Effective portion of commodity futures hedging	-7,798,747.64	—	-7,798,747.64	—
Total	-47,224,568.97	—	-47,224,568.97	—

NOTES TO FINANCIAL STATEMENTS

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

60. Items in statement of cash flows

(1). Other cash received related to operating activities

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the period	Amount for the previous period
Income from other businesses	135,478,452.69	125,656,906.91
Government grants	34,128,834.56	63,561,138.15
Interest income	53,989,770.12	53,710,503.72
Others	11,366,706.84	1,038,774.20
Total	<u>234,963,764.21</u>	<u>243,967,322.98</u>

(2). Other cash paid related to operating activities

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the period	Amount for the previous period
Research and development expenses	209,067,831.77	233,485,600.08
Safety production expenses	185,369,811.70	185,696,694.34
Travel and business hospitality expenses	86,868,271.30	93,075,476.43
Others	589,116,531.23	535,822,444.14
Total	<u>1,070,422,446.00</u>	<u>1,048,080,214.99</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019
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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

60. Statement of cash flows (Continued)

(3). Other cash received related to investment activities

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the period	Amount for the previous period
Borrowed funds received from former subsidiaries	1,578,170,000.00	—
Interest income	54,118,049.15	44,238,906.46
Others	54,299,606.60	—
Total	<u>1,686,587,655.75</u>	<u>44,238,906.46</u>

(4). Other cash paid related to investment activities

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Amount for the period	Amount for the previous period
Cash paid for disposal of a subsidiary	67,227,316.24	—
Total	<u>67,227,316.24</u>	<u>—</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

√ Applicable □ Not applicable

Unit: yuan Currency: RMB

Supplementary information	Amount for the period	Amount for the previous period
1. Adjustment of profit or loss to cash flow of operating activities:		
Net profit	2,437,413,941.01	2,115,784,215.31
Add: Credit impairment losses	150,133,375.67	-15,359,319.49
Depreciation of fixed assets, oil and gas assets, productive biological assets	169,186,804.57	163,499,257.32
Amortisation of intangible assets	65,967,385.41	62,399,944.79
Depreciation and amortisation of investment properties	6,437,068.43	6,437,068.46
Depreciation of right-of-use assets	27,168,391.13	—
Amortisation of long-term prepayments	10,683,980.77	8,565,651.51
Loss from disposal of fixed assets, intangible assets and other long-term assets (income as sign “-”)	1,356,544.68	308,934.25
Finance costs (income as “-”)	67,895,111.41	106,164,299.52
Investment loss (income as sign “-”)	-331,015,310.56	-192,424,235.54
Decrease in deferred income tax assets (increase as sign “-”)	-40,134,838.92	-24,264,916.43
Increase in deferred income tax liabilities (decrease as sign “-”)	567,690.96	-3,984,809.16
Decrease in inventories (increase as sign “-”)	-84,630,640.12	-419,110,575.45
Decrease in operating receivables (increase as sign “-”)	-3,983,578,184.09	-2,437,744,442.42
Increase in operating payables (decrease as sign “-”)	3,569,276,669.15	7,394,499,061.13
Increase in special reserve	63,761,394.74	83,955,739.39
Increase in contract assets	-3,156,842,650.00	-8,354,051,515.48
Increase in contract liabilities (decrease as sign “-”)	896,184,955.52	-151,592,613.23
Net cash flows generated from operating activities	<u>-130,168,310.24</u>	<u>-1,656,918,255.52</u>
2. Significant investment and financing activities not involving cash receipts and payments:		
Discounted bills with maturity	87,986,312.99	106,657,527.95
3. Net change in cash and cash equivalents:		
Ending Balance of Cash	8,832,720,124.40	10,808,205,777.53
Less: Opening balance of cash	10,808,205,777.53	13,607,195,643.13
Add: Ending balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	<u>-1,975,485,653.13</u>	<u>-2,798,989,865.60</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. Supplementary information to the statement of cash flows(Continued)

(2) Net cash received from disposal of subsidiaries during the period

Applicable Not applicable

Unit: yuan Currency: RMB

	Amount
Current cash or cash equivalents received from disposal of subsidiaries during the period	253,896,600.00
CRSC Real Estate Co., Ltd. (通號置業有限公司)	253,896,600.00
Less: cash and cash equivalents held by subsidiaries that are no longer in control	321,123,916.24
Cash and bank balances	<u>321,123,916.24</u>
Net cash received from disposal of subsidiaries	<u><u>-67,227,316.24</u></u>

(3) Composition of cash and cash equivalents

Applicable Not applicable

Unit: yuan Currency: RMB

Items	Closing balance	Opening Balance
1. Cash	8,832,720,124.40	10,808,205,777.53
Including: Cash on hand	1,423,721.94	2,382,812.51
Bank deposits available for payment	8,831,296,402.46	10,805,822,965.02
2. Cash equivalents	—	—
3. Closing balance of cash and cash equivalents	8,832,720,124.40	10,808,205,777.53

Other explanations:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Assets with restricted ownership or right of use

Applicable Not applicable

Unit: yuan Currency: RMB

Item	Ending book value	Reasons of restriction
Monetary funds	348,733,625.37	Acceptance bill deposits; guarantee letter deposits; other purposes
Receivables for financing	96,270,802.37	Note 1
Long-term receivables	<u>2,256,357,357.32</u>	Note 2
Total	<u>2,701,361,785.06</u>	/

Other notes:

Note 1: On 30 June 2019, the book value of the notes receivable pledged by the Group for issuing bank acceptance bills payable and commercial acceptance bills payable was RMB19,041,654.61 (31 December 2018: RMB7,730,000.00).

On 30 June 2019, the book value of bank acceptance bills and commercial acceptance bills pledged by the Group were RMB77,229,147.76, which was used to obtain short-term loans of RMB77,229,147.76 (31 December 2018: the book value of the pledged bank acceptance bills and commercial acceptance bills was RMB99,556,312.99, which was used to obtain short-term loans of RMB99,556,312.99).

Note 2: On 30 June 2019, the Group's long-term receivables of RMB2,256,357,357.32 (31 December 2018: RMB1,103,115,389.15), which were formed by the earning rights of the franchise pledged and all proceeds under it, were used to obtain long-term loans of RMB1,437,352,774.84 (31 December 2018: RMB625,017,582.09).

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Foreign currency monetary items

(1). Foreign currency monetary items

Applicable Not applicable

Unit: yuan

Items	Ending balance of foreign currency	Exchange rate	Ending balance in RMB equivalent
Cash and bank balances			
Including: US Dollar	40,582,249.08	6.8747	278,990,787.76
Euro	14,331.75	7.8170	112,031.26
HK Dollar	1,113,925,826.13	0.8797	979,920,549.25
Rupee	382,984,389.26	0.0996	38,145,245.17
Dinar	2,922,140.98	0.0812	237,206.85

(2). Notes on the overseas operating entities, including, for significant overseas operating entities, the necessary disclosure of main overseas operating places, functional currency and selection basis, as well as reasons for changes of the functional currency.

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. Government grants

1. *Basic situation of government grants*

Applicable Not applicable

Unit: yuan Currency: RMB

Types	Amount	Items reported	Amount included in profit and loss
Government grants related to assets			
Relocation compensation	904,479.51	Non-operating income	904,479.51
Government grants related to income			
Refund of taxes (refund of software value-added tax, immediate levy and refund)	52,007,206.08	Other income	52,007,206.08
Other research grants	34,155,835.08	Other income	34,155,835.08

2. *Return of government grants*

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Others

Applicable Not applicable

The supplementary information of the Group's operating costs, sales expenses, management expenses and research and development expenses by nature is set forth as follows:

Unit: yuan Currency: RMB

Items	Amount for the period	Amount for the previous period
Raw materials and spare parts consumed	10,728,694,336.94	10,268,157,353.00
Employee benefits	2,197,487,348.66	1,798,642,383.53
Subcontracting costs	3,177,607,160.93	3,346,242,019.76
Depreciation and amortisation	279,443,630.31	240,901,922.08
Research and development expenses	209,067,831.77	233,485,600.08
Others	1,178,095,535.82	567,323,029.54
Total	17,770,395,844.43	16,454,752,307.99

The amount of employee benefits including the remuneration of the research and development personnel was RMB372,083,609.31 (for six the months ended 30 June 2018: RMB313,387,514.58).

VIII. CHANGES ON SCOPE OF CONSOLIDATION

1. Business combination of entities not under common control

Applicable Not applicable

2. Business combination of entities under common control

Applicable Not applicable

3. Reverse takeover

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019
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VIII. CHANGES ON SCOPE OF CONSOLIDATION (Continued)

4. Disposal of a subsidiary

Whether loss of control occurs immediately after a single disposal of investment in the subsidiaries

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of subsidiary	Price of disposal of equity interest	Proportion of disposal of equity interest (%)	Method of disposal of equity interest	Time point of loss of control	Basis for determining the time point of loss of control	Difference between price of disposal and shares of assets of such subsidiary available at the consolidated financial statement level corresponding to the disposal of investment	Proportion of the remaining equity interest as of the date of loss of control (%)	Book value of the remaining equity interest as of the date of loss of control (%)	Fair value of the remaining equity interest as of the date of loss of control (%)	Gains or losses resulting from the remeasurement of the remaining equity interest as of the date of loss of control	Method and key assumptions for determination of the fair value of the remaining equity interest as of the date of loss of control	Amount of other comprehensive income related to the original investment in the equity interest of the subsidiary and converted into the investment profit and loss
CRSC Real Estate Co., Ltd. (通號置業有限公司)	253,896,600.00	100	Transfer of equity interest	30 June 2019	Transfer of control	225,285,681.31	0.00	—	—	—	—	0.00
Total	253,896,600.00	100	/	/	/	225,285,681.31	0.00	/	/	/	/	0.00

Other explanation:

Note 1: CRSC Construction Group Co., Ltd. (通號建設集團有限公司), a subsidiary of the Group, entered into an equity interest transfer agreement with CRSC Group (通號集團), the parent of the Company, on 10 June 2019 to sell its 100% equity interests in CRSC Real Estate Co., Ltd. (通號置業有限公司) at a consideration of RMB253,896,600.00. The disposal date was 30 June 2019. Therefore, CRSC Real Estate Co., Ltd. was no longer included in the scope of consolidation of the Group since 1 July 2019. This equity interest transfer is a connected transaction between the Group and CRSC Group (通號集團), the controlling shareholder of the Group.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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VIII. CHANGES ON SCOPE OF CONSOLIDATION (Continued)

4. Disposal of a subsidiary (continued)

The relevant financial information of CRSC Real Estate Co., Ltd. (通號置業有限公司) is presented as follows:

Unit: Yuan Currency: RMB

	30 June 2019 Book value	31 December 2018 Book value
Cash and bank balances	321,123,916.24	202,429,260.90
Accounts receivable	36,733,200.00	—
Advances to suppliers	870,610.39	1,343,947.56
Other receivables	9,544,552.21	9,541,303.02
Inventories	2,001,329,020.69	2,165,696,128.67
Other current assets	71,869,757.52	100,649,606.76
Fixed assets	1,293,170.17	1,387,517.45
Intangible assets	3,678.16	17,053.15
Deferred income tax assets	689,825.35	689,825.35
Accounts payable	237,482,136.90	175,269,248.02
Contract liabilities	544,640,841.43	637,481,002.00
Taxes payable	254,227.11	19,944.26
Other payables	1,632,469,606.60	1,675,052,930.74
Net assets	28,610,918.69	-6,068,482.16
Non-controlling interests	—	—
Add: Gains on disposal	225,285,681.31	—
Consideration of disposal	253,896,600.00	—

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

VIII. CHANGES ON SCOPE OF CONSOLIDATION (Continued)

4. Disposal of a subsidiary (continued)

The operating results of the Company's disposal of a subsidiary from the beginning of the year to the date of disposal are as follows:

Unit: Yuan Currency: RMB

	From the beginning of the year to the date of disposal
Revenue	586,338,931.75
Cost of sales	<u>518,932,362.84</u>
Net profit	<u>34,679,400.85</u>

Unit: Yuan Currency: RMB

	30 June 2019
Price of disposal of a subsidiary	253,896,600.00
Cash and cash equivalents received from disposal of a subsidiary	253,896,600.00
Less: Cash and cash equivalents held by the disposed a subsidiary	<u>321,123,916.24</u>
Net cash received for disposal of a subsidiary	<u>-67,227,316.24</u>

NOTES TO FINANCIAL STATEMENTS

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IX. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1). Composition of enterprise group

√ Applicable □ Not applicable

Names of subsidiaries	Places of principal activities	Places of registration	Nature of business	Percentage of shareholding (%)		Method of acquisition
				Direct	Indirect	
CRSC (Beijing) Rail Industry Group Co., Ltd. (通號(北京)軌道工業集團有限公司) (“CRSC Beijing Industry Group”)	Beijing	Beijing	Equipment manufacturing	100.00	—	Incorporation
CRSC (Xi’an) Rail Industry Group Co., Ltd. (通號(西安)軌道交通工業集團有限公司) (“CRSC Xi’an Industry Group”)	Xi’an	Xi’an	Equipment manufacturing	100.00	—	Incorporation
CRSC Cables Company Ltd. (通號電纜集團有限公司) (“CRSC Cables”)	Zhengzhou	Zhengzhou	Equipment manufacturing	100.00	—	Incorporation
Beijing National Railway Research & Design Institute of Signal & Communication Co., Ltd. (北京全路通信信號研究設計院集團有限公司) (“CRSCD”)	Beijing	Beijing	Design integration	100.00	—	Incorporation
CRSC CASCO Signal Co., Ltd. (卡斯柯信號有限公司) (“CRSC CASCO”)	Shanghai	Shanghai	Design integration	51.00	—	Business combinations not under the same control

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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IX. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1). Composition of enterprise group (Continued)

Names of subsidiaries	Places of principal activities	Places of registration	Nature of business	Percentage of shareholding (%)		Method of acquisition
				Direct	Indirect	
CRSC Communication & Information Group Company Ltd. (通號通信信息集團有限公司) ("CRSCC")	Beijing	Beijing	Design integration	100.00	—	Incorporation
CRSC Urban Rail Transit Technology Co., Ltd. (通號城市軌道交通技術有限公司) ("Urban Rail Transit")	Beijing	Beijing	Design integration	100.00	—	Incorporation
China Railway Signal & Communication Shanghai Engineering Bureau Group Co., Ltd. (中國鐵路通信信號上海工程局集團有限公司) ("CRSCS")	Shanghai	Shanghai	System delivery service and Design integration	100.00	—	Incorporation
CRSC Engineering Group Company Ltd. (通號工程局集團有限公司) ("CRSCE")	Beijing	Beijing	System delivery service	100.00	—	Incorporation
CRSC International Co., Ltd. (通號國際控股有限公司) ("CRSC International")	Beijing	Beijing	Design integration	100.00	—	Incorporation
CRSC Innovation Investment Co., Ltd. (通號創新投資有限公司) ("Innovation Investment")	Beijing	Beijing	Investment management	100.00	—	Incorporation
CRSC Material Group Company Ltd. (通號物資集團有限公司) ("CRSCM")	Beijing	Beijing	Trade	100.00	—	Incorporation

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

IX. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1). Composition of enterprise group (Continued)

Names of subsidiaries	Places of principal activities	Places of registration	Nature of business	Percentage of shareholding (%)		Method of acquisition
				Direct	Indirect	
CRSC Inspection Co., Ltd. (通號檢驗檢測有限公司) ("CRSC Inspection")	Beijing	Beijing	System delivery service	100.00	—	Incorporation
CRSC (Changsha) Rail Transit Control Technology Company Limited (通號(長沙)軌道交通控制技術有限公司) ("CRSC Changsha Railway")	Changsha	Changsha	System delivery service	100.00	—	Incorporation
CRSC Wanquan Signal Equipment Co., Ltd. (通號萬全信號設備有限公司) ("CRSC Wanquan")	Taizhou	Taizhou	Equipment manufacturing	70.00	—	Business combinations not under the same control
CRSC Construction Group Co., Ltd. (通號建設集團有限公司) ("CRSC Construction")	Changsha	Changsha	General engineering contracting	100.00	—	Incorporation
Zhengzhou Zhongyuan Railway Engineering Co., Ltd. (鄭州中原鐵道工程有限責任公司) ("Zhengzhou Zhongyuan")	Zhengzhou	Zhengzhou	General engineering contracting and system delivery service	65.00	—	Business combinations not under the same control
CRSC Railway Vehicles Co., Ltd. (通號軌道車輛有限公司) ("CRSC Railway Vehicles")	Changsha	Changsha	Equipment manufacturing	66.00	—	Incorporation

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

IX. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1). Composition of enterprise group (Continued)

Names of subsidiaries	Places of principal activities	Places of registration	Nature of business	Percentage of shareholding (%)		Method of acquisition
				Direct	Indirect	
CRSC (Zhengzhou) Electrification Bureau Co., Ltd. (通號(鄭州)電氣化局有限公司) (“CRSC Electrification Bureau”)	Zhengzhou	Zhengzhou	General engineering contracting	65.00	—	Business combinations not under the same control
CRSC Jishou Huatai Pipeline Project Management Co., Ltd. (吉首通號華泰管廊項目管理有限公司) (“CRSC Huatai”)	Jishou	Jishou	Project management, operation and maintenance of engineering	90.00	—	Incorporation
CRSC Jishou Tengda Project Management Co., Ltd. (吉首通號騰達項目管理有限公司) (“CRSC Tengda”)	Jishou	Jishou	Project management, operation and maintenance of engineering	90.00	—	Incorporation
CRSC Institute of Smart City Research & Design Co., Ltd. (通號智慧城市研究設計院有限公司) (“Smart City Research & Design”)	Beijing	Beijing	Design integration	100.00	—	Incorporation
China Railway Signal & Communication International Co., Ltd. (中國通號國際有限公司) (“CRSC International”)	Hong Kong, the PRC	Hong Kong, the PRC	Technical exchange and trade	100.00	—	Incorporation

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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IX. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1). Composition of enterprise group (Continued)

Names of subsidiaries	Places of principal activities	Places of registration	Nature of business	Percentage of shareholding (%)		Method of acquisition
				Direct	Indirect	
CRSC Communications Construction Co., Ltd. (通號交通建設有限公司) ("CRSC Communications")	Taizhou	Taizhou	General engineering contracting	90.00	—	Business combinations not under the same control
CRSC (Jiangsu) Smart City Construction & Development Co., Ltd. (通號(江蘇)智慧城市建設開發有限公司) ("CRSC Jiangsu Smart")	Taixing	Taixing	Design integration	99.50	—	Incorporation

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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IX. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(2). Significant non-wholly owned subsidiaries

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of subsidiary	Shareholding percentage of non-controlling shareholders (%)	Current profits and losses attributable to non-controlling shareholders	Current dividends declared and paid to non-controlling shareholders	Ending balance of interests of non-controlling shareholders
CRSC CASCO	49	162,730,529.08	215,221,720.00	580,689,693.13

Explanations on the inconsistency of shareholding percentage of non-controlling shareholders of subsidiaries with proportion of their voting rights:

Applicable Not applicable

Other explanations:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019
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IX. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(3). Main financial information of significant non-wholly owned subsidiaries

Unit: Yuan Currency: RMB

√ Applicable □ Not applicable

Name of subsidiary	Closing balance of the period		Opening balance of the period		Total liabilities	Total assets						
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities								
CRSC CASCO	4,768,132,371.07	628,192,312.23	5,396,324,683.30	4,074,855,231.71	136,388,445.21	4,211,243,676.92	4,089,439,243.60	553,104,406.93	4,642,543,650.53	3,274,210,045.27	32,767,686.47	3,306,977,731.74

Unit: Yuan Currency: RMB

Name of subsidiary	Amount incurred in the current period		Amount incurred in the last period	
	Operating income	Net profit	comprehensive income	Total
CRSC CASCO	1,876,051,957.30	332,103,120.57	287,807,880.91	264,773,165.05
			1,739,570,633.11	310,882,270.74

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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IX. INTERESTS IN OTHER ENTITIES (Continued)

2. Transaction in which the share of owner's interests in the subsidiary changes while control over the subsidiary remaining unchanged

Applicable Not applicable

3. Interests in the joint venture or associate

Applicable Not applicable

Please refer to Note VII. 12.

(1). Main financial information of significant joint ventures

Applicable Not applicable

(2). Main financial information of significant associates

Applicable Not applicable

(3). Summary of financial information of insignificant joint ventures and associates

Applicable Not applicable

Unit: Yuan Currency: RMB

	Balance at end of the period/ amount incurred in the period	Balance at beginning of the period/amount incurred in the previous period
Joint venture:		
Total book value of investment	241,067,684.56	253,491,320.54
Total amount of the following items calculated according to the shareholding percentage		
– Net profit	12,999,999.94	19,422,792.67
– Other comprehensive income	–	–
– Total comprehensive income	12,999,999.94	19,422,792.67
Associate:		
Total book value of investment	756,220,697.64	752,430,080.14
Total amount of the following items calculated according to the shareholding percentage		
– Net profit	13,417,004.36	37,784,084.05
– Other comprehensive income	–	–
– Total comprehensive income	13,417,004.36	37,784,084.05

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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X. RISKS RELATED TO FINANCIAL INSTRUMENTS

√ Applicable □ Not applicable

1. Category of financial instruments

Book values of various financial instruments as of the balance sheet date are as follows:

30 June 2019

Financial assets

Unit: Yuan Currency: RMB

	Measurement at amortized cost	Measurement at fair value through other comprehensive income	Total
Cash and bank balances	11,669,947,096.77	—	11,669,947,096.77
Receivables for financing	—	1,217,233,232.76	1,217,233,232.76
Accounts receivable	16,359,968,485.57	—	16,359,968,485.57
Other receivables	1,491,636,407.44	—	1,491,636,407.44
Debt investment	—	273,172,183.50	273,172,183.50
Investments in other equity instruments	—	751,414,229.20	751,414,229.20
Long-term receivables	5,398,256,367.08	—	5,398,256,367.08
Financial assets included in other non-current assets	131,018,049.08	—	131,018,049.08
Total	35,050,826,405.94	2,241,819,645.46	37,292,646,051.40

Financial liability

Unit: Yuan Currency: RMB

	Other financial liabilities	Total
Short-term loans	1,101,229,147.76	1,101,229,147.76
Bills payable	898,735,029.79	898,735,029.79
Accounts payable	38,533,755,551.27	38,533,755,551.27
Other payables	1,408,288,446.61	1,408,288,446.61
Long-term loan	1,768,352,774.84	1,768,352,774.84
Non-current financial liabilities due within one year	301,197,134.66	301,197,134.66
Long-term payable	25,465,263.83	25,465,263.83
Lease liability	125,675,190.73	125,675,190.73
Total	44,162,698,539.49	44,162,698,539.49

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Category of financial instruments (Continued)

31 December 2018

Financial assets

Unit: Yuan Currency: RMB

	Measurement at amortized cost	Measurement at fair value through other comprehensive income	Total
Cash and bank balances	11,712,483,332.67	—	11,712,483,332.67
Receivables for financing	—	1,845,116,686.79	1,845,116,686.79
Accounts receivable	13,598,595,282.88	—	13,598,595,282.88
Other receivables	1,340,863,519.49	—	1,340,863,519.49
Investments in other equity instruments	—	653,814,229.20	653,814,229.20
Long-term receivables	4,616,553,337.79	—	4,616,553,337.79
Financial assets included in other non-current assets	124,310,187.46	—	124,310,187.46
	<u>31,392,805,660.29</u>	<u>2,498,930,915.99</u>	<u>33,891,736,576.28</u>

Financial liabilities

Unit: Yuan Currency: RMB

	Other financial liabilities	Total
Short-term loans	1,117,556,312.99	1,117,556,312.99
Bills payable	849,268,364.25	849,268,364.25
Accounts payable	35,119,238,956.99	35,119,238,956.99
Other payables	1,299,694,068.26	1,299,694,068.26
Long-term loans	856,163,032.09	856,163,032.09
Non-current financial liabilities due within one year	370,399,261.69	370,399,261.69
Long-term payable	26,088,533.74	26,088,533.74
	<u>39,638,408,530.01</u>	<u>39,638,408,530.01</u>

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

2. Transfer of financial assets

Transferred financial assets that are not derecognized in their entirety

As at 30 June 2019, the book value of bank acceptance bills and commercial acceptance bills that the Group has endorsed or discounted to suppliers for settlement of trade payables were RMB146,291,519.75 and RMB92,086,065.08 respectively (31 December 2018: RMB149,003,028.37 and RMB153,050,902.42). The Group believes that almost all risks and rewards have been retained, including related default risks. Therefore, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the endorsement, the Group did not retain any rights on the use of the endorsed bills, including the sale, transfer or pledge of the endorsed bills to any other third parties. The aggregate carrying amount of the trade payables settled by the endorsed bills as at 30 June 2019 was RMB238,377,584.83 (31 December 2018: RMB302,053,930.79).

Transferred financial assets that are derecognized in their entirety in which continuing involvement exists

As at 30 June 2019, the Group have endorsed bank acceptance bills to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount of RMB168,158,957.25 (31 December 2018: RMB391,910,657.03). As at 30 June 2019, the derecognised bills had a maturity of six to twelve months. In accordance with the Law of Negotiable Instruments, the holders of the derecognised bills have the right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the Group, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the carrying amounts of such derecognised bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Group, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

The Group did not recognise any profit or loss on the date of transfer of the derecognised bills. The Group had no current or accumulated gains or expenses related to continuing involvement of financial assets which had been derecognized. The endorsement and discount happen evenly throughout the period.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

3. Risk of financial instruments

The Group is faced with risks of various financial instruments in daily activities, which mainly include credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and commodity price risk). The main financial instruments of the Group include monetary funds, equity investment, borrowings, bills receivable and accounts receivable, bills payable and accounts payable and others. The risks associated with these financial instruments and the risk management strategies adopted by the Group to mitigate these risks are described below.

The board of directors shall be responsible for planning and establishing the risk management framework of the Group, formulating the Group's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Group has developed risk management policies to identify and analyze risks faced by the Group. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Group periodically evaluates changes in the market environment and the Group's business activities to determine whether to update risk management policies and systems. The risk management of the Group shall be carried out by the Risk Management Committee in accordance with the policies approved by the board of directors. The Risk Management Committee works closely with other business units of the Group to identify, assess and mitigate risks. The internal audit department of the Group conducts regular audits on risk management control and procedures and reports the audit results to the Group's Audit Committee.

The Group diversifies the risk of financial instruments through appropriate diversification of investments and business portfolios, and reduces the risk of concentration in any single industry, specific region or specific counterparty by formulating appropriate risk management policies.

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

3. Risk of financial instruments (Continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

As the Group only deals with recognized and reputable third parties, no collateral is required. Credit risk is centrally managed by customers/counterparties, geographic region and industry. As at 30 June 2019, the Group had a specific concentration of credit risk. 55.5% of accounts receivable of the Group (31 December 2018: 64.8%) originated from the top five customers of balance of accounts receivable. The Group does not hold any collaterals or other credit enhancement on the balance of accounts receivable.

Financial assets of the Group include monetary funds, account receivable, creditor's rights investments, other equity instruments investment and other receivables. The credit risk of these financial assets originates from the default of the counterparty. The maximum risk exposure is equal to the book value of these instruments.

Parameters for Measuring Expected Credit Loss

Depending on whether credit risk has increased significantly and whether credit impairment has occurred, the Group measures impairment provision for different assets with the expected credit loss for 12 months or the lifetime period, respectively. The key parameters for expected credit loss measurement include default probability, default loss rate and default risk exposure. Considering the quantitative analysis and forward-looking information of historical statistical data (such as counterparty ratings, guarantees and collateral types, repayment methods and others), the Group establishes a default probability, default loss rate and default risk exposure model.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

3. Risk of financial instruments (Continued)

Credit risk (Continued)

Parameters for Measuring Expected Credit Loss (Continued)

The relevant definitions are as follows:

- Probability of default (PD) refers to the possibility that the debtor will not be able to fulfill its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the historical mobility model of receivables, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's PD under the current macroeconomic environment;
- Loss given default (LGD) refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;
- Exposure at default (EAD) is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identified the key economic indicators that affect the credit risk of each business type and ECL.

Please see Notes VII. 2, 5 and 7 for the risk exposure information of receivables, other receivables and contract assets.

Please see Notes VII. 2, 5 and 7, 11 and 8 for the quantitative data of credit risk exposure of the Group due to receivables, other receivables, contract assets, long-term receivables and non-current assets due within one year (long-term receivables)

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

3. Risk of financial instruments (Continued)

Liquidity risk

The Group monitors its risk of deficiency of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and estimated cash flows from the Group's operations.

The Group sets its objective as maintaining a balance between continuity of funding and flexibility through the use of several financing methods such as notes settlement and bank borrowings, as well as optimizing financing structure through the combination of long and short-term financing. The Group has obtained banking facilities from several commercial banks to fund the working capital requirements and capital expenditure.

Management of the Company monitors the liquidity position of the Company on an ongoing basis to ensure the availability of sufficient liquid funds to meet all obligations as they fall due and to make the most efficient use of the Company's financial resources.

The table below summarizes the maturity profile of the Group's financial liabilities based on the undiscounted contractual cash flows:

30 June 2019

Unit: Yuan Currency: RMB

	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Short-term loans	1,101,229,147.76	—	—	—	1,101,229,147.76
Bills payable	898,735,029.79	—	—	—	898,735,029.79
Accounts payable	38,533,755,551.27	—	—	—	38,533,755,551.27
Other payables	1,408,288,446.61	—	—	—	1,408,288,446.61
Long-term loan (including maturity within 1 year)	220,145,450.00	210,000,000.00	—	1,558,352,774.84	1,988,498,224.84
Interest arising from long-term and short-term loans	50,590,591.49	86,625,080.40	230,176,622.75	694,973,231.18	1,062,365,525.82
Long-term payable (including maturity within 1 year)	50,479,274.94	25,465,263.83	—	—	75,944,538.77
Total	42,263,223,491.86	322,090,344.23	230,176,622.75	2,253,326,006.02	45,068,816,464.86

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

3. Risk of financial instruments (Continued)

Liquidity risk (Continued)

31 December 2018

Unit: Yuan Currency: RMB

	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Short-term loans	1,117,556,312.99	—	—	—	1,117,556,312.99
Bills payable and accounts payable	35,968,507,321.24	—	—	—	35,968,507,321.24
Other payables	1,299,694,068.26	—	—	—	1,299,694,068.26
Long-term loan (including maturity within 1 year)	320,145,455.00	145,450.00	—	856,017,582.09	1,176,308,487.09
Interest arising from long-term and short-term loans	81,020,825.81	42,231,780.83	126,346,308.33	419,105,141.95	668,704,056.92
Long-term payable (including maturity within 1 year)	50,253,806.69	26,088,533.74	—	—	76,342,340.43
	<u>38,837,177,789.99</u>	<u>68,465,764.57</u>	<u>126,346,308.33</u>	<u>1,275,122,724.04</u>	<u>40,307,112,586.93</u>

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

3. Risk of financial instruments (Continued)

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings and deposit and bank current deposit in large amount with floating interest rates.

The Group regularly reviews and monitors the mix of fixed and floating interest rate in order to manage its interest rate risk. Borrowings and monetary funds are stated at amortized cost and are not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the profit or loss as earned/incurred.

As at 30 June 2019, floating interest rate loans and fixed interest rate loans accounted for 66% and 34% of the Group's borrowings respectively. Management would adjust the floating rate assets based on changes in the market interest rates to reduce the significant impact arising from interest rate risk.

If there was a general increase/decrease in the interest rate of bank and other borrowings with floating interest rates by 1%, with all other variables held constant, the consolidated net profits and other comprehensive income, net of tax would have decreased/increased by approximately RMB7,466,322.91 for the six months ended 30 June 2019 (31 December 2018: RMB4,783,500.00), and there is no impact on other components of the consolidated equity, except for retained earnings, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred as at 30 June 2019 and the exposure to interest rate risk has been applied to those financial instruments in existence at that date. The estimated 1% of increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period from the year until the date of balance sheet of the next year.

If there was a general increase/decrease in the current interest rates of deposit money with floating interest rates by 0.1%, with all other variables held constant, the consolidated net profits and other comprehensive income, net of tax would have decreased/increased by approximately RMB3,164,021.55 for the six months ended 30 June 2019 (31 December 2018: RMB5,563,508.00), and there is no impact on other components of the consolidated equity, except for retained earnings, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred as at 30 June 2019 and the exposure to interest rate risk has been applied to those financial instruments in existence at that date. The estimated 0.1% of increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period from the year until the date of balance sheet of the next year.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

3. Risk of financial instruments (Continued)

Market risk (Continued)

Foreign currency risk

As a result of its significant business operations in Mainland China, the Group's revenue, expenses and over 95% of the financial assets and liabilities are denominated in RMB. The effect of the fluctuations in the exchange rates of RMB against foreign currencies on the Group's results of operations is therefore minimal and the Group has not entered into any hedging transactions as at 30 June 2019 and 31 December 2018 in order to reduce the Group's exposure to foreign currency risk in this regard.

The following table demonstrates the sensitivity analysis on the foreign currency risk, reflecting the influence of reasonable possible change in the exchange rates of the United States dollar and Hong Kong dollar, with all other variables held constant, on the Group's net profit net of tax.

Unit: Yuan Currency: RMB

30 June 2019	Increase or decrease in United States dollar exchange rate	Increase or decrease in net profit or loss	Increase or decrease in total shareholder's equity
Depreciation of RMB against United States dollar	5%	11,804,078.35	11,804,078.35
Appreciation of RMB against United States dollar	-5%	<u>-11,804,078.35</u>	<u>-11,804,078.35</u>
	Increase or decrease in Hong Kong dollar exchange rate	Increase or decrease in net profit or loss	Increase or decrease in total shareholder's equity
Depreciation of RMB against Hong Kong dollar	5%	41,562,387.79	41,562,387.79
Appreciation of RMB against Hong Kong dollar	-5%	<u>-41,562,387.79</u>	<u>-41,562,387.79</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

3. Risk of financial instruments (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

31 December 2018	Increase or decrease in United States dollar exchange rate	Increase or decrease in net profit or loss	Increase or decrease in total shareholder's equity
Depreciation of RMB against United States dollar	5%	10,171,565.94	10,171,565.94
Appreciation of RMB against United States dollar	-5%	<u>-10,171,565.94</u>	<u>-10,171,565.94</u>
	Increase or decrease in Hong Kong dollar exchange rate	Increase or decrease in net profit or loss	Increase or decrease in total shareholder's equity
Depreciation of RMB against Hong Kong dollar	5%	39,952,459.27	39,952,459.27
Appreciation of RMB against Hong Kong dollar	-5%	<u>-39,952,459.27</u>	<u>-39,952,459.27</u>

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 30 June 2019 and 31 December 2018 and the exposure to foreign currency risk has been applied to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonable possible change in foreign exchange rates over the period from the year until the date of balance sheet of the next year.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

4. Capital management

The Group's primary objectives for capital management are to safeguard the Group's ability to continue as a going concern and keep the capital ratio at a healthy level, so that it can support business development and maximize the value of Shareholders.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the profit distribution to Shareholders, return capital to Shareholders, issue new shares or sell assets to reduce debts. The Group is not bound by external compulsory capital requirements. For the six months ended 30 June 2019 and in 2018, no changes were made in the objectives, policies or processes for managing capital.

The Group monitors capital using a gearing ratio, which is net debt and capital after adjustment plus net debt. Net debt includes all loans, bills payable, accounts payable, interest payable, dividends payable, other payables, long-term payables, and net non-current liabilities due within one year and less monetary funds. Capital comprises equity attributable to Shareholders of the parent and equity of non-controlling interests. The gearing ratios as at the balance sheet date are as follows:

Unit: Yuan Currency: RMB

	30 June 2019	31 December 2018
Short-term loan	1,101,229,147.76	1,117,556,312.99
Bills payable	898,735,029.79	849,268,364.25
Accounts payable	38,533,755,551.27	35,119,238,956.99
Other payables	1,408,288,446.61	1,299,694,068.26
Long-term loan	1,768,352,774.84	856,163,032.09
Long-term payable	25,465,263.83	26,088,533.74
Non-current financial liabilities due within one year	301,197,134.66	370,399,261.69
Less: cash and bank balances	<u>-11,669,947,096.77</u>	<u>-11,712,483,332.67</u>
Net debt	<u>32,367,076,251.99</u>	<u>27,925,925,197.34</u>
Equity attributable to Shareholders of the parent	29,366,412,201.78	28,908,396,681.99
Non-controlling interests	<u>1,315,452,609.10</u>	<u>1,363,684,867.19</u>
Capital after adjustment	<u>30,681,864,810.88</u>	<u>30,272,081,549.18</u>
Capital and net debt	<u>63,048,941,062.87</u>	<u>58,198,006,746.52</u>
Gearing ratio	<u>51%</u>	<u>48%</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XI. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

√ Applicable □ Not applicable

30 June 2019

Unit: Yuan Currency: RMB

	Inputs of fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Receivables for financing	—	—	1,217,233,232.76	1,217,233,232.76
Investments in other equity instruments	—	—	751,414,229.20	751,414,229.20
Total	—	—	1,968,647,461.96	1,968,647,461.96

31 December 2018

Unit: Yuan Currency: RMB

	Inputs of fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Receivables for financing	—	—	1,845,116,686.79	1,845,116,686.79
Investments in other equity instruments	—	—	653,814,229.20	653,814,229.20
Total	—	—	2,498,930,915.99	2,498,930,915.99

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XI. DISCLOSURE OF FAIR VALUE (Continued)

2. Assets and liabilities disclosed at fair value

√ Applicable □ Not applicable

30 June 2019

Unit: Yuan Currency: RMB

	Inputs of fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term receivables	—	5,500,215,189.00	—	5,500,215,189.00
Financial assets included in other non-current assets	—	36,154,944.55	—	36,154,944.55
Long-term and short-term loans	—	3,105,363,737.77	—	3,105,363,737.77
Long-term payable	—	24,781,516.99	—	24,781,516.99

31 December 2018

Unit: Yuan Currency: RMB

	Inputs of fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term receivables	—	4,744,787,238.00	—	4,744,787,238.00
Financial assets included in other non-current assets	—	20,418,099.65	—	20,418,099.65
Long-term and short-term loans	—	2,301,606,804.94	—	2,301,606,804.94
Long-term payable	—	25,488,646.56	—	25,488,646.56

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XI. DISCLOSURE OF FAIR VALUE (Continued)

3. Fair value valuation

Applicable Not applicable

The following is a comparison of the book value and fair value of various types of financial instruments other than financial instruments with small differences between book value and fair value:

Unit: Yuan Currency: RMB

	Book value		Fair value	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Long-term receivables	5,398,256,367.08	4,616,553,337.79	5,500,215,189.00	4,744,787,238.00
Financial assets included in other non-current assets	37,872,304.42	21,387,959.38	36,154,944.55	20,418,099.65
Long-term and short-term loans	3,089,727,372.60	2,293,864,800.08	3,105,363,737.77	2,301,606,804.94
Long-term payable	25,465,263.83	26,088,533.74	24,781,516.99	25,488,646.56
Total	<u>8,551,321,307.93</u>	<u>6,957,894,630.99</u>	<u>8,666,515,388.31</u>	<u>7,092,300,789.15</u>

The management has assessed the cash and bank balances, accounts receivable, receivables for financing, other receivables, short-term loans, bills payable, accounts payable, and other payables. In each case, the fair value and book value are similar due to short remaining period.

On each balance sheet date, the Group analyzes the changes in the value of financial instruments and determines the key inputs to which the valuation applies.

The fair values of long-term receivables, long-term loans, long-term payables, and bonds payable determined by discounting the future cash flows using rates currently available for other instruments with similar terms, credit risk and remaining maturities. As at 30 June 2019 and 31 December 2018, the fair value of long-term receivables and long-term payables was similar to the book value, and the Group's own non-performance risk for long-term and short-term borrowings was assessed to be insignificant.

For financial instruments traded in an active market, the Group determines its fair value based on its active market quotation; and for financial instruments that are not traded in an active market, the Group uses valuation techniques to determine their fair values. The valuation models used are mainly cash flow discount models and market comparable company models. The input values of valuation techniques mainly include risk-free interest rates, benchmark interest rates, exchange rates, credit spreads, liquidity premiums, EBITDA multipliers, and lack of liquidity discounts etc.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XI. DISCLOSURE OF FAIR VALUE (Continued)

3. Fair value valuation (Continued)

The Group signed the derivative financial instrument contracts with more than one counterparties (mainly refer to financial institutions with higher credit rating). Derivative financial instruments are measured using the valuation techniques of forward pricing, swap model and present value method. The model covers multiple input values of observable market, including credit quality of counterparty, spot and forward exchange rate and interest rate curve. As at 30 June 2019, the market-to-market value of the derivative financial assets is the net value after offsetting the credit valuation of default risk attributable to derivative instrument counterparty after adjustment. The change of counterparty credit risk had no significant impact on the assessment on hedging effectiveness of the designated derivative hedging instrument in the hedging relationship and other financial instrument measured at fair value.

The fair value measurement of Level 3 uses cash flow discount method, and the unobservable input value is the weighted average cost of capital and the growth rate of long-term income.

4. Adjustment and level transformation of fair value measurement

Applicable Not applicable

As at 30 June 2019, there was no transfer of the fair value measurement of financial assets and financial liabilities between Level 1 and Level 2, nor was there any transfer to or out of Level 3.

XII. RELATED PARTIES AND CONNECTED TRANSACTIONS

1. Parent of the Company

Applicable Not applicable

Unit: '0,000 Yuan Currency: RMB

Name of the parent	Registration place	Nature of business	Registered capital	Shareholding percentage of the parent to the Company (%)	Percentage of voting right of the parent to the Company (%)
CRSC Group	Beijing	Railway communication, signal power and production of automatic control equipment	10,000 million	75.14	75.14

The Company's ultimate holding company is CRSC Group.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019
RMB

XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

2. Subsidiaries of the Company

Applicable Not applicable

Details of the subsidiaries of the Company, please refer to Note IX. 1.

3. Joint ventures and associates of the Company

Applicable Not applicable

Details of the joint ventures and associates of the Company, please refer to Note VII. 12.

Information for other joint ventures and associates which form balance through related transaction during the current or previous periods:

Applicable Not applicable

4. Other related parties

Name of other related Parties	Relationship between other related parties and the Company
CRSC Group	Parent of the Company
Zhongxin Diantong Co., Ltd.	Associate of the Parent
Gu'an Beixin Railway Signal Co., Ltd. (固安北信鐵路信號有限公司)	Associate of a fellow subsidiary
Xi'an Tongxin Railway Equipment Manufacturing Co., Ltd. (西安同鑫鐵路器材製造有限責任公司)	Associate of a fellow subsidiary
Tianshui Tonghao Electric Power Equipment Co., Ltd. (天水通號電力設備有限公司)	Associate of a fellow subsidiary
Shanghai Zhongruite Communication Equipment Co., Ltd. (上海中瑞特訊設備有限公司)	Associate of a fellow subsidiary
Siemens Signalling	Associate of the Company
Changxing Technology	Associate of the Company
Tianshui Tiantong	Associate of the Company

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

4. Other related parties (Continued)

Name of other related Parties	Relationship between other related parties and the Company
CRSC Tianshui Tram	Associate of the Company
Siping Pipeline	Associate of the Company
CRSC Private Equity Fund	Associate of the Company
CSCEC Foshan	Associate of the Company
Schaltbau	Associate of the Company
China Railway Transportation Equipment Co., Ltd. (中國軌道交通設備有限公司)	Under the common control of the ultimate controlling party
Beijing Erqi Communication Factory Co., Ltd. (北京二七通信工廠有限公司)	Under the common control of the ultimate controlling party
Beijing Railways Signal & Communication Complete Equipment Company Ltd.	Under the common control of the ultimate controlling party
Shanghai Xinlicheng Communication Technology Service Co., Ltd. (上海信立城通信技術服務有限公司)	Under the common control of the ultimate controlling party
Xi'an Weixun Monitoring Equipment Co., Ltd. (西安唯迅監控設備有限公司)	Under the common control of the ultimate controlling party
Beijing Beixin Fengyuan Railway Electronic Equipment Co., Ltd.	Under the common control of the ultimate controlling party
Alstom Investment (Shanghai) Co., Ltd. (阿爾斯通投資(上海)有限公司)	Minority shareholder having material influence on the Group
Alstom (China) Investment Co., Ltd. (阿爾斯通(中國)投資有限公司)	Related party of a minority shareholder having material influence on the Group
ALSTOM Transport S.A.	Related party of a minority shareholder having material influence on the Group
ALSTOM Transport S.A. (SAINT OUEN)	Related party of a minority shareholder having material influence on the Group
ALSTOM Transport S.A. (Villeurbanne)	Related party of a minority shareholder having material influence on the Group
Alstom Belgium SA	Related party of a minority shareholder having material influence on the Group
Alstom Signaling Inc.	Related party of a minority shareholder having material influence on the Group
ALSTOM Service France	Related party of a minority shareholder having material influence on the Group
ALSTOM Aix en Provence	Related party of a minority shareholder having material influence on the Group
ALSTOM Transport India	Related party of a minority shareholder having material influence on the Group

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

5. Related party transactions

(1). Related party transactions of purchasing or selling goods and rendering or receiving services

Purchasing goods/receiving services Table

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Related parties	Contents of related party transactions	Amount in the current period	Amount in the previous period
Siemens Signalling	Purchasing goods	58,972,001.13	29,257,066.46
Beijing Beixin Fengyuan Railway Electronic Equipment Co., Ltd.	Purchasing goods	34,833,320.00	24,683,659.70
ALSTOM Transport S.A.	Purchasing goods	22,245,989.58	73,262,294.75
Gu'an Beixin Railway Signal Co., Ltd. (固安北信鐵路信號有限公司)	Purchasing goods	14,500,606.95	13,057,946.66
Xi'an Tongxin Railway Equipment Manufacturing Co., Ltd. (西安同鑫鐵路器材製造有限責任公司)	Purchasing goods	5,595,607.58	—
Alstom Investment (Shanghai) Co., Ltd. (阿爾斯通投資(上海)有限公司)	Purchasing goods	1,924,137.93	—
Alstom Signaling Inc.	Purchasing goods	1,470,729.45	1,002,171.77
Changxing Technology	Purchasing goods	945,212.41	—
Beijing Erqi Communication Factory Co., Ltd. (北京二七通信工廠有限公司)	Purchasing goods	941,354.46	368,959.34
Schaltbau	Purchasing goods	322,993.11	429,336.05
Xi'an Weixun Monitoring Equipment Co., Ltd. (西安唯迅監控設備有限公司)	Purchasing goods	71,847.21	1,295,183.34
ALSTOM Transport S.A.	Receiving technology transfer services	75,764,083.72	100,595,623.16
Alstom Investment (Shanghai) Co., Ltd. (阿爾斯通投資(上海)有限公司)	Receiving technology transfer services	790,150.76	2,441,850.00
Shanghai Xinlicheng Communication Technology Service Co., Ltd. (上海信立城通信技術服務有限公司)	Receiving services	259,805.66	251,489.81
Beijing Railways Signal & Communication Complete Equipment Company Ltd.	Receiving services	44,160.00	—
ALSTOM Transport S.A.	Receiving services	38,970.00	—
Total		218,720,969.95	246,645,581.04

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(1). Related party transactions of purchasing or selling goods and rendering or receiving services (Continued)

Selling goods/rendering services Table

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Related parties	Contents of related party transactions	Amount in the current period	Amount in the previous period
CRSC Tianshui Tram Co., Ltd.	Selling goods	57,079,646.01	—
CRSC Group	Selling goods	26,412,160.00	6,000,000.00
Siemens Signalling	Selling goods	21,269,165.64	41,394,935.20
ALSTOM Transport S.A.	Selling goods	7,094,086.99	18,032,107.95
Beijing Beixin Fengyuan Railway Electronic Equipment Co., Ltd.	Selling goods	2,336,515.06	420,547.01
Xi'an Tongxin Railway Equipment Manufacturing Co., Ltd. (西安同鑫鐵路器材製造有限責任公司)	Selling goods	1,998,901.04	19,655.18
Xi'an Weixun Monitoring Equipment Co., Ltd. (西安唯迅監控設備有限公司)	Selling goods	1,295.11	—
Gu'an Beixin Railway Signal Co., Ltd. (固安北信鐵路信號有限公司)	Selling goods	—	2,903,423.92
Beijing Erqi Communication Factory Co., Ltd. (北京二七通信工廠有限公司)	Selling goods	—	139,939.66
Schaltbau	Selling goods	—	473.52
Siemens Signalling	Rendering technology transfer services	104,260.66	469,105.47
CRSC Tianshui Tram Co., Ltd.	Rendering services	53,741,259.84	—
Siemens Signalling	Rendering services	1,086,518.80	756,246.72
Siping Pipeline	Rendering services	364,003.56	4,716,461.52
Beijing Beixin Fengyuan Railway Electronic Equipment Co., Ltd.	Rendering services	71,222.42	—
Total		<u>171,559,035.13</u>	<u>74,852,896.15</u>

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As at 30 June 2019

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XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(1). Related party transactions of purchasing or selling goods and rendering or receiving services (Continued)

Explanation of related transactions including purchasing or selling goods, rendering and receiving of services

Applicable Not applicable

The prices of goods and services traded between the Group and related parties were determined by both parties through negotiation with referring to market prices and other factors.

(2). Leases with related parties

The Company as lessor:

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of lessee	Type of leased assets	Rental income recognized in current period	Rental income recognized in the previous period
Beijing Railways Signal & Communication Complete Equipment Company Ltd.	Fixed assets	2,651,492.73	—
CRSC Private Equity Fund	Fixed assets	1,298,723.94	1,428,596.32
Xi'an Weixun Monitoring Equipment Co., Ltd. (西安唯迅監控設備有限公司)	Fixed assets	274,249.50	299,203.95
Total		<u>4,224,466.17</u>	<u>1,727,800.27</u>

The Company as lessee:

Applicable Not applicable

Explanation of leases with related parties

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(3). Capital lending to/borrowing from related parties

Applicable Not applicable

Unit: Yuan Currency: RMB

Related parties	Borrowing/ lending amount	Start date	Due date	Note
Placements				
CRSC Group	1,500,000,000.00	3 January 2019	3 January 2020	
CRSC Group	1,000,000,000.00	9 January 2019	8 January 2020	
Lending				
Total	<u>2,500,000,000.00</u>	<u>/</u>	<u>/</u>	

For the six months ended 30 June 2019, the Company borrowed RMB2,500,000,000.00 in the form of an entrusted loan from its parent company, CRSC Group. The interest rate of entrusted loans was 4.35% and contract duration was one year. The Company has repaid RMB2,500,000,000.00 for the current period. As of 30 June 2019, the balance of entrusted loans the Company borrowed from the Group was RMB1,000,000,000.00.

(4). Emolument of key management

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the previous period
Emolument of key management	<u>2,601,267.00</u>	<u>2,242,789.26</u>

Key management personnel comprise executive Directors, Supervisors, independent non-executive Directors and Senior Management.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

6. Amounts due from/to related parties

(1). Receivable

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Related parties	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivables	Tianshui Tram	45,010,960.26	—	19,750,000.00	—
Accounts receivables	Siping Pipeline	40,039,914.76	—	22,587,024.82	—
Accounts receivables	Siemens Signalling	28,021,155.86	—	32,808,651.42	—
Accounts receivables	Xi'an Tongxin Railway Equipment Manufacturing Co., Ltd. (西安同鑫鐵路器材製造有限責任公司)	822,862.00	—	—	—
Accounts receivables	CRSC Group	546,495.10	—	80,379,560.79	—
Accounts receivables	Xi'an Weixun Monitoring Equipment Co., Ltd. (西安唯迅監控設備有限公司)	41,500.80	—	41,500.80	—
Prepayments	ALSTOM Transport S.A.	7,861,857.23	—	11,002,413.82	—
Prepayments	Beijing Railways Signal & Communication Complete Equipment Company Ltd.	2,878,977.31	—	—	—
Prepayments	Xi'an Weixun Monitoring Equipment Co., Ltd. (西安唯迅監控設備有限公司)	1,789,547.78	—	944,779.78	—
Prepayments	China Railway Transportation Equipment Co., Ltd. (中國軌道交通設備有限公司)	759,540.00	—	—	—
Prepayments	Gu'an Beixin Railway Signal Co., Ltd. (國安北信鐵路信號有限公司)	71,900.00	—	—	—

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

(1). Receivable (Continued)

Items	Related parties	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Prepayments	CRSC Group	—	—	62,115.00	—
Other receivables	CRSC Group	2,361,800.00	—	19,973,249.73	—
Other receivables	Beijing Erqi Communication Factory Co., Ltd. (北京二七通信工廠有限公司)	535,383.54	—	535,383.54	—
Other receivables	Siemens Signalling	79,722.05	—	435,149.09	—
Other receivables	Beijing Railways Signal & Communication Complete Equipment Company Ltd.	17,710.00	—	—	—
Other receivables	Xi'an Weixun Monitoring Equipment Co., Ltd. (西安唯迅監控設備有限公司)	131.20	—	598,407.89	—
Other receivables	Alstom (China) Investment Co., Ltd. (阿爾斯通(中國)投資有限公司)	—	—	614,095.39	—
Other receivables	China Railway Transportation Equipment Co., Ltd. (中国軌道交通設備有限公司)	—	—	310,000.00	—
Dividend receivable	Schaltbau	12,750,000.00	—	—	—
Total		<u>143,589,457.89</u>	<u>—</u>	<u>190,042,332.07</u>	<u>—</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

(2). Payable

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Related parties	Book balance at the end of the period	Book balance at the beginning of the period
Accounts payables	ALSTOM Transport S.A.	218,439,492.90	177,296,051.35
Accounts payables	Beijing Beixin Fengyuan Railway Electronic Equipment Co., Ltd.	184,379,190.63	144,298,641.46
Accounts payables	Siemens Signalling	107,088,385.48	29,847,437.08
Accounts payables	Gu'an Beixin Railway Signal Co., Ltd. (固安北信鐵路信號有限公司)	44,450,800.09	41,837,663.22
Accounts payables	Alstom Signaling Inc.	39,855,882.23	—
Accounts payables	Xi'an Tongxin Railway Equipment Manufacturing Co., Ltd. (西安同鑫鐵路器材製造有限責任公司)	4,922,719.20	2,664,711.18
Accounts payables	Beijing Railways Signal & Communication Complete Equipment Company Ltd.	3,944,727.99	—
Accounts payables	Alstom Investment (Shanghai) Co., Ltd. (阿爾斯通投資(上海)有限公司)	2,547,091.36	—
Accounts payables	Changxing Technology	945,212.41	1,162,462.65
Accounts payables	Beijing Erqi Communication Factory Co., Ltd. (北京二七通信工廠有限公司)	925,115.37	681,713.11
Accounts payables	Schaltbau	322,993.11	—
Accounts payables	Xi'an Weixun Monitoring Equipment Co., Ltd. (西安唯迅監控設備有限公司)	68,584.00	571,536.05
Accounts payables	Zhongxin Diantong Co., Ltd.	50,500.50	50,500.50
Bills payable	Beijing Beixin Fengyuan Railway Electronic Equipment Co., Ltd.	1,200,000.00	1,450,000.00
Bills payable	Gu'an Beixin Railway Signal Co., Ltd. (固安北信鐵路信號有限公司)	100,000.00	—
Contract liabilities	Siemens Signalling	—	1,928,617.26
Other payables	CRSC Group	9,848,878.35	74,535,607.49
Other payables	Beijing Railways Signal & Communication Complete Equipment Company Ltd.	6,919,397.48	4,653,349.24

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

(2). Payable (Continued)

Items	Related parties	Book balance at the end of the period	Book balance at the beginning of the period
Other payables	Xi'an Tongxin Railway Equipment Manufacturing Co., Ltd. (西安同鑫鐵路器材製造有限責任公司)	300,000.00	—
Other payables	Shanghai Xinlicheng Communication Technology Service Co., Ltd. (上海信立城通信技術服務有限公司)	49,134.00	—
Other payables	Alstom (China) Investment Co., Ltd. (阿爾斯通(中國)投資有限公司)	38,970.00	389,700.00
Other payables	Gu'an Beixin Railway Signal Co., Ltd. (固安北信鐵路信號有限公司)	—	16,500.00
Total		<u>626,397,075.10</u>	<u>481,384,490.59</u>

7. Commitment of related parties

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Related parties	Book balance at the end of the period	Book balance at the beginning of the period
Selling goods to related parties	Tianshui Tram	193,500,000.00	—
Selling goods to related parties	ALSTOM Transport S.A.	68,426,295.13	22,198,393.00
Selling goods to related parties	Siemens Signalling	11,022,088.54	13,686,811.12
Selling goods to related parties	Gu'an Beixin Railway Signal Co., Ltd. (固安北信鐵路信號有限公司)	4,064,610.00	4,064,610.00
Selling goods to related parties	Alstom Signaling Inc.	1,220,000.00	1,220,000.00
Selling goods to related parties	ALSTOM Transport India	—	336,469.00
Purchasing goods from related parties/receiving technology transfer services	ALSTOM Transport S.A.	93,489,907.11	21,293,902.92
Purchasing goods from related parties/receiving technology transfer services	Alstom Signaling Inc.	14,650,772.25	49,791,775.08

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

7. Commitment of related parties (Continued)

Items	Related parties	Book balance at the end of the period	Book balance at the beginning of the period
Purchasing goods from related parties/receiving technology transfer services	Siemens Signalling	4,306,906.20	10,810,240.00
Purchasing goods from related parties/receiving technology transfer services	Alstom Investment (Shanghai) Co., Ltd. (阿爾斯通投資(上海)有限公司)	3,546,306.78	—
Purchasing goods from related parties/receiving technology transfer services	Beijing Beixin Fengyuan Railway Electronic Equipment Co., Ltd.	3,105,261.83	3,285,211.12
Purchasing goods from related parties/receiving technology transfer services	ALSTOM Aix en Provence	1,730,553.60	—
Purchasing goods from related parties/receiving technology transfer services	Gu'an Beixin Railway Signal Co., Ltd. (固安北信鐵路信號有限公司)	919,582.66	661,505.90
Rendering services to related parties	CSCEC Foshan	305,290,870.71	305,290,870.68
Rendering services to related parties	Tianshui Tram	159,782,368.62	213,523,628.50
Rendering services to related parties	Siping Pipeline	204,876,890.92	135,284,967.70
Total		<u>1,069,932,414.35</u>	<u>781,448,385.02</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XIII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

Major external commitments, nature and amount thereof as at the balance sheet date

Applicable Not applicable

Unit: Yuan Currency: RMB

	30 June 2019	31 December 2018
Contracted, but not provided for:		
Capital commitments	42,553,081.25	100,035,075.45
Investment commitments	352,922,600.00	460,713,100.00
Total	<u>395,475,681.25</u>	<u>560,748,175.45</u>

XIV. EVENTS AFTER THE BALANCE SHEET DATE

1. Important non-adjusting matters

Applicable Not applicable

On 16 April 2019, the Company submitted an application for the initial public offering of RMB ordinary Shares to the SSE and listed on the STAR Market, which was accepted by the SSE on the same day. On 21 June 2019, the 8th Review Meeting of the Listing Committee of the SSE STAR Market of 2019 was held to consider and approve the issuance of the Company. On 27 June 2019, the China Securities Regulatory Commission approved the application for registration of the issuance of the Company (Zheng Jian Xu Ke [2019] No. 1135).

As of 16 July 2019, the Company received the additional paid-in share capital totaling RMB1,800,000,000.00, of which the issued shares were ordinary shares with a par value of RMB1 per share and the issued number was 1,800,000,000.00 shares, accounted for 17.00% of the total share capital after the change. The issue price was RMB5.85 per share, and the total raised funds are RMB10,530,000,000.00, and the net proceeds were RMB10,354,342,373.23 after deducting the expenses for issuance and listing of RMB175,657,626.77 (excluding VAT), all of which were monetary contributions. On 22 July 2019, the Company's shares were listed on the Science and Technology Innovation Board of Shanghai Stock Exchange.

XV. OTHER SIGNIFICANT EVENTS

1. Segment information

(1). Basis for determining and accounting policies of reportable segments

Applicable Not applicable

For management purposes, the Group is organized into the following 3 operating segments based on their products and services:

- (1) The rail transportation control system segment mainly provides specialized “three-in-one” services of design and integration, equipment manufacturing and system implementation services for rail transportation control systems;
- (2) Construction contracting segment engages in the provision of services relating to municipal and other construction projects;
- (3) Other segments mainly engage in bidding agents, centralized procurement, etc.

Management monitors the operating results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reporting segment profit. The indicator is consistent with the total profit of the Group.

Inter-segment transfer pricing is determined by reference to prices adopted in sales or rendering of services to third parties.

(2). Financial Information of Reporting Segment

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019
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XV. OTHER SIGNIFICANT EVENTS (Continued)

1. Segment information (Continued)

(2). Financial Information of Reporting Segment (Continued)

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

	Rail transportation control system	Construction Contracting	Others	Adjustments and eliminations	Total
Revenue from external customers	15,324,325,056.41	5,163,142,158.63	24,110,627.82	—	20,511,577,842.86
Revenue from Inter-segment sales	140,170,954.15	22,526,046.99	59,548,545.15	-222,245,546.29	—
	15,464,496,010.56	5,185,668,205.62	83,659,172.97	-222,245,546.29	20,511,577,842.86
Share of profits of joint ventures and associates	27,350,240.85	-933,236.55	—	—	26,417,004.30
Losses from impairment of credit	69,591,978.96	80,541,396.71	—	—	150,133,375.67
Depreciation and amortisation	260,152,528.53	18,751,253.04	539,848.74	—	279,443,630.31
Total profit					2,873,357,541.23
Income tax expenses					435,943,600.22
Net profit					2,437,413,941.01
Total assets	57,915,429,074.40	28,794,792,779.59	175,188,959.68	-2,205,175,657.66	84,680,235,156.01
Total liabilities	33,922,096,674.59	21,827,201,598.98	65,416,558.33	-1,816,344,486.77	53,998,370,345.13
Other disclosures:					
Long-term equity investments in joint ventures and associates	955,374,467.56	41,913,914.64	—	—	997,288,382.20
Capital expenditures	179,182,962.55	17,166,409.61	755,214.20	—	197,104,586.36

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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XV. OTHER SIGNIFICANT EVENTS (Continued)

1. Segment information (Continued)

(2). Financial Information of Reporting Segment (Continued)

For the six months ended 30 June 2018

Unit: Yuan Currency: RMB

	Rail transportation control system	Construction contracting	Others	Eliminations and adjustments	Total
Revenue from external customers	13,233,516,063.94	5,654,368,091.75	19,178,137.82	—	18,907,062,293.51
Revenue from Inter-segment sales	114,467,199.49	56,236,460.01	62,846,374.42	-233,550,033.92	—
	13,347,983,263.43	5,710,604,551.76	82,024,512.24	-233,550,033.92	18,907,062,293.51
Share of profits of joint ventures and associates	22,685,452.73	—	—	—	22,685,452.73
Losses from impairment of credit	-26,408,933.87	11,352,085.77	-302,471.39	—	-15,359,319.49
Depreciation and amortisation	231,006,789.23	9,694,002.43	201,130.42	—	240,901,922.08
Total Profit					2,537,359,860.41
Income tax expenses					421,575,645.10
Net profit					2,115,784,215.31
Total assets	50,676,345,478.99	23,903,412,280.59	194,314,922.93	-2,600,326,621.00	72,173,746,061.51
Total liabilities	30,790,166,044.56	17,906,338,214.60	97,709,729.24	-2,696,037,238.00	46,098,176,750.40
Other disclosures:					
Long-term equity investments in joint ventures and associates	749,354,237.38	152,455,027.63	—	—	901,809,265.01
Capital expenditures	250,479,096.13	16,320,668.95	173,523.46	—	266,973,288.54

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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XV. OTHER SIGNIFICANT EVENTS (Continued)

1. Segment information (Continued)

(2). Financial Information of Reporting Segment (Continued)

Geographical information

(a) Revenue from external customers

Unit: Yuan Currency: RMB

	Amount incurred for the period	Amount incurred for the previous period
China	20,373,816,231.67	18,642,824,511.92
Other countries or regions	137,761,611.19	264,237,781.60
Total	<u>20,511,577,842.86</u>	<u>18,907,062,293.52</u>

Revenue from external customers is based on the locations of the customers.

(b) Total non-current assets

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
China	<u>8,849,599,980.24</u>	<u>8,756,873,398.39</u>

Non-current assets are analyzed by geographic locations where the assets (excluding financial assets and deferred tax assets) are located.

Information about major customers

The revenue of RMB6,689,047,374.13 that reached or exceeded 10% of the total revenue of the Company generated from single customer (including all the known entities controlled by the customer) for the six months ended 30 June 2019.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

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XV. OTHER SIGNIFICANT EVENTS (Continued)

2. Others

Applicable Not applicable

Lease arrangements

1. As lessor

Significant operating leases

According to the lease contracts entered into with the lessees, the minimum lease receivables under non-cancellable leases are as follows:

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Less than 1 year (including 1 year)	32,332,676.13	30,477,934.78
2 to 5 years (including 5 years)	79,837,815.60	79,951,868.92
Over 5 years	54,884,169.92	64,491,553.63
Total	<u>167,054,661.65</u>	<u>174,921,357.33</u>

2. As lessee

Supplementary information on lease expenses

The Group simplified short-term leases and leases of low-value assets, and failed to recognize the right-of-use assets and lease liabilities. The short-term leases, low-value assets and variable lease payments not included in the measurement of lease liabilities are included in the expenses in the current period as follows:

	Amount incurred for the period
Short-term leases expenses	<u>30,820,806.01</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XV. OTHER SIGNIFICANT EVENTS (Continued)

2. Others (Continued)

Lease arrangements (Continued)

2. As lessee (Continued)

Supplementary information on lease expenses (Continued)

Significant operating lease (only applicable in 2018): According to the lease contracts entered into with the lessors, the minimum lease payables under non-cancellable leases are as follows:

Unit: Yuan Currency: RMB

	31 December 2018
Less than 1 year (including 1 year)	71,858,934.32
1 to 2 years (including 2 years)	32,694,195.84
2 to 3 years (including 3 years)	19,998,125.10
Over 3 years	<u>29,504,394.20</u>
Total	<u>154,055,649.46</u>

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Accounts receivable	2,175,763,382.47	2,460,652,575.70
Less: Provision for bad debts	<u>-58,297,388.10</u>	<u>-51,406,057.57</u>
Total	<u>2,117,465,994.37</u>	<u>2,409,246,518.13</u>

The credit period of accounts receivable is usually 6 months. The accounts receivable bear no interest.

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(1). Disclosure by ageing

Applicable Not applicable

Unit: Yuan Currency: RMB

Aging	Closing balance
Within 1 year	1,643,155,837.62
1 to 2 years	340,604,041.27
2 to 3 years	51,270,280.23
Over 3 years	140,733,223.35
Less: Provision for bad debts in respect of accounts receivable	-58,297,388.10
Total	<u>2,117,465,994.37</u>

(2). Disclosure by the method of provision of bad debts

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance				Opening balance					
	Carrying amount		Provision of bad debts	Book value	Carrying amount		Provision of bad debts	Book value		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	Amount	Percentage (%)	Amount	Percentage of provision (%)		
Provision for bad debts on individual basis	639,609,188.55	29.40	6,799,808.93	1.06	632,809,379.62	853,601,545.58	34.69	6,127,166.22	0.72	847,474,379.36
Provision for bad debts on group basis	1,536,154,193.92	70.60	51,497,579.17	3.35	1,484,656,614.75	1,607,051,030.12	65.31	45,279,681.35	2.82	1,561,772,138.77
Total	<u>2,175,763,382.47</u>	/	<u>58,297,388.10</u>	/	<u>2,117,465,994.37</u>	<u>2,460,652,575.70</u>	/	<u>51,406,067.57</u>	/	<u>2,409,246,518.13</u>

Provision for bad debts on individual basis:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

1. Accounts receivable (Continued)

(2). Disclosure by the method of provision of bad debts (Continued)

Unit: Yuan Currency: RMB

Name	Carrying amount	Closing balance		Reasons for provision
		Provision of bad debts	Percentage of provision (%)	
Beijing Metro Construction Administration Corporation Ltd.	5,018,332.90	4,014,666.32	80.00	Based on ageing and other party's business situation
Other	634,590,855.65	2,785,142.61	0.44	Based on ageing and other party's business situation
Total	<u>639,609,188.55</u>	<u>6,799,808.93</u>	<u>1.06</u>	/

Provision for bad debts on individual basis:

Applicable Not applicable

Provision for bad debts on group basis:

Applicable Not applicable

Items accruing on group basis: aging group

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(2). Disclosure by the method of provision of bad debts (Continued)

30 June 2019

Unit: Yuan Currency: RMB

Name	Closing balance		Percentage of provision (%)
	Accounts receivable	Provision for bad debts	
Within 1 year	1,123,813,149.71	5,619,065.75	0.50
1 to 2 years	294,086,976.83	14,704,348.84	5.00
2 to 3 years	50,516,815.32	5,051,681.53	10.00
Over 3 years	67,737,252.06	26,122,483.05	38.56
Total	1,536,154,193.92	51,497,579.17	3.35

31 December 2018

Unit: Yuan Currency: RMB

Name	Estimated default	Lifetime ECL	ECL rate (%)
	book balance		
Within 1 year	1,310,348,413.81	6,551,742.07	0.50
1 to 2 years	185,595,200.94	9,279,760.05	5.00
2 to 3 years	52,310,359.31	5,231,035.93	10.00
Over 3 years	58,797,056.06	24,216,353.30	41.19
Total	1,607,051,030.12	45,278,891.35	2.82

Criteria and explanation on recognition of provision for bad debts on group basis:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(3). Provision for bad debts

Applicable Not applicable

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

Category	Opening balance	Increase/(decrease) during the period			Closing balance
		Provision	Recovery or reversal	Write-back or Write-off	
Accounts receivable	51,406,057.57	7,284,409.31	393,078.78	—	58,297,388.10
Total	51,406,057.57	7,284,409.31	393,078.78	—	58,297,388.10

Unit: Yuan Currency: RMB

In 2018

Category	Balance at the end of last year	Changes in accounting policies	Increase/(decrease) during the period				Closing balance
			Opening balance	Provision	Recovery or reversal	Write-back or Write-off	
Accounts receivable	58,879,537.42	-13,738,264.54	45,141,272.88	13,870,530.78	7,605,746.09	—	51,406,057.57
Total	58,879,537.42	-13,738,264.54	45,141,272.88	13,870,530.78	7,605,746.09	—	51,406,057.57

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(4). The situation of the write-off of accounts receivable for the period

Applicable Not applicable

(5). Top five accounts receivable by closing balance collection of the borrowers

Applicable Not applicable

On 30 June 2019, the top five accounts receivable were as follows:

Unit: Yuan Currency: RMB

Name of debtor	Carrying amount	Provision for bad debts	Percentage of total accounts receivable (%)
CRSC Jishou Tengda Project Management Co., Ltd. (吉首通號騰達項目管理有限責任公司)	247,413,202.18	—	11.37
CRSC Jishou Huatai Pipeline Project Management Co., Ltd. (吉首通號華泰管廊項目管理有限責任公司)	145,987,794.14	—	6.71
China Road & Bridge Corporation (中國路橋工程有限責任公司)	136,353,049.12	681,765.25	6.27
China Communications Construction Company Limited	121,157,153.86	605,785.75	5.57
China Railway International Co., Ltd.	114,801,908.11	573,569.07	5.28
Total	<u>765,713,107.41</u>	<u>1,861,120.07</u>	<u>35.20</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

1. Accounts receivable (Continued)

(5). Top five accounts receivable by closing balance collection of the borrowers (Continued)

On 31 December 2018, the top five accounts receivable were as follows:

Name of debtor	Carrying amount	Provision for bad debts	Unit: Yuan	Currency: RMB
			Percentage of total accounts receivable (%)	
CRSC Jishou Tengda Project Management Co., Ltd. (吉首通號騰達項目管理有限責任公司)	378,069,486.57	—		15.36
China Road & Bridge Corporation (中國路橋工程有限責任公司)	259,280,276.58	308,641.54		10.54
CRSC Jishou Huatai Pipeline Project Management Co., Ltd. (吉首通號華泰管廊項目管理有限責任公司)	236,496,898.71	—		9.61
CRSC Tianshui Tram Co., Ltd. (天水通號有軌電車有限責任公司)	195,022,720.11	—		7.93
Jinan Hub Construction Headquarter of Jinan Railway Bureau Shijiazhuang-Jinan High-speed Railway (濟南鐵路局石濟客專濟南樞紐工程建設指揮部)	106,751,391.00	533,756.96		4.34
Total	<u>1,175,620,772.97</u>	<u>842,398.50</u>		<u>47.78</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables

Presented as

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Interest receivable	—	—
Dividend receivable	1,682,089,670.31	822,550,930.31
Other receivables	6,064,421,695.21	7,887,179,160.05
Total	<u>7,746,511,365.52</u>	<u>8,709,730,090.36</u>

Other explanation:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

2. Other receivables (Continued)

(1). Dividend receivable

Applicable Not applicable

Unit: Yuan Currency: RMB

Items (or invested entities)	Closing balance	Opening balance
CRSC (Xi'an) Industry Group	467,922,000.00	205,614,000.00
CRSCD	389,940,000.00	328,677,000.00
CRSC (Beijing) Industry Group	305,352,000.00	99,621,000.00
CRSC Engineering Bureau	166,146,000.00	57,996,000.00
CRSC Construction	126,564,000.00	29,682,000.00
CRSC CASCO	112,003,140.00	—
CRSC Communication & Information Corporation	51,786,000.00	26,838,000.00
CRSC (Changsha) Rail Transit Urban Rail Transit	18,162,000.00	12,639,000.00
CRSC Cable Group	13,806,000.00	3,129,000.00
CRSC Smart City Research & Design	10,410,000.00	—
CRSC International	6,534,000.00	2,124,000.00
CRSC Materials Group	4,410,000.00	3,972,000.00
CRSC Wanquan	4,003,600.00	—
CRSC Inspection	3,616,930.31	3,616,930.31
CRSC Shanghai Engineering Bureau	1,434,000.00	—
	—	48,642,000.00
Total	1,682,089,670.31	822,550,930.31

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

2. Other receivables (Continued)

Other receivables

(1). Disclosure by aging

Applicable Not applicable

Unit: Yuan Currency: RMB

Aging

Within 1 year
1 to 2 years
2 to 3 years
Over 3 years
Less: Provision for bad debts of other receivables
Total

Closing balance

5,115,111,134.05
99,088,257.37
1,129,074.86
849,551,901.78
-458,672.85
<u>6,064,421,695.21</u>

(2). Classified by nature

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

2. Other receivables (Continued)

Other receivables (Continued)

(3). Provision for bad debts

Applicable Not applicable

Unit: Yuan Currency: RMB

	Stage 1	Stage 2	Stage 3	
	12-months ECL	Lifetime ECL (without credit-impairment)	Lifetime ECL (credit-impairment)	Total
Provision for bad debts				
Balance on 1 January 2019	420,451.00	69,160.92	—	489,611.92
Balance on 1 January 2019 (for the current period)	—	—	—	—
– Transfer to stage 2	—	—	—	—
– Transfer to stage 3	—	—	—	—
– Transfer back to stage 2	—	—	—	—
– Transfer back to stage 1	—	—	—	—
Provision	—	—	—	—
Reversal	8,000.00	22,939.07	—	30,939.07
Write-off	—	—	—	—
Cancellation	—	—	—	—
Other changes	—	—	—	—
Balance on 30 June 2019	412,451.00	46,221.85	—	458,672.85

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

Other receivables (Continued)

(3). Provision for bad debts (Continued)

Unit: Yuan Currency: RMB

	Stage 1	Stage 2	Stage 3	
	12-months ECL	Lifetime ECL (without credit- impairment)	Lifetime ECL (credit-impaired)	Total
Balance on 1 January 2018	429,763.40	25,028,888.66	—	25,458,652.06
Changes in accounting policies	1,359,946.78	-6,555.47	—	1,353,391.31
Balance on 1 January 2018 (for the current period)	—	—	—	—
–Transfer to stage 2	—	—	—	—
–Transfer to stage 3	—	—	—	—
–Transfer back to stage 2	—	—	—	—
–Transfer back to stage 1	—	—	—	—
Provision	7,250.00	46,827.73	—	54,077.73
Reversal	1,376,509.18	25,000,000.00	—	26,376,509.18
Write-off	—	—	—	—
Cancellation	—	—	—	—
Other changes	—	—	—	—
Balance on 31 December 2018	<u>420,451.00</u>	<u>69,160.92</u>	<u>—</u>	<u>489,611.92</u>

A description of the significant changes in the carrying amount of other receivables in which the loss provision has changed in the current period:

Applicable Not applicable

The significant changes in amounts of provisions for bad debts in the current period and credit risk of assessment of financial instruments are as follows:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

2. Other receivables (Continued)

Other receivables (Continued)

(3). Provision for bad debts (Continued)

The significant changes in the gross carrying amount of other receivables that affected the changes in loss provisions in the current period are as follows:

Unit: Yuan Currency: RMB

	Stage 1	Stage 2	Stage 3	
	12-months ECL	Lifetime ECL (without credit- impairment)	Lifetime ECL (credit-impaired)	Total
Balance on 1 January 2019	8,709,949,764.96	269,937.32	—	8,710,219,702.28
Balance on 1 January 2019 for the Period				
– Transfer to stage 2	—	—	—	—
– Transfer to stage 3	—	—	—	—
– Transfer back to stage 2	—	—	—	—
– Transfer back to stage 1	—	—	—	—
Additions	3,722,566,579.82	—	—	3,722,566,579.82
Derecognized	4,685,816,243.73	—	—	4,685,816,243.73
Write-off	—	—	—	—
Other changes	—	—	—	—
Balance on 30 June 2019	<u>7,746,700,101.05</u>	<u>269,937.32</u>	<u>—</u>	<u>7,746,970,038.37</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

Other receivables (Continued)

(3). Provision for bad debts (Continued)

Unit: Yuan Currency: RMB

	Stage 1	Stage 2	Stage 3	
	12-months ECL	Lifetime ECL (without credit- impairment)	Lifetime ECL (credit-impaired)	Total
Balance on 1 January 2018	6,162,135,113.07	50,269,937.32	—	6,212,405,050.39
Balance on 1 January 2018 (for the current period)	—	—	—	—
– Transfer to stage 2	—	—	—	—
– Transfer to stage 3	—	—	—	—
– Transfer back to stage 2	—	—	—	—
– Transfer back to stage 1	—	—	—	—
Additions	7,242,920,175.12	—	—	7,242,920,175.12
Derecognized	4,695,105,523.23	50,000,000.00	—	4,745,105,523.23
Other changes	—	—	—	—
Balance on 31 December 2018	<u>8,709,949,764.96</u>	<u>269,937.32</u>	<u>—</u>	<u>8,710,219,702.28</u>

A description of the significant changes in the carrying amount of other receivables in which the loss provision has changed in the current period:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

Other receivables (Continued)

(4). Provision for bad debts

Applicable Not applicable

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

Category	Increase/(decrease) during the period				Closing balance
	Opening balance	Provision	Recovery or reversal	Write-back or Write-off	
Other receivables	<u>489,611.92</u>	—	<u>30,939.07</u>	—	<u>458,672.85</u>
Total	<u>489,611.92</u>	—	<u>30,939.07</u>	—	<u>458,672.85</u>

In 2018

Unit: Yuan Currency: RMB

Category	Closing balance for last year	Changes in accounting policies	Opening balance	Increase/(decrease) during the period			Write-back or Write-off
				Provision	Provision	Recovery or reversal	
Other receivables	<u>25,458,652.06</u>	<u>1,353,391.31</u>	<u>26,812,043.37</u>	<u>54,077.73</u>	<u>26,376,509.18</u>	—	<u>489,611.92</u>
Total	<u>25,458,652.06</u>	<u>1,353,391.31</u>	<u>26,812,043.37</u>	<u>54,077.73</u>	<u>26,376,509.18</u>	—	<u>489,611.92</u>

Significant amounts of provision for bad debts recovered or reversed in the period:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019
RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

Other receivables (Continued)

(5). Top five accounts receivable by closing balance collection of the borrowers

√ Applicable □ Not applicable

As at 30 June 2019, the top five entities with the largest balances of other receivables:

Unit: Yuan Currency: RMB

Name of debtor	Nature of payment	Closing balance	Aging	Proportion of total closing balance of other receivables (%)	Closing balance of provision for bad debts
Bridge Trust Co., Ltd.	Security fund subscription payments	28,000,000.00	Within 1 year	0.46	—
China Construction Communications Engrg. Group Corp. Ltd.	Current payments	5,500,000.00	1 to 2 years	0.09	—
CRSC Tianshui Tram Co., Ltd.	Current payments	3,307,363.75	Within 1 year	0.05	—
Beijing Fengtai Science and Technology Park Construction Development Co., Ltd.	Current payments	2,824,140.88	Over 3 years	0.05	—
PT Kereta Cepat Indonesia China	Current payments	2,778,807.28	Within 1 year	0.05	—
Total	/	<u>42,410,311.91</u>	/	<u>0.70</u>	—

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

Other receivables (Continued)

(5). Top five accounts receivable by closing balance collection of the borrowers (Continued)

As at 31 December 2018, the top five entities with the largest balances of other receivables:

Unit: Yuan Currency: RMB

Name of debtor	Nature of payment	Closing balance	Aging	Proportion of total closing balance of other receivables (%)	Closing balance of provision for bad debts
Bridge Trust Co., Ltd.	Security fund subscription payment	28,000,000.00	Within 1 year	0.35	—
Railway Electrification Bureau Group Third Engineering Co., Ltd.	Current payments	6,210,000.00	Within 1 year	0.08	31,050.00
China Construction Communications Engrg. Group Corp. Ltd	Current payments	5,500,000.00	1 to 2 years	0.07	—
CRSC Gaoan Public facilities Construction Investment Co., Ltd. (通號高安公用設施建設投資有限公司)	Current payments	4,122,000.00	2 to 3 years	0.05	—
Wonderful Sky Strategic Investment Consultation (Beijing) Co., Ltd. (皓天策略投資顧問(北京)有限公司)	Current payments	3,000,000.00	3 to 4 years	0.04	—
Total	/	<u>46,832,000.00</u>	/	<u>0.59</u>	<u>31,050.00</u>

3. Long-term equity investments

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment	Book Value	Carrying amount	Provision for impairment	Book Value
Investments in subsidiaries	14,518,000,491.57	—	14,518,000,491.57	14,253,868,491.57	—	14,253,868,491.57
Investments in associates and joint ventures	694,957,000.38	—	694,957,000.38	685,003,313.86	—	685,003,313.86
Total	<u>15,212,957,491.95</u>	<u>—</u>	<u>15,212,957,491.95</u>	<u>14,938,871,805.43</u>	<u>—</u>	<u>14,938,871,805.43</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term equity investments (Continued)

(1) Investments in subsidiaries

√ Applicable □ Not applicable

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment for the period	Closing balance of provision for impairment
Shanghai Engineering Bureau	515,168,395.36	264,132,000.00	—	779,300,395.36	—	—
CRSCD	1,529,072,621.04	—	—	1,529,072,621.04	—	—
CRSC Communication & Information Group	320,790,731.45	—	—	320,790,731.45	—	—
Urban Rail Transit	100,000,000.00	—	—	100,000,000.00	—	—
CRSC International	463,000,000.00	—	—	463,000,000.00	—	—
CRSC Innovation Investment	3,000,000,000.00	—	—	3,000,000,000.00	—	—
CRSC Transportation Construction	180,000,000.00	—	—	180,000,000.00	—	—
CRSC Materials Group	100,000,000.00	—	—	100,000,000.00	—	—
CRSC Engineering Bureau	995,447,494.77	—	—	995,447,494.77	—	—
CRSC Cable Group	389,223,087.50	—	—	389,223,087.50	—	—
CRSC Inspection & Testing	88,600,178.96	—	—	88,600,178.96	—	—
CRSC (Changsha) Rail Transit	1,153,750,000.00	—	—	1,153,750,000.00	—	—
CRSC Wanquan	119,950,600.00	—	—	119,950,600.00	—	—
CRSC CASCO	568,260,709.51	—	—	568,260,709.51	—	—
CRSC (Beijing) Industry Group	1,348,703,706.17	—	—	1,348,703,706.17	—	—
CRSC (Xi'an) Industry Group	851,255,688.70	—	—	851,255,688.70	—	—
Zhengzhou Zhongyuan	325,000,000.00	—	—	325,000,000.00	—	—
CRSC Railway Vehicles	225,720,000.00	—	—	225,720,000.00	—	—
CRSC Construction	1,000,344,078.11	—	—	1,000,344,078.11	—	—
Smart City Research & Design	50,000,000.00	—	—	50,000,000.00	—	—
Railway Signal & Communication International	2,581,200.00	—	—	2,581,200.00	—	—
CRSC Tengda	405,000,000.00	—	—	405,000,000.00	—	—
CRSC Huatai	522,000,000.00	—	—	522,000,000.00	—	—
Total	14,253,868,491.57	264,132,000.00	—	14,518,000,491.57	—	—

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

3. Long-term equity investments (Continued)

(1) Investments in subsidiaries (Continued)

In 2018

Unit: Yuan Currency: RMB

Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment for the period	Closing balance of provision for impairment
Shanghai Engineering Bureau	515,168,395.36	—	—	515,168,395.36	—	—
CRSCD	1,529,072,621.04	—	—	1,529,072,621.04	—	—
CRSC Communication & Information Group	316,026,834.70	4,763,896.75	—	320,790,731.45	—	—
Urban Rail Transit	100,000,000.00	—	—	100,000,000.00	—	—
CRSC International	463,000,000.00	—	—	463,000,000.00	—	—
CRSC Innovation Investment	3,000,000,000.00	—	—	3,000,000,000.00	—	—
CRSC Transportation Construction	—	180,000,000.00	—	180,000,000.00	—	—
CRSC Materials Group	100,000,000.00	—	—	100,000,000.00	—	—
CRSC Engineering Bureau	595,447,494.77	400,000,000.00	—	995,447,494.77	—	—
CRSC Cable Group	389,223,087.50	—	—	389,223,087.50	—	—
CRSC Inspection & Testing	88,600,178.96	—	—	88,600,178.96	—	—
CRSC (Changsha) Rail Transit	1,153,750,000.00	—	—	1,153,750,000.00	—	—
CRSC Wanquan	119,950,600.00	—	—	119,950,600.00	—	—
CRSC CASCO	568,260,709.51	—	—	568,260,709.51	—	—
CRSC (Beijing) Industry Group	1,348,703,706.17	—	—	1,348,703,706.17	—	—
CRSC (Xi'an) Industry Group	851,255,688.70	—	—	851,255,688.70	—	—
Zhengzhou Zhongyuan	325,000,000.00	—	—	325,000,000.00	—	—
CRSC Railway Vehicles	225,720,000.00	—	—	225,720,000.00	—	—
CRSC Construction	1,000,344,078.11	—	—	1,000,344,078.11	—	—
Smart City Research & Design	50,000,000.00	—	—	50,000,000.00	—	—
Railway Signal & Communication International	2,581,200.00	—	—	2,581,200.00	—	—
CRSC Tengda	197,100,000.00	207,900,000.00	—	405,000,000.00	—	—
CRSC Huatai	522,000,000.00	—	—	522,000,000.00	—	—
Total	13,461,204,594.82	792,663,896.75	—	14,253,868,491.57	—	—

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term equity investments (Continued)

(2) Investment in joint ventures and associates

√ Applicable □ Not applicable

For the six months ended 30 June 2019

Unit: Yuan Currency: RMB

Investee	Increase/(decrease) during the period									Closing balance of impairment provisions
	Opening balance	Increase in investment	Decrease in investment	Investment profit or loss recognized under the equity method	Adjustments of other comprehensive income	Other equity changes	Declaration of cash dividends or profits	Provision for impairment	Others	
I. Joint ventures										
Wenzhou-Hangwen High-Speed Railway										
	—	76,500,000.00	—	—	—	—	—	—	—	76,500,000.00
Sichuan Development										
	56,733,823.16	—	56,733,823.16	—	—	—	—	—	—	—
Subtotal										
	56,733,823.16	76,500,000.00	56,733,823.16	—	—	—	—	—	—	76,500,000.00
II. Associates										
CSCEC Foshan										
	82,300,609.21	—	64,240,000.00	-730,773.97	—	—	—	—	—	17,329,835.24
Siping Pipeline										
	134,715,266.36	—	—	—	—	—	—	—	—	134,715,266.36
Airbus										
	20,248,799.36	—	—	-582,661.94	—	—	—	—	—	19,666,137.42
Guangdong Ultrast										
Financial Leasing										
	302,243,054.50	—	—	2,474,445.59	—	—	—	—	—	304,717,500.09
Tianshui Tram										
	88,761,761.27	53,266,500.00	—	—	—	—	—	—	—	142,028,261.27
Subtotal										
	628,269,490.70	53,266,500.00	64,240,000.00	1,161,009.68	—	—	—	—	—	618,457,000.38
Total										
	685,003,313.86	129,766,500.00	120,973,823.16	1,161,009.68	—	—	—	—	—	694,957,000.38

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term equity investments (Continued)

(2) Investment in joint ventures and associates (Continued)

In 2018

Unit: Yuan Currency: RMB

Investee	Opening balance	Increase in investment	Decrease in investment	Increase/(decrease) during the period						Closing balance	Closing balance of impairment provisions
				Investment profit or loss recognized under the equity method	Adjustments of other comprehensive income	Other equity changes	Declaration of cash dividends or profits	Provision for impairment	Others		
I. Joint ventures											
Tianshui Tiantong	100,038,121.69	—	101,469,410.01	1,431,288.32	—	—	—	—	—	—	—
Sichuan Development	56,048,330.51	—	—	685,492.65	—	—	—	—	—	56,733,823.16	—
Subtotal	156,086,452.20	—	101,469,410.01	2,116,780.97	—	—	—	—	—	56,733,823.16	—
II. Associates											
CSCEC Foshan	70,178,157.91	—	—	12,122,451.30	—	—	—	—	—	82,300,609.21	—
Siping Pipeline	134,715,266.36	—	—	—	—	—	—	—	—	134,715,266.36	—
Airbus	18,608,547.91	—	—	1,640,251.45	—	—	—	—	—	20,248,799.36	—
Guangdong Ultrust											
Financial Leasing	301,442,926.69	—	—	800,127.81	—	—	—	—	—	302,243,054.50	—
Tianshui Tram	—	88,777,500.00	—	-15,738.73	—	—	—	—	—	88,761,761.27	—
Subtotal	524,944,898.87	88,777,500.00	—	14,547,091.83	—	—	—	—	—	628,269,490.70	—
Total	681,031,351.07	88,777,500.00	101,469,410.01	16,663,872.80	—	—	—	—	—	685,003,313.86	—

Other explanation:

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Operating revenue and cost

(1). Operating revenue and cost

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred during the period		Amount incurred during the previous period	
	Revenue	Cost	Revenue	Cost
Main businesses	2,227,560,868.86	2,060,854,991.48	1,721,639,297.99	1,544,759,611.22
Other businesses	68,297,066.60	21,087,641.77	60,550,096.98	20,959,408.71
Total	<u>2,295,857,935.46</u>	<u>2,081,942,633.25</u>	<u>1,782,189,394.97</u>	<u>1,565,719,019.93</u>

Operating revenues are as follows:

Unit: Yuan Currency: RMB

	Amount incurred during the period	Amount incurred during the previous period
System implementation services	215,824,731.92	216,768,999.94
Design and integration	1,924,990,328.70	917,255,203.50
Construction contracting	93,178,401.89	587,416,053.75
Others	61,864,472.95	60,749,137.78
Total	<u>2,295,857,935.46</u>	<u>1,782,189,394.97</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

4. Operating revenue and cost (Continued)

(1). Operating revenue and cost (Continued)

Operating costs are as follows:

Unit: Yuan Currency: RMB

	Amount incurred during the period	Amount incurred during the previous period
System implementation services	195,168,493.51	186,081,135.17
Design and integration	1,788,333,971.94	843,482,009.84
Construction contracting	81,681,235.79	515,266,817.76
Others	16,758,932.01	20,889,057.16
Total	<u>2,081,942,633.25</u>	<u>1,565,719,019.93</u>

5. Investment income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred during the period	Amount incurred during the previous period
Income from long-term equity investments under equity method	1,161,009.68	3,787,556.95
Investment income from disposal of long-term equity investments	3,266,176.84	—
Income from long-term equity investments under cost method	1,904,607,880.00	1,646,306,400.00
Investment income from capital borrowings	145,480,637.92	97,305,075.90
Total	<u>2,054,515,704.44</u>	<u>1,747,399,032.85</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019
RMB

XVII.SUPPLEMENTARY INFORMATION

1. Details of current non-recurring profit or loss

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount	Comparative amount in the previous period	Notes
Gains or loss from disposal of non-current assets	-1,356,544.68	-308,934.25	
Government grants recognized through profit or loss (other than government grants which are closely related to corporate business and granted based on a fixed amount or a fixed quantity unified by the state)	15,812,429.43	26,283,630.79	
Reversal of provisions for impairment of accounts receivable and contract assets that had impairment test separately	3,691,843.04	17,297,246.83	
Other non-operating income and expenses other than the above items	1,252,477.20	27,594,932.56	
Other profit/loss items falling within the definition of non-recurring profit or loss	225,090,645.39	-205,119.33	For the period ended 30 June 2019, other profit/loss items falling within the definition of non-recurring profit or loss mainly refer to the investment income from disposal of the equity of a subsidiary, CRSC Real Estate Co., Ltd.
Effect on income tax	-37,093,964.12	-11,740,264.39	
Effect on minority interests	—	—	
Total	207,396,886.26	58,921,492.21	

Reasons shall be given for non-recurring profit or loss items defined by the Company according to definitions under the Explanatory Announcement No.1 on Information Disclosure by Companies Offering Securities to the Public – Non-recurring Profits or Losses and for non-recurring profit or loss items listed in the Explanatory Announcement No.1 on Information Disclosure by Companies Offering Securities to the Public – Non-recurring Profits or Losses but defined by the Company as recurring profit or loss.

Applicable Not applicable

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2019

RMB

XVII.SUPPLEMENTARY INFORMATION (Continued)

2. Return on net assets and earnings per share (EPS)

Applicable Not applicable

Profits of Reporting Period	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	7.62	0.25	0.25
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss	6.93	0.22	0.22

Profits of Reporting Period	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	7.99	0.23	0.23
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss	7.75	0.22	0.22

3. Differences in accounting data between domestic and overseas accounting standards

Applicable Not applicable

CRSC

中国通号

*China Railway Signal & Communication Corporation Limited**
中國鐵路通信信號股份有限公司