



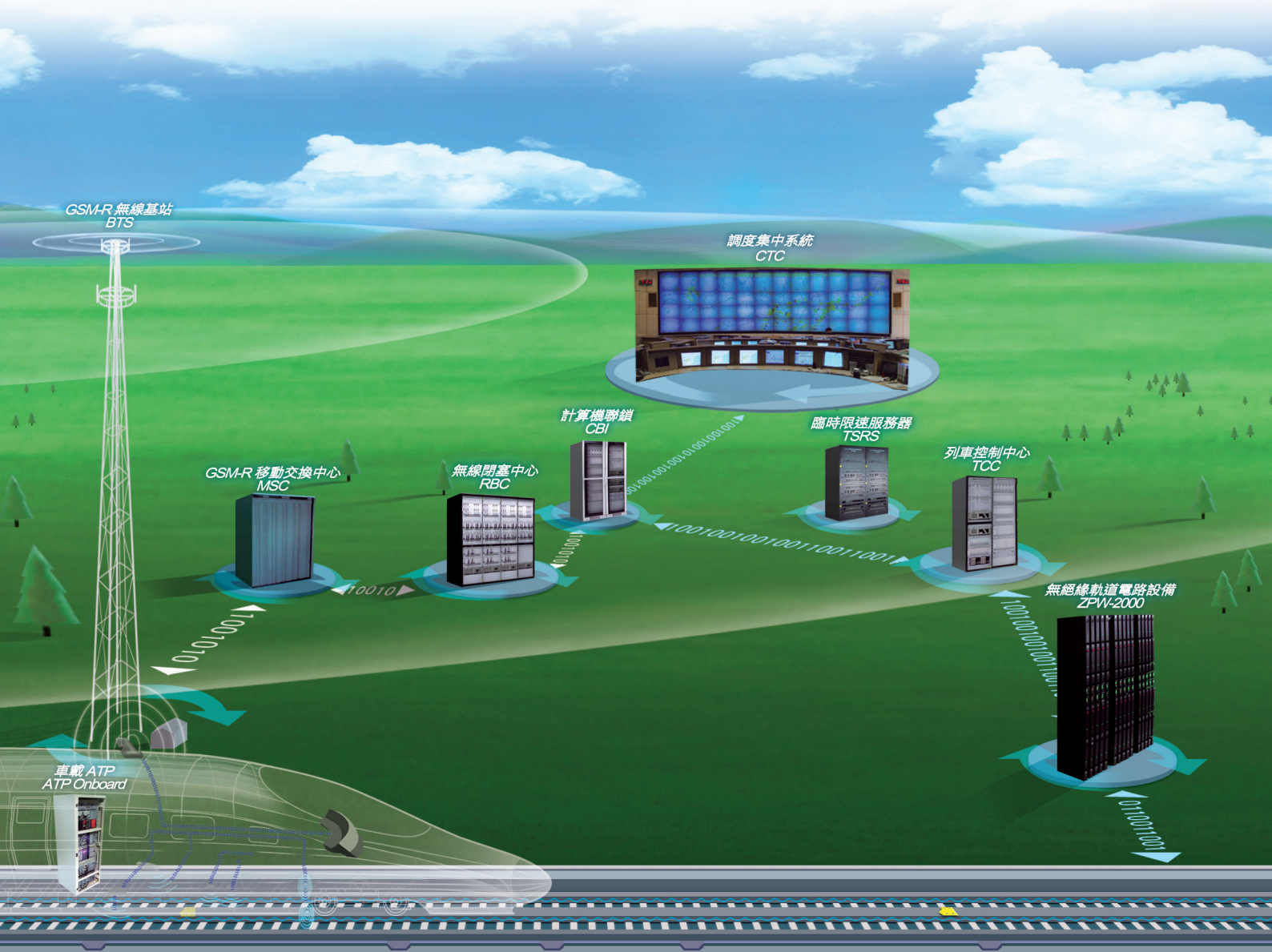
中国通号

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



# 2020 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. WARNING OF SIGNIFICANT RISKS**

For the description of relevant risks, please refer to “Discussion and Analysis on Business Operations” under Section IV of this report.

**III. ALL DIRECTORS OF THE COMPANY ATTENDED THE BOARD MEETING.**

**IV. THIS INTERIM REPORT WAS UNAUDITED.**

**V. ZHOU ZHILIANG, PERSON-IN-CHARGE OF THE COMPANY, HU SHAOFENG, CHIEF FINANCIAL OFFICER, AND ZHANG SHIHU, HEAD OF THE FINANCE DEPARTMENT (PERSON IN CHARGE OF ACCOUNTING), CONFIRM THAT THE FINANCIAL REPORT IN THIS INTERIM REPORT IS TRUE, ACCURATE AND COMPLETE.**

**VI. PROFIT DISTRIBUTION PLAN OR RESERVES-TO-EQUITY TRANSFER PLAN DURING THE REPORTING PERIOD AS CONSIDERED BY THE BOARD**

None.

**VII. WHETHER THERE ARE IMPORTANT MATTERS SUCH AS SPECIAL ARRANGEMENTS FOR CORPORATE GOVERNANCE**

No.

**VIII. DISCLAIMER OF FORWARD-LOOKING STATEMENTS**

This report contains forward-looking statements that are based on 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.

**IX. WHETHER THE CONTROLLING SHAREHOLDER OR ITS RELATED PARTIES HAVE MISAPPROPRIATED THE COMPANY’S FUNDS FOR PURPOSES OTHER THAN FOR BUSINESS**

No.

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

No.

**XI. 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:

### Definition of common words

“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 2020 and ended on 30 June 2020
“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

# 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
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
Website of the Company	www.crsc.cn
E-mail	ir@crsc.cn
Index to changes during the Reporting Period	None

## II. CONTACT PERSONS AND CONTACT METHODS

Name	Secretary to the Board (Domestic representative for information disclosure) QIU Wei
Correspondence address	20/F, CRSC Building A 1 Compound, Automobile Museum South Road Fengtai District Beijing
Telephone	010-50809286
Fax	010-50809075
E-mail	ir@crsc.cn

\* For identification only

## SECTION II

# BASIC CORPORATE INFORMATION AND KEY FINANCIAL INDICATORS

### III. 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 versions 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

## IV. BASIC INFORMATION OF SHARES

## Basic information of shares of the Company

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

## V. OTHER RELEVANT INFORMATION

<b>JOINT COMPANY SECRETARIES</b>	Ms. QIU Wei Ms. NG Wing Shan ( <i>FCIS, FCS</i> )
<b>AUTHORIZED REPRESENTATIVES</b>	Mr. ZHOU Zhiliang Ms. NG Wing Shan ( <i>FCIS, FCS</i> )
<b>H SHARE REGISTRAR</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
<b>LEGAL ADVISERS</b>	<b>Hong Kong Legal Adviser</b>  Clifford Chance 27th Floor, Jardine House 1 Connaught Place Central, Hong Kong  <b>PRC Legal Adviser</b>  Zhong Lun Law Firm 33, 36, 37/F, SK Tower A6 Jianguomenwai Avenue, Chaoyang District Beijing, China
<b>AUDITORS</b>	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

### VI. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

#### (I) Key accounting data

Key accounting data	Unit: Yuan Currency: RMB		
	For the Reporting Period (from January to June)	Corresponding period	Change as compared with the corresponding period of last year (%)
Revenue	14,620,778,851.32	20,511,577,842.86	-28.72
Net profit attributable to shareholders of the listed company	1,774,925,442.85	2,267,893,086.86	-21.74
Net profit deducting non-recurring profit or loss attributable to shareholders of the listed company	1,740,428,904.21	2,060,496,200.60	-15.53
Net cash flows from operating activities	-972,052,222.39	-130,168,310.24	-
	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	40,630,442,470.38	41,119,607,362.50	-1.19
Total assets	99,476,918,689.66	97,512,591,304.36	2.01

#### (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)	0.16	0.25	-36.00
Diluted earnings per share (RMB/share)	0.16	0.25	-36.00
Basic earnings per share after deduction of non-recurring profit or loss (RMB/share)	0.16	0.22	-27.27
Weighted average rate of return on net assets (%)	4.23	7.62	Decreased by 3.39 percentage points
Weighted average rate of return on net assets after deduction of non-recurring profit or loss (%)	4.15	6.93	Decreased by 2.78 percentage points
R&D investment as a percentage of revenue (%)	4.09	2.85	Increased by 1.24 percentage points

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

Not applicable.



## BASIC CORPORATE INFORMATION AND KEY FINANCIAL INDICATORS

## VII. DIFFERENCES IN ACCOUNTING DATA BETWEEN DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

Not applicable.

## VIII. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Non-recurring profit or loss items	Amount	Notes (if applicable)
Profit or loss from disposal of non-current assets	483,141.55	
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)	37,946,235.33	
Reversal of the provisions for impairment of receivables and contract assets subject to individually impairment test	1,059,007.91	
Other non-operating income and expenses other than the above items	5,002,086.46	
Effect on minority interests	-2,443,108.46	
Effect on income tax	-7,550,824.15	
Total	<u>34,496,538.64</u>	

## IX. OTHERS

Not applicable.

## SECTION III

# SUMMARY OF THE COMPANY'S BUSINESSES

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

#### (I) Major Businesses, Major Products or Services

The Company has always been focusing on the research and exploration of rail transportation control system technology and is committed to providing safe and efficient core support for the operation of national rail transportation. It has become 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.

In the rail transportation control system sector, with the support of core technologies, 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 business 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 sector. The major 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.

Adhering to technology research and development and leveraging on its long-term development in the rail transportation control system sector, 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.

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 construction contracting, tramcars, smart city, power supply and electrification and other related diversified products and services.

There was no material change in the Company's major businesses during the Reporting Period.

## SECTION III

# SUMMARY OF THE COMPANY'S BUSINESSES

### (II) Major Operation Modes

There was no material change in the Company's major operation modes during the Reporting Period. The details are as follows:

#### 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's 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 engineering management center 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.

### (III) Relevant Industry Information

Major businesses of the Company are design and integration, equipment manufacturing and system implementation of rail transportation control system, and it belongs to the "C37 railway, ship, aerospace and other transportation equipment manufacturing industry" according to the Guidelines for the Industry Classification of Listed Companies (Revised in 2012) issued by the CSRC. As an important component in 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 the 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 railway sector, seen from the perspective of global railway industry, the period since the late 1990s is the third development wave of high-speed railways, and the number of countries and regions that are building and planning to build high-speed railway is growing rapidly. As shown in the report High Speed Lines In the World released by the International Union of Railways (UIC) in March 2019, the operation mileage of high-speed railways in the world has reached 46,400 kilometers, the mileage under construction has reached 12,000 kilometers, the planned mileage has reached 13,100 kilometers, and the long-term planned mileage has reached 27,400 kilometers. Seen from the perspective of the domestic railway industry, according to the Medium- and

## SECTION III

# SUMMARY OF THE COMPANY'S BUSINESSES

Long-term Railway Plan (2020-2035) (for comments), the high-speed railway network will be expanded from “eight vertical and eight horizontal lines” to “ten vertical and ten horizontal lines”, and the Planning Outline of the National Comprehensive Three-Dimensional Transportation Network (2021-2050) and other documents also set the tone for the domestic railway construction to enter a new climax in the future. As of the end of July 2020, the domestic mileage of railways in operation was approximately 141,400 kilometers, of which approximately of 36,000 kilometers were high-speed railways, indicating that there is still broad market space for new railway lines in the future. With the operation time of high-speed railway lines opened around 2010 reaching or approaching 10 years, the corresponding train control system has gradually entered the renewing and upgrading cycle, and thus the relevant market will gradually open. 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 result of which, investment in intellectualized fields will also increase gradually 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.

In respect of urban transit field, seen from the perspective of global urban transit industry, at present, the developed urban transit system plays an increasingly important role in the urban passenger transport system. Major cities such as New York, Washington, Chicago, London, Paris, Berlin, Tokyo, etc. have basically completed the construction of urban transit network, and the construction of urban transit in emerging countries and regions is in the ascendant. Seen from the perspective of domestic urban transit industry, in recent years, the continuous expansion of urban scale has injected power into the urban transit industry. Some large cities have completed a number of projects in succession, which has significantly improved the urban traffic situation and played an important role in giving full play to the urban functions, improving the environment and promoting economic and social development.

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 2020, 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. As of the end of June 2020, the contracted mileage coverage rate of the Company exceeded 60% based on the cumulative contracted mileage statistics of domestic high-speed railway control system integration projects. 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. Since the establishment, the Company's core products and services of urban transit control system have covered nearly 110 urban transit routes in the PRC which have been in operation and completed the bidding of control system, having the leading position in the industry. In the second half of 2020, the Company will continue to seize favorable industry trends and opportunities, fully utilize the world-frontier technologies, take advantage of industry chain integration, further increase investment in research and development 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. Meanwhile, the Company will accelerate the conversion of research results into industrial production, continuously enhance its management as a modern enterprise, proactively adapt to new environments and new changes, seize market opportunities ahead of others, actively participate in global competition to consolidate its leading position in global industry of rail transportation control system and become a world-class multinational industrial group with the characteristics of its rail transportation control technology.

## SECTION III

# SUMMARY OF THE COMPANY'S BUSINESSES

## II. CORE TECHNOLOGY AND RESEARCH AND DEVELOPMENT PROGRESS

### 1. Core technology and its leading edges and changes during the Reporting Period

The Company focuses on technology research & development, and promotes sustainable development of its overall business by technology innovations. Since its establishment, the Company has been working in the field of rail transportation control system, and owned many industry-leading core technologies leveraging on its outstanding technology innovation strength. As of the end of June 2020, the Company has 2,262 registered patents to protect its core technologies in the PRC, meanwhile, the Company signed special confidentiality agreements with relevant technicians regarding core technologies to ensure that core technologies would not be disclosed or spread.

The core technologies owned by the Company primarily include but not limited to the below:

No.	Core technology	Source of technology	Technical level and degree of application
1	Train operation control technology	Independently researched and developed	Train operation control technology has been widely used in HSRs, ICRs, urban rail transit and other fields, which provides core technical guarantee for highly efficient and safe operation of rail transportation. Responding to the demand for highly safe and reliable operation of rail transportation, this technology has addressed certain significant technology issues such as dynamical control curve model of train, precise positioning of train, speed and distance detecting of train, onboard fully functional seamless switch, wireless redundancy coverage of multiple doubling railways, moving blocking and railway network connectivity.
2	Automatic train operation technology	Independently researched and developed	Automatic train operation technology has been successfully applied in the fields of HSRs, ICRs and urban rail transit and other fields. Based on train control system, by using this technology, automatic train operation is realized; through advanced automatic driving control algorithm, certain significant technology issues such as calculation of desired speed curve of train operation, the algorithm of precise stop of train, intelligent control of multiple objects, perception of status in complex operation environment, remote safe control have been addressed, and multiple indicators such as punctuality rate of operation and train parking accuracy and ride comfort and operation consumption have been improved.

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# SUMMARY OF THE COMPANY'S BUSINESSES

No.	Core technology	Source of technology	Technical level and degree of application
3	Integrated automation technology of freight railway	Independently researched and developed	Integrated automation technology of freight railway has been widely used in many marshaling yards in national railway and dispatch centers of railway bureaus, which provides core technology guarantee in improving railway freight efficiency, benefit and safety. The technology has addressed some significant technology issues such as intelligent calculation of freight traffic, intelligent adjustment of running line of railway wagons, intelligent preparation of locomotive usage plan and shunting plan, smart issuance of periodical maintenance and repair plan of vehicles, source control of train operation, as a result, the railway freight efficiency and intellectualization level have been improved.
4	Train traffic control automation technology	Independently researched and developed	Train traffic control automation technology has been widely used in HSRs, ICRs, urban rail transit, some normal-speed railways and other fields. This technology integrates computer technology, network technology and control technology, forms a closed-loop system of train operation dispatch and instruction, addresses technology issues such as train tracing, automatic control for hump rolling routes, prevention and control of mistaken receiving-departure at multi-directional hub station, train dispatch management and control at sectional station and intermediate station and intelligent adjustment of operation plan, as a result, automation level of operation instruction and emergent handling level have been improved.
5	Intelligent detection, operation and maintenance technology of rail transit	Independently researched and developed	Intelligent detection, operation and maintenance technology of rail transportation has been successfully used in the fields of HSRs, normal-speed railways, urban transit. By virtue of Big Data system and Cloud Service technology, the technology has been adopted to promote the development of detection, operation and maintenance of rail transportation towards digitalization, intellectualization and informatization. With the technologies such as diverse integration of intelligent perception, multi-drive engines integration of analysis and judgement, Big Data health assessment analysis as breakthrough points, through expert system, mode identification, trend analysis, comprehensive appraisal, comprehensive positioning and mobile internet, it has realized the advance prediction of rail transit operation risks, active maintenance and health management of key equipment during whole lifetime based on all factors such as personnel, equipment, environment and operation and maintenance processes, improved the maintenance efficiency of equipment, effectively shortened breakdown time, and significantly decreased the failure rate of equipment.



## SECTION III

# SUMMARY OF THE COMPANY'S BUSINESSES

No.	Core technology	Source of technology	Technical level and degree of application
6	Train control integration technology	Independently researched and developed	The train control integration technology has been widely used in the fields of HSRs, ICRs, urban rail transit. Through the integrated engineering software design platform integrating data platform technology and graphic software technology, the technology has been applied to make engineering design, data allocation, automatic compiling an organic entirety, resulting in the improvement of software integration; by summarizing features of domestic hub and utilization scenario, an integration process of site installation, commissioning, test and construction standardization has been built. This technology is appropriate for the connectivity of different modes of equipment with various operation grades at newly-built routes, reconstructed routes and complex hubs.
7	Safe computer platform technology	Independently researched and developed	The safe computer platform technology has been widely used at the train operation control system centers, stations, onboard safe control devices, which provides a very safe, reliable, high-performed and expandable basic software and hardware platform. This technology has addressed some core technology issues such as safe drive and collection based on electronic components, clock level multi-machine synchronous comparison, operation fault detection and fast redundancy switch, and it has been granted highest grade safety certification of International Functional Safety Standard.
8	Mobile frequency key control signal safety modulation and demodulation technology	Independently researched and developed	Mobile frequency key control signal safety modulation and demodulation technology has been widely used in the fields of HSRs, ICRs and normal-speed railways. This technology has built a set of fault-safety rail circuit system with mobile frequency key control signal as power and rail as conductor, addressed contactless safety signal source technology, mobile frequency key control signal digital spectrum analysis technology, all-region at transmission channel detection technology, and realized safe and core functions covering rail section occupancy-idling detection, transmitting information to train through rail, and real-time detection of completeness of rails.

## SECTION III

# SUMMARY OF THE COMPANY'S BUSINESSES

No.	Core technology	Source of technology	Technical level and degree of application
9	Turnout switch technology	Independently researched and developed	Turnout switch technology has been widely used in the fields of HSRs, normal-speed railways, heavy-haul railways and urban rail transit in the PRC. This technology has addressed the major problems in large-size turnout switch synchronization technology, industrial and electrical interface integration, the switch technology of movable point frog of high-speed turnout, external-locking technology of turnouts, established world-leading technology system of high-speed turnout switch system, and provides powerful safeguard to the development of railway in the PRC.
10	Rail transportation simulation test technology	Independently researched and developed	Rail transportation simulation test technology has been widely used in the fields of HSRs, ICRs, freight railways, urban rail transit, which provides support to test and verification processes at various stages of lifetime from plan verification, function development, system integration to engineering execution of train control system, freight and train operation instruction system. This technology has addressed some significant technology issues such as simulation test structure based on distribution semi-physical, modelling approach for complex engineering system, multi-source data at multi-level traceable test management method, automatic test, reappearance of fault and analysis, safe control system interface monitoring, test of optimization deployment of environmental resources, aiming at large scale of simulation of tested object, greater isotacticity and strong instantaneity and higher automation, and the utilization of such technology improved the defect remediation rate and quality reliability of tested system.
11	High precision simulation technology based on coupling of multi-physics	Independently researched and developed	High precision simulation technology based on coupling of multi-physics has been applied to build a high precision simulation analysis platform with error within 0.5%. This technology enables ground rail circuit system to work safely and reliably under complex natural conditions, electromagnetic environment and complicated route conditions, including in the circumstances of coupling of multi-physics of high speed train rails contact electric shunt, high power electrification traction current disturbance, high-frequency transient signal shock caused by lightening, bridge-roadbed-tunnel multi-space structure routes, alternating dry-wet ballast bed and parallel running on complex hub multi routes.

## SECTION III

# SUMMARY OF THE COMPANY'S BUSINESSES

No.	Core technology	Source of technology	Technical level and degree of application
12	Manufacture technology of rail transportation safety products	Independently researched and developed	The operation control system of rail transportation has a high requirement to safety and reliability. Based on complete identification of product manufacture risk, the manufacture technology of rail transportation safety products target the control in the whole process from material selection, manufacture equipment, production technology, test and detection, reliability verification to lifetime analysis, thus providing a systematic quality assurance basis for the safety and reliability of products.
13	Application technology in broadband wireless communication industry	Independently researched and developed	Application technology in broadband wireless communication industry is based on broadband wireless communication technology of LTE-M/R, which can actualize data transmission and integration of multiple operations, improve the efficiency and experience of trunking command direction system. This technology can meet the demand of wireless broadband, terminal intellectualization and business mobilization.
14	Comprehensive video monitoring technology for rail transportation	Independently researched and developed	Comprehensive video monitoring technology for rail transportation has been widely used in the transportation fields such as HSRs and ICRs, which provides comprehensive management system containing video monitoring, Big Data display and visualization for safe operation of rail transportation. Aiming at the demand for all-weather and full-coverage monitoring, this technology has addressed the technology issues such as decoding and forwarding of high definition video stream, concurrency of read-write, unity and connect of railway three-stage platform, massive video retrieval, intelligent face recognition and certification, intelligent operation and maintenance, clustering of platform management, dynamic load balance of storage resource and engineering, thus, leading the development of comprehensive video monitoring technology for rail transportation.

The Company actively deployed innovation chain surrounding industrial chain, and it was dedicated to transformation and industrialization of core technology achievements. It applied its core technology to rail transportation core systems such as train control system of railway, train control system of ICRs, train control system of urban transit, freight automation system, operation command automation and detection system and communication information system. The development of core businesses such as design and integration, equipment manufacturing, system implementation of rail transportation control system of the Company will fully depend on its core technology.

During the Reporting Period, no material change in the core technology occurred.

## SECTION III

# SUMMARY OF THE COMPANY'S BUSINESSES

### 2. Research and development achievements during the Reporting Period

During the Reporting Period, the Company has completed the commissioning of self-developed RBC on Beijing-Shenyang High-Speed Railway and the commissioning of self-developed ATP on railways of 300,000 kilometres in a year. Upon review of domestic on-board equipment technology of ITCS Signaling system of Qinghai-Tibet Railway, the pilot project for application of domestic password on urban transit system has passed the acceptance test of Henan Cryptography Administration, and the driverless test and validation of the Train Autonomous Circumambulate System (TACS) based on vehicle-to-vehicle communication have been completed on Shanghai Metro Lines 3/4. Regarding the Company's core technologies and main products, newly authorized patents increased by 361, and the total number of accumulative effective authorized patents reached 2,262. Winning the Special Award of Shanghai "Science and Technology Progress Award" with the project of Safe and Reliable Guarantee Technology and Application for Core Control Software of Major Industrial Equipment, the Company has undertaken 41 research projects supported by governmental authorities at national, provincial and ministerial levels and industrial administration organizations and the preparations of 28 standards at national and industrial levels. As a sponsor of the authoritative journal Railway Signaling & Communication Engineering in the rail transportation control industry, the Company has published R&D and application achievements in those industrially authoritative journals, such as Railway Signaling & Communication sponsored by China State Railway Group Co., Ltd. ("CR"), Journal of the China Railway Society sponsored by China Railway Society and Railway Signaling & Communication Engineering.

### 3. Research and development investment

Unit: Yuan Currency: RMB

Expensed research and development investment in the current period	510,171,461.49
Capitalized research and development investment in the current period	87,832,056.70
Total research and development investment	598,003,518.19
Percentage of total research and development investment in revenue (%)	4.09
Percentage of capitalized research and development investment (%)	14.69

## SECTION III

# SUMMARY OF THE COMPANY'S BUSINESSES

### 4. Major projects under development

The rail transportation control system industry in which the Company operates involves train control system of railway, train control system of ICR, train control system of urban transit, automation system of freight and other areas. The Company has technology R&D capability in whole industry chain, and its technology under R&D covers the whole industry chain of rail transportation control industry. During the Reporting Period, the Company's projects under R&D include the following:

Unit: 0,000 Yuan    Currency: RMB

No.	Project name	Estimated total investment	Investment amount in the current period	Cumulative investment amount	Progress or phased achievements	Intended goal	Technical level	Specific application prospects
1	Collaborative transportation and service system of regional rail transportation	7,951.00	1,361.23	3,958.53	Has completed the preparation of application demonstration plan and is working on design liaison and model machine production.	Formed a collaborative theory system of regional rail transportation, realized integration of systems and equipment, and achieved application on site	At present, there is no complete multi-mode collaborative transportation and service theory system and relevant system of regional rail transportation in China. The research results will guide the development trend of regional rail transportation technology, promote industrial development and advancement, effectively upgrade rail operation and management, improve safety assurance ability and intellectualization of information services, and further satisfy demand of the public for safe, efficient, economical, convenient and green travelling	It can be applied to multi-rail collaborative transportation and service of high-speed railway in city clusters and metropolitan areas, intercity (suburban) railways, and urban transit.
2	Development of train control equipment based on dynamic interval and application demonstration verification	6,605.63	1,281.06	5,555.83	Has completed development of on-board, RMU and OC equipment system and is at the stage of debugging and testing.	Complete the development of train control equipment based on dynamic interval; complete the application demonstration verification	This research uses the following pioneering domestic technologies: accurate train positioning based on multi-sensor fusion technology; on-board equipment with functions such as vehicle-to-vehicle communication, driving permit calculation and integrity check; multi-mode two-way wireless communication through multi-channels such as satellite, airship and public network; the system enables dynamic configuration of train tracking interval and moving block	It can be applied to low-density railways as well as local railways.
3	Research on ETCS train control system based on baseline 3	4,454.90	302.13	3,203.63	The research and development of core train control equipment to meet the project requirements has been completed, of which RBC, transponder and LEU have obtained the baseline 3 dual-version (B3MR1 and B3R2) TSI certificate.	Form a complete set of equipment meeting the latest European ETCS technical specifications	The research results have completely independent intellectual property rights, meet ETCS technical specifications and are at the leading level in the industry	It can be applied to the implementation of overseas ETCS projects represented by Budapest-Belgrade railway.

## SECTION III

# SUMMARY OF THE COMPANY'S BUSINESSES

No.	Project name	Estimated total investment	Investment amount in the current period	Cumulative investment amount	Progress or phased achievements	Intended goal	Technical level	Specific application prospects
4	Development of fully automatic unmanned driving system for interconnection and intercommunication	11,878.70	1,452.93	10,385.93	Cross tests and site tests have been completed for on-board collineation in the fully automatic unmanned driving cab for interconnection and intercommunication, and cross-line tests, development of accessory tools and industrialization-related work are being carried out.	Complete the research and development and engineering application of the interconnected CBTC system and complete the research and development and certification of the interconnected fully automatic unmanned driving system	This research is based on modern computer, communication, control and system integration technologies to realize the automation of the whole process of train operation in a new generation of urban rail transit system, reaching the highest level of automatic train driving GoA4. It realized interconnection and improved the intelligent level of rail transit serving the new trend of network operation	It can be applied to the reconstruction of existing railway lines such as domestic subways, light rails, municipal railways, and medium-low-speed maglev railways.
5	Research on optimization of comprehensive control system of trams	8,745.80	525.53	6,505.71	Further system improvement researches have been carried out in accordance with market demands.	Complete the research on the optimization of the comprehensive control system of trams and realize its engineering application	For the first time, the comprehensive control system of trams has realized the deep integration of weak current systems and achieved intelligent linkage. It has pioneered various linkage scenarios covering the daily operation and maintenance of trams in the industry. It is at the highest security level in China with great flexibility and integration	It can be applied to tram construction projects.
6	Research and development of a new generation of centralized traffic control system	11,500.00	1,124.49	5,764.44	The development of regional interlocking busy board and centralized control software for central station has been completed, and the design plan for the engineering research centre of the intelligent dispatching and command system has been completed.	To complete the research and development of a new generation of centralized traffic control system and apply it in engineering	The new generation of centralized traffic control system adopts the principle of intelligent decentralized and self-disciplined design to realize the unified control of train and shunting operation, and realize the safety management and card control of station-level operation	It can be applied to national railway, intercity and regional railway, factory and mine owned railway.
7	Further research on the ITCS train control system of Qinghai-Tibet Railway	9,973.00	507.00	7,900.09	The domestic equipment development of ITCS train control system of Qinghai-Tibet Railway has been completed and has been put into trial operation for one year in the Qinghai-Tibet Railway, passing the technical evaluation organized by China State Railway Group.	To complete the domestic equipment development of ITCS train control system of Qinghai-Tibet Railway, and complete the on-track test and trial evaluation	The ITCS train control system of Qinghai-Tibet Railway studied in this project realizes the redundant structure design of on-board equipment and RBC equipment, and improves the availability of equipment; supports GPS + Beidou dual-mode satellite positioning, and realizes the precise positioning of train; meets the environmental requirements such as severe cold and high altitude, and improves the maintainability	It can be applied to the Western China's sparse railways with high altitude and in harsh environment and to the countries along the "One Belt, One Road".
8	Research on wireless dispatching communication system of rail transit based on LTE	2,404.00	94.62	2,107.52	The software development and onsite application of the dispatching desk and dispatching server have been completed.	To develop a wireless dispatching communication system of rail transit based on LTE	The research results can comprehensively upgrade the traditional wireless dispatching communication system of urban rail transit, and will lead the formulation of new standards and the development direction of new technologies, enhance the monitoring and maintainability of equipment, and effectively reduce the cost of equipment operation, maintenance and management	It can be applied to the comprehensive upgrade of wireless dispatching communication system of urban rail transit.



## SECTION III

# SUMMARY OF THE COMPANY'S BUSINESSES

No.	Project name	Estimated total investment	Investment amount in the current period	Cumulative investment amount	Progress or phased achievements	Intended goal	Technical level	Specific application prospects
9	Development of new type relay	1,440.00	196.90	1,071.60	The installation and debugging of some production line equipment of locomotive on-board relay and the assessment test on the mechanical life of on-board relay have been completed.	The research and production of two series of relays (locomotive on-board relay and on-board relay) has been completed. It will meet the domestic and international market demand in the future	The performance indexes of locomotive on-board relay and on-board relay all meet the requirements of relevant international standards and reach the international advanced level	The locomotive on-board relay can be applied to train control on-board system, and on-board relay can be applied to all-computer interlocking system.
10	Basic technology research	6,084.00	699.45	3,089.45	The mechanism of modeling of lightning protection, electromagnetic compatibility and high-speed wheel-rail system of signal products has been completed, and follow-up research is being carried out; the design of hardware synchronization chip of security computer platforms has been completed.	The fundamental and deep-level scientific mechanism research on lightning protection and electromagnetic compatibility of signal products in complex environment has been completed, providing scientific basis for subsequent product research and development.	The research aims to improve the safety and reliability of rail side signal equipment of railway, and has the leading level in the industry	It can provide basic technical support for the research, development and design of the Company
11	Research on integrated dispatching & commanding management system for railway freight	1,239.60	276.24	276.24	The Overall Technical Plan and System Requirements have been prepared and issued, and the development of various software modules has been completed.	The development of integrated dispatching & commanding management system for railway freight will be completed to meet the management needs of domestic freight railway.	By integrating independent innovative technologies such as intelligent preparation of freight railway plans, source control for safety, train life cycle management, and comprehensive dynamic operation diagrams, this system has improved dispatching and commanding management capabilities for freight railway and reaches the leading domestic level.	It can be applied to various railway dispatching stations, freight stations, depots, locomotive depots, local railways, special railway lines, and overseas freight railway markets.
12	Research on key technology and equipment development of train control system for normal-speed railways	7,420.54	384.19	1,962.73	The C1 test software of multiple units has been released, and the overall technical scheme of station data server has been prepared.	A complete set of CTCS-1 system suitable for normal-speed railways is formed, to complete on-road review and field test.	The system can realize the detour of high-speed trains on normal-speed train lines, and the interconnection between high-speed railway network and normal-speed railway network, which is among the most developed in the industry.	It can be applied to the construction and overhaul of normal-speed railways in China.
Total		79,697.17	8,205.77	51,781.70				

### Explanations

Not applicable.

## SECTION III

# SUMMARY OF THE COMPANY'S BUSINESSES

### 5. Research and development personnel

Unit: 0'000 Yuan Currency: RMB

#### Basic Information

Number of research and development personnel in the Company (people)	4,216
Percentage of total research and development personnel in total personnel of the Company (%)	21.26
Total remuneration for research and development personnel (RMB0'000)	34,620.55
Average remuneration for research and development personnel (RMB0'000)	8.21

#### Educational background

Composition by education	Number (person)	Percentage (%)
Doctoral candidate	59	1.40
Master degree candidate	1,451	34.42
Bachelor's degree	2,471	58.61
College degree	235	5.57
<b>Total</b>	<b>4,216</b>	<b>100.00</b>

#### Age structure

Range of age	Number (person)	Percentage (%)
35 and below	2,636	62.52
36 to 40	769	18.24
41 to 45	367	8.70
46 to 50	201	4.77
51 to 54	135	3.20
55 to 59	108	2.57
<b>Total</b>	<b>4,216</b>	<b>100.00</b>

### 6. Other explanations

Not applicable.

## SECTION III

# SUMMARY OF THE COMPANY'S BUSINESSES

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

Please refer to “(III) Analysis of assets and liabilities of III. MAIN OPERATIONS DURING THE REPORTING PERIOD” under the “Section IV DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS”.

### IV. ANALYSIS OF THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

#### (I) Analysis of Core Competitiveness

##### 1. *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 continually 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. As of the end of the Reporting Period, the cumulative contracted mileage covered by the 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 actively responds to the national call, takes the opportunities of “One Belt and One Road Initiative” to further develop overseas markets and enhances its influence in the global market.

##### 2. *Outstanding comprehensive technology innovation strength and core technology reserves*

The Company has adhered to independent innovation with more than 2,200 registered patents and 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

### **3. *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, research and development, 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. While this business mode satisfies common requirement, it 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 maintenance, repair and businesses upgrade.

### **4. *Highly reliable and safe core services and products***

The Company establishes classified enterprise standards according to relevant international, national and industrial standards, and implements strict and prudent quality and safety control measures, so as to ensure the high reliability and safety of rail transportation control system solutions and core products, and provide support for the safe and efficient operation of national rail transportation. The Company's quality management follows the requirements of ISO9001: 2015 Standard, with quality control standards and system procedures to maintain continuous improvement and certification obtained 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.

### **5. *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 4,200 employees of the Company are engaged in technology research and development, representing more than 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.

## **(II) Events which have a Serious Impact on the Company's Core Competitiveness, Impact Analysis and Measures During the Reporting Period**

Not applicable.

## SECTION IV

# DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

### I. DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

In the first half of 2020, facing the impact of the COVID-19 epidemic (“epidemic”) and complicated internal and external situations, CRSC has coordinated the promotion of epidemic prevention and control and the resumption of work and production, actively carried out the special actions for improvement of quality and efficiency, expanded rail transit market vigorously to accelerate the pace of scientific and technological innovation and taken multiple measures to reduce costs and increase efficiency as well as fully promote the Company’s production and operation to stabilize and rebound.

During the Reporting Period, the aggregate amount of newly-signed contracts amounted to RMB32.211 billion, representing a decrease 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 RMB16.268 billion, representing a decrease of 1.1% as compared to the corresponding period of last year; the value of newly-signed contracts in urban transit sector amounted to RMB6.010 billion, representing an increase of 10.1% as compared to the corresponding period of last year; the value of newly-signed contracts in overseas sector amounted to RMB535 million, representing an increase of 25.2% as compared to the corresponding period of last year; the total value of contracts for construction contracting and newly-signed contracts for other sectors amounted to RMB9.398 billion, representing a decrease of 19.5% as compared to the corresponding period of last year. As of the end of June 2020, the Company’s order in hand amounted to RMB120.016 billion.

In the field of rail transportation control system, the Company won bids for major projects including Zhengzhou-Puyang section of the Zhengzhou-Jinan High-speed Railway, Zhongwei-Lanzhou Railway, Phase II of Lunan High-speed Railway, Guangdong Section of Ganshen High-speed Railway, Huanggang-Huangmei High-speed Railway, Zhang Ji Huai High-speed Railway, Darui Railway, and continued to take a leading position in the market. 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 Hangzhou Metro Line 8, Shenzhen Metro Line 16, Wuhan Rail Transit Line 16 and Zhengzhou Airport-Xuchang Suburban Railway (Zhengzhou Section), which made the market share has steadily increased. In construction contracting and other sectors, the Company focused on the high-quality development requirements, and properly controlled the contracting of construction contracting projects.

In the first half of 2020, the Company realized revenue of RMB14.621 billion, representing a decrease of 28.72% as compared to the corresponding period of last year, and realized net profit of RMB1.960 billion, representing a decrease of 19.59% as compared to the corresponding period of last year. After excluding the impact of the disposal of the real estate business in the corresponding period of last year, the Company’s net profit for the current period decreased by 7.91% as compared to the corresponding period of last year.

### II. RISK FACTORS

#### (I) Risk of Core Competitiveness

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 that the rail transportation control system industry is developing rapidly, there is a growing demand for talents in the industry and increasing competition for talents, maintaining a stable technician team and attracting new 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.

The rail transportation control system industry in which we are engaged is in a stage of rapid development. Companies in the industry need to continuously improve, design and develop new technologies and products that closely follow the technological development trend and customers’ needs. If we encounter delays in technology development, fail to meet market demands, fail to follow technological trends closely, or our R&D achievements are lower than expected, our operating results may be adversely affected.

## SECTION IV

# DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

### (II) Operating Risk

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. Product recall or any negative news coverage related to product defects also may affect the Company's reputation and brand, resulting in a decline in product demand.

### (III) Industry Risk

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 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 terms of industrial surroundings, the State Railway Group's infrastructure investment has a gradual reduction trend; the urban transit market will also be affected by overall economic policy regulation and generated certain range of fluctuation. 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.

### (IV) Macro-environmental Risk

To some extent, the market demand of the rail transportation and relevant construction contracting in which the Company engages is affected by the macroeconomy. Macroeconomic changes at home and abroad will have an impact on the Company's operation and production to a certain extent. In general, although difficulties and challenges have increased in current and future periods, the basic trend of national economy's good momentum and positive long-term result has not changed. In terms of international situation, the world economic growth continues to slow down and still in deep adjusting stage after the international financial crisis. The features of accelerated evolution in world's thorough change are becoming more obvious, while the sources of global unrest and risk points have increased significantly. In terms of the domestic situation, China is in the tackling phase of transforming the development mode, optimizing the economic structure, and transforming the driving force for growth, structural, institutional, and cyclical issues are intertwined. Economic downward pressure is increasing, which may cause risk such as overall infrastructure investment decline.



## SECTION IV

# DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

### III. MAIN OPERATIONS DURING THE REPORTING PERIOD

For details, please refer to “I. Discussion and Analysis on Business Operations” in this section.

#### (I) Analysis of major businesses

##### 1. Table of analysis of changes in relevant items in financial statements

Unit: Yuan    Currency: RMB

Items	Amount for the current period	Amount for the corresponding period of last year	Change (%)
Revenue	14,620,778,851.32	20,511,577,842.86	-28.72
Cost of sales	11,050,086,661.65	15,731,610,829.12	-29.76
Selling and distribution expenses	304,082,038.25	369,696,340.19	-17.75
General and administrative expenses	797,141,410.58	1,087,937,234.04	-26.73
Finance costs	-266,332,423.09	-1,634,215.20	-
Research and development expenses	510,171,461.49	581,151,441.08	-12.21
Net cash flows generated from operating activities	-972,052,222.39	-130,168,310.24	-
Net cash flows generated from investing activities	297,623,441.97	-672,485,277.67	-
Net cash flows generated from financing activities	348,933,470.39	-1,177,335,713.57	-

## SECTION IV

# DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

### (1) Performance of major businesses by segment, terminal market and region

Explanation on reasons for changes in revenue: Revenue fell by 28.72% as compared to the corresponding period of last year mainly because in the first half of 2020, especially from January to April, the bidding of new projects was postponed and the Company's order volume declined due to the impact of epidemic; the resumption of some ongoing projects was delayed, resulting in a decrease in the Company's revenue recognition as compared to the corresponding period of last year.

Explanation on reasons for changes in cost of sales: Cost of sales fell by 29.76% as compared to the corresponding period of last year mainly due to the decline in the Company's sales volume due to the impact of epidemic.

#### *Performance of major businesses by segment, terminal market and region*

Unit: Yuan Currency: RMB

Segment	Main businesses by 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 transit control system	10,944,267,396.47	7,763,490,986.13	29.06	-28.58	-30.63	Increased by 2.09 percentage points
Equipment manufacturing	2,608,926,446.66	1,446,029,919.79	44.57	-22.94	-21.63	Decreased by 0.92 percentage point
Design and integration	3,760,451,930.20	2,317,489,566.25	38.37	-27.24	-30.98	Increased by 3.35 percentage points
System implementation business	4,574,889,019.61	3,999,971,500.09	12.57	-32.43	-33.20	Increased by 1.00 percentage point
Construction contracting	3,651,435,573.91	3,273,799,499.85	10.34	-29.28	-27.73	Decreased by 1.92 percentage points
Others	25,075,880.94	12,796,175.67	48.97	4.00	20.45	Decreased by 6.97 percentage points

## SECTION IV

# DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

### Major businesses by terminal market

Terminal market	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	7,124,902,160.65	4,914,585,748.45	31.02	-37.41	-40.09	Increased by 3.08 percentage points
Urban transit	3,685,811,550.63	2,762,931,093.95	25.04	-3.07	-4.06	Increased by 0.77 percentage point
Construction contracting	3,651,435,573.91	3,273,799,499.85	10.34	-29.28	-27.73	Decreased by 1.92 percentage points
Others	25,075,880.94	12,796,175.67	48.97	4.00	20.45	Decreased by 6.97 percentage points
Overseas businesses	133,553,685.19	85,974,143.73	35.63	-3.05	-20.35	Increased by 13.98 percentage points

### Major businesses by region

Region	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 (%)
China	14,487,225,166.13	10,964,112,517.92	24.32	-28.89	-29.82	Increased by 1.01 percentage points
Other countries and regions	133,553,685.19	85,974,143.73	35.63	-3.05	-20.35	Increased by 13.98 percentage points

### ***Explanation of major businesses by segment, terminal market and region***

#### *Segment and terminal market:*

Revenue from equipment manufacturing, design and integration, and system implementation for this period fell by 22.94%, 27.24%, and 32.43% respectively as compared to the corresponding period of last year, mainly due to less projects start in the first quarter of 2020. In the second quarter of 2020, with the effective control of epidemic in China, market demand has gradually increased, and the Company ramped up its efforts to resume work and production. Sales business picked up and the decline in sales revenue has narrowed down month by month.

## SECTION IV

# DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

Revenue from railway, urban transit market and construction contracting for this period decreased by 37.41%, 3.07% and 29.28% respectively as compared to the corresponding period of last year mainly due to the insufficient start of newly-winning projects and slow progress of projects under construction subject to the requirements of normalized epidemic control, which affected the revenue recognition.

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

### *Region:*

Revenue from overseas business for this period dropped by 3.05% as compared to the corresponding period of last year, mainly due to the spread of the overseas pandemic and strict border control and closure measures adopted by the countries where the projects are located, which hindered work resumption and delayed the progress of projects, affecting revenue recognition.

## **(2) Expenses**

Explanation on reasons for changes in sales expenses: the sale expenses in the current period were RMB304 million, representing a decrease of 17.75% as compared to the corresponding period of last year, primarily due to postponement of new projects' bidding work, restriction of personnel mobility and corresponding reduction in expenses in the first half of 2020. In addition, the decline in equipment sales has led to reduction in equipment transportation and after-sales service expenses.

Explanation on reasons for changes in administrative expenses: the administrative expenses in the current period was RMB797 million, representing a decrease of 26.73% as compared to the corresponding period of last year. The main reason was that under the impact of epidemic, the Company's revenue fell and the safety production expenses correspondingly reduced. Besides, the Company vigorously reduced costs and increased efficiency, and strictly controlled various non-productive expenses, which led to a significant decrease in management expenses in the current period.

Explanation on reasons for changes in finance costs: the financial income in the current period was RMB266 million, mainly due to the interest income increased.

Explanation on reasons for changes in R&D expenses: R&D expenses in the current period were RMB510 million, representing a decline of 12.21% as compared to the corresponding period of last year. The reason was that postponed new product development and trial production due to epidemic resulted in a slight drop in R&D expenses.

## SECTION IV

# 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 from operating activities was a net outflow of RMB972 million, representing an increase of RMB842 million as compared to the corresponding period of last year, mainly due to the delay of project inspection and slow settlement for the impact of epidemic in the current period, resulting in a substantial decrease of the cash received from selling goods and providing labor services as compared to the corresponding period of last year and a substantial increase in net cash outflow from operating activities.

Explanation on reasons for changes in net cash flow from investing activities: the net cash flows from investing activities was a net inflow of RMB298 million, while the net cash flows generated from investing activities during the corresponding period of last year was a net outflow of RMB672 million, mainly due to the decrease in the investment amount of time deposits for more than three months in the current period.

Explanation on reasons for changes in net cash flow from financing activities: the net cash flows from financing activities was a net inflow of RMB349 million, while the cash flows from financing activities during the corresponding period of last year was a net outflow of RMB1.177 billion, mainly due to the impact of the time difference in dividend payment. In the same period of last year, shareholders' dividends were paid, while the dividends in 2019 were paid in July according to the resolution of the general meeting in 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-major businesses

Not applicable.

## SECTION IV

# DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

### (III) Analysis of assets and liabilities

#### 1. Assets-liabilities analysis table

Unit: Yuan Currency: RMB

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 year	Percentage of amount at the end of last year to the total assets (%)	Change of the amount at the end of the current period as compared to that of last year (%)
Cash and bank balances	22,305,714,100.37	22.42	24,000,333,948.30	24.61	-7.06
Receivables for financing	1,421,233,468.07	1.43	1,478,647,844.54	1.52	-3.88
Accounts receivables	17,573,608,015.70	17.67	16,757,628,007.95	17.19	4.87
Inventories	2,495,480,387.48	2.51	2,200,762,577.00	2.26	13.39
Contract assets	34,206,521,974.49	34.39	33,034,982,342.51	33.88	3.55
Long-term receivables	6,747,026,919.86	6.78	6,422,130,017.28	6.59	5.06
Fixed assets	4,235,904,703.57	4.26	4,329,298,247.74	4.44	-2.16
Construction in progress	761,537,552.70	0.77	160,740,323.63	0.16	373.77
Intangible assets	2,365,879,848.59	2.38	2,416,808,796.77	2.48	-2.11
Development expenditure	135,339,108.53	0.14	47,507,051.83	0.05	184.88
Short-term borrowings	723,648,183.08	0.73	238,066,170.39	0.24	203.97
Bills payable	1,147,675,799.99	1.15	1,278,194,766.35	1.31	-10.21
Accounts payable	39,793,631,290.58	40.00	39,943,249,975.12	40.96	-0.37
Contract liability	7,141,771,936.69	7.18	7,177,237,816.91	7.36	-0.49
Tax payable	628,205,736.62	0.63	916,296,853.22	0.94	-31.44
Long-term borrowings	2,149,540,406.46	2.16	1,941,098,540.80	1.99	10.74



## SECTION IV

# DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

### Other Explanations:

The decrease in cash and bank balances was mainly due to the increase in net cash outflow from operating activities and the increase in cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets during the period.

The decrease in receivables for financing was mainly because the bills receivable received by the Company last year were accepted after the expiration of the current period.

The increase in accounts receivable was mainly due to the delayed settlement of accounts receivables for some projects.

The increase in inventories was mainly due to the increase in stocking of raw materials in order to accelerate the resumption of work and production during the current period.

The increase in contract assets was mainly due to the delay in project inspection.

The increase of long-term receivables was mainly due to the increase of receivables confirmed for investment projects such as PPP in the current period.

The increase in construction in progress was mainly due to the fact that to further meet the technological innovation needs of enterprises in Shanghai, the subsidiary companies CRSCS and CRSC CASCO purchased new R&D bases in the current period, which have not been put into use, and it is expected to be transferred to fixed assets after the renovation is completed.

The increase in development expenditure was mainly due to the capitalization of part of the Company's R&D expenditures that reached the development stage standards during this period.

The increase in short-term borrowings was mainly due to the Company's increase in low-interest policy loans.

The decrease in bills payable was mainly due to the increase in the Company's settlement business using acceptance bills in the current period.

The decrease in accounts payable was mainly due to the decrease in the Company's procurement volume during the current period, and shortening of the credit period for SMEs, and acceleration of the procurement payment of raw materials and labor payment for SMEs to give them support to respond to the impact of the epidemic.

The decrease in contract liability was mainly due to the decrease in owners' pre-settlement.

The decrease in tax payable was mainly due to the decrease in the Company's sales volume during the current period, which resulted in the corresponding decrease in tax.

The increase in long-term borrowings was mainly due to the increase in the Company's financing of income rights through pledging PPP projects in the current period.

## SECTION IV

# DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

### 2. Major assets subject to restriction by the end of the Reporting Period

Unit: Yuan Currency: RMB

Item	Book value at the end of period
Cash and bank balances	187,472,146.82
Receivables for financing	41,574,502.14
Long-term receivables	3,717,847,591.63

For details, please refer to “Note 81. Assets with restricted ownership or right-of-use of VII Consolidated Financial Statement” of Section X Financial Report.

### 3. Other explanations

Not applicable.

## (IV) Analysis of investment

### 1. Overall analysis of investment in external equities

As of the end of the Reporting Period, the long-term equity investment of the Group was RMB1.061 billion, representing an increase of RMB80 million, or 8.14%, as compared to the beginning of the year. For details, please refer to “Note 17 of VII. Consolidated Financial Statement” 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 Currency: RMB

Item	Opening balance	Changes in fair value for the period	Accumulated changes in fair value recognized in equity	Impairment accrued for the period	Other changes (increase/decrease) for the period	Closing balance
Financial assets						
1. Other equity instrument investments	806,064,229.20	-	-	-	-	806,064,229.20
Including: non-listed equity investments	806,064,229.20	-	-	-	-	806,064,229.20
2. Receivables for financing	1,478,647,844.54	-	-	-	-57,414,376.47	1,421,233,468.07
Subtotal	2,284,712,073.74	-	-	-	-57,414,376.47	2,227,297,697.27

## 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 17 of VII Consolidated Financial Statement and IX. Interests in Other Entities” in Section X. Financial Report

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

Not applicable.

### (VIII) Use of proceeds raised from H shares

The proceeds raised from H shares amounted to approximately RMB9.104 billion. As of 30 June 2020, a total of RMB6.194 billion has been used, of which RMB2.731 billion was used in long-term research and development, including the construction of the CRSC Railway Transportation Research Center and technology research projects; RMB1.667 billion 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; RMB788 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, as of 30 June 2020, the Company's remaining proceeds raised from H shares amounting to RMB2.91 billion have not been used, and have been deposited in the Company's designated bank account for proceeds. The funds in the designated account for proceeds, which have not been withdrawn, are expected to be used up in the coming three years, of which RMB154 million will be used for fixed asset investments, RMB1.033 billion will be used for investments in PPP projects related to railway transportation, RMB10 million will be used to supplement working capital, and RMB1.713 billion will be used for general domestic and overseas use (The Company held the 2019 Annual General Meeting of Shareholders on 12 June 2020 to consider and approve the Proposal on the Change of Use of Proceeds from Issuance of H Shares, according to which, the Company intends to change the portion of the proceeds of RMB1.713 billion allocated for equity acquisition to general domestic and overseas purposes). The Company confirms that apart from the general domestic and overseas use of RMB1.713 billion, the proposed use of the aforesaid proceeds is consistent with the use of proceeds as disclosed in the prospectus.

### (IX) Employees

As of 30 June 2020, the Company had a total of 19,833 full-time employees, including 19,700 employees in controlled subsidiaries. The total labour cost in the first half of 2020 was RMB2.088 billion. 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.

## SECTION IV

# DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

### IV. 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) **Other disclosures**

Not applicable.

## SECTION V SIGNIFICANT EVENTS

### I. BRIEF INTRODUCTION TO SHAREHOLDER'S GENERAL MEETINGS

Name of meeting	Time of meeting	Index of website designated for publication of the resolutions	Disclosure date of the publication of the resolutions
2020 First Extraordinary General Meeting	12 February 2020	www.sse.com.cn www.hkex.com.hk	13 February 2020
2019 Annual General Meeting, 2020 First A Shareholders Class Meeting and 2020 First H Shareholders Class Meeting	12 June 2020	www.sse.com.cn www.hkex.com.hk	13 June 2020
Explanation on Shareholder's General Meetings			
Not applicable.			

### II. PROFIT DISTRIBUTION PLAN OR RESERVES-TO-EQUITY TRANSFER PLAN

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

Whether to distribute or transfer	No
Bonus shares for every 10 shares (shares)	–
Dividends distributed per 10 shares (yuan) (tax inclusive)	–
New shares for every 10 shares (shares)	–

#### Explanation of profit distribution plan or reserves-to-equity transfer plan

None.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

# SECTION V SIGNIFICANT EVENTS

## (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 performed timely, please explain the specific reasons for the failure	If the undertaking fails to be performed timely, please state the plan in the next step
Undertakings associated with the initial public offering	Restricted shares	CRSC Group	<p>The CRSC Group has made following undertakings in respect of shares lock-up:</p> <p>(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 accordingly.</p>	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 performed timely, please explain the specific reasons for the failure	If the undertaking fails to be performed timely, please state the plan in the next step
Undertakings associated with the initial public offering	Restricted shares	Chengtong Group, SINOMACH, CICC, Jiacheng	<b>Contents of undertakings</b> The Chengtong Group, SINOMACH and CICC Jiacheng have made the following undertakings 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 accordingly.	Time of undertakings: 15 April 2019; term: within 12 months from the date of the listing of CRSC's A shares	Yes	Yes	-	-
Undertakings associated with the initial public offering	Restricted shares	CRHC	CRHC has made the following undertakings in respect of shares lock-up: (1) if CRHC, within 12 months from the date when the CRSC's A shares upon initial public offering are listed on the Shanghai Stock Exchange, holds the CRSC's A shares, it shall not transfer 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 accordingly.	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 performed timely, please explain the specific reasons for the failure	If the undertaking fails to be performed timely, please state the plan in the next step
Undertakings associated with the initial public offering	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 the following undertakings in respect of shares lockup: the employee stock ownership plan agrees that the final shares of strategic placement will be locked up for 12 months from the date of the listing of the shares issued.	Time of undertakings: 15 April 2019; term: within 12 months from the date of the listing of CRSC's A shares	Yes	Yes	-	-
Undertakings associated with the initial public offering	Profit distribution	CRSC	CRSC has made the following undertakings 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 the 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 undertakings 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

If the undertaking fails to be performed timely, please explain the specific reasons for the failure

If the undertaking fails to be performed timely, please state the plan in the next step

Whether or not timely and strictly performed

Is there a term for performance

Time and term of undertakings

Party providing undertakings

Category of undertakings

Background of undertakings

Contents of undertakings

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 performed timely, please explain the specific reasons for the failure	If the undertaking fails to be performed timely, please state the plan in the next step
Undertakings associated with the initial public offering	Non-competition undertakings	CRSC Group	CRSC Group have made the following undertakings in respect of the non-competition undertakings: (1) as of the date of the issuance of letter of undertakings, CRSC Group and the holding enterprises of CRSC Group (excluding CRSC and its holding enterprises, same hereinafter) have not engaged in or participated in the businesses or activities that constitute or may constitute a direct or indirect competitive relationship with the principal business currently engaged in by CRSC and its holding enterprises in any form domestically or abroad. (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 businesses 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 find 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 in writing and try their best to procure that these business 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 CRSC may 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 intend(s) to transfer, sell, lease, license or otherwise transfer or permit to use the asset and business which competes or is likely to compete, directly or indirectly, with the principal business of CRSC and its holding enterprises, CRSC Group and 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 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)	Time of undertakings: 15 April 2019; 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	-	-

# 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 performed timely, please explain the specific reasons for the failure	If the undertaking fails to be performed timely, please state the plan in the next step
Undertakings associated with the initial public offering	Others	CRSC	<p>CRSC has made the following undertakings 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 perform its undertakings, 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"> <li>1) publicly explain the specific reasons for the failure to perform, inability to perform or to perform as scheduled, the undertakings in the media designated by the CSRC.</li> <li>2) make supplementary or substitute undertakings to the Company and its shareholders to protect the rights and interests of the Company and its shareholders as much as possible.</li> <li>3) 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.</li> </ol> <p>(3) in the event that the Company fails to perform its undertakings, 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"> <li>1) publicly explain the specific reasons for the failure to perform, inability to perform or to perform as scheduled, the undertakings in the media designated by the CSRC.</li> <li>2) make supplementary or substitute undertakings to the Company and its shareholders to protect the rights and interests of the Company and its shareholders as much as possible.</li> </ol>	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 performed timely, please explain the specific reasons for the failure	If the undertaking fails to be performed timely, please state the plan in the next step
Undertakings associated with the initial public offering	Others	CRSC Group	<p>CRSC Group has made the following undertakings in respect of restraints on failure to comply with relevant public undertakings:</p> <p>(1) CRSC Group will strictly implement the public undertakings 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 undertakings, 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"> <li>1) publicly explain the specific reasons for the failure to perform, inability to perform or to perform as scheduled, the undertakings in the media designated by the CSRC.</li> <li>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 much as possible.</li> <li>3) in case of any gains (if any) due to the failure to perform the relevant undertakings, the gains shall be owned by CRSC.</li> <li>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 authorities.</li> </ol> <p>(3) in the event that the CRSC Group fails to perform its undertakings, 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"> <li>1) publicly explain the specific reasons for the failure to perform, inability to perform or to perform as scheduled, the undertakings in the media designated by the CSRC.</li> <li>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 much as possible.</li> </ol>	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 performed timely, please explain the specific reasons for the failure	If the undertaking fails to be performed timely, please state the plan in the next step
Undertakings associated with the initial public offering	Others	The Company's Directors, Supervisors and senior management	<p>The Company's Directors, Supervisors and senior management have made the following undertakings in respect of restraints on failure to comply with relevant public undertakings:</p> <p>(1) I will strictly perform the public undertakings made in the prospectus for this issue and actively accept public supervision.</p> <p>(2) if I fail to fulfil 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"> <li>1) publicly explain the specific reasons for the failure to perform, inability to perform or to perform as scheduled, the undertakings in the media designated by the CSRC.</li> <li>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 much as possible.</li> <li>3) in case of any gains (if any) due to the failure to perform the relevant undertakings, the gains shall be owned by CRSC.</li> <li>4) 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 authorities; if I receive the salary from CRSC, I agree that CRSC can stop paying the salary to me and use it directly to perform my unfulfilled undertakings or to compensate for the loss caused to CRSC and its shareholders by my unfulfilled undertakings.</li> </ol> <p>(3) in the event that I fail to perform my undertakings, 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"> <li>1) publicly explain the specific reasons for the failure to perform, inability to perform or to perform as scheduled, the undertakings in the media designated by the CSRC.</li> <li>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 much as possible.</li> </ol>	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 performed timely, please explain the specific reasons for the failure	If the undertaking fails to be performed timely, please state the plan in the next step
Other undertakings	Non-competition undertaking	CRSC Group	<p>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 principal businesses. For further details of the letter of non-competition undertakings, please refer to the H share prospectus of the Company.</p>	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	<p>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.</p>	28 July 2015; term: long-term effective	No	Yes	-	-

## SECTION V

# SIGNIFICANT EVENTS

### IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

Explanation on appointment and removal of accounting firms

On 12 June 2020, the Company considered and approved the Proposal on Appointment of Auditors for 2020 at the 2019 annual general meeting, where the Company decided to reappoint Ernst & Young Hua Ming LLP as the auditor of the Company for the year of 2020 to audit the financial statements of the Company for 2020.

Explanation on change in the accounting firms during the auditing period

Not applicable.

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

Not applicable.

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.

### VII. PUNISHMENTS AND RECTIFICATIONS INVOLVED BY THE LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, 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 SHAREHOLDER 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*

Unit: 0'000 Yuan    Currency: RMB

Category of related party transactions	Related parties	Estimated amount in 2020	Accumulated amount from the beginning of the year to the end of the Reporting Period
Purchasing products/materials from related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	12,000.00	1,618.08
Receiving services from related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	5,000.00	137.77
Lease of houses/fixed assets from related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	50.00	–
Selling products/materials to related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	4,000.00	126.50
Provision of labor services to related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	75,000.00	–
Rental of houses/fixed assets to related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	1,500.00	23.57

Note: For details of the estimations on ordinary related party transactions, please refer to the Announcement on the Estimations on Ordinary Related Transactions for 2020-2022 of China Railway Signal & Communication Corporation Limited 《中國鐵路通信信號股份有限公司關於預計2020-2022年度日常關聯交易的公告》 issued on the SSE (www.sse.com.cn) dated 26 March 2020.

3. *Events not disclosed in the temporary announcements*

Not applicable.

## SECTION V

# SIGNIFICANT EVENTS

### (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.

### (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.

## SECTION V SIGNIFICANT EVENTS

### (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.

3. *Events not disclosed in temporary announcements*

Not applicable.

### (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: Yuan Currency: RMB

<b>Total amount of external guarantees provided by the Company (excluding guarantees provided for its subsidiaries)</b>	
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)	–
<b>Guarantees provided by the Company and its subsidiaries to its subsidiaries</b>	
Total guarantee to subsidiaries incurred during the Reporting Period	2,419,115,597.09
Total balance of guarantee to subsidiaries as at the end of the Reporting Period (B)	6,624,247,459.63
<b>Aggregate guarantee of the Company (including those provided to subsidiaries)</b>	
Aggregate guarantee (A+B)	6,624,247,459.63
Percentage of aggregate guarantee to net assets of the Company (%)	16.3
Representing:	
Amount of guarantee provided for shareholders, actual controller and related parties (C)	–
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D)	5,703,055,921.76
Excess amount of aggregate guarantee over 50% of net assets (E)	–
Aggregate amount of the above three categories (C+D+E)	5,703,055,921.76
Statement on the contingent joint and several liability in connection with unexpired guarantee	
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 30 June 2020, the balance of guarantee amounted to RMB6.624 billion, accounting for 16.3% of the Company's net assets, of which, the balance of guarantees for wholly-owned subsidiaries was RMB6.393 billion; the balance of guarantees for controlling subsidiaries was RMB231 million. The Company did not provide any guarantee for any of its controlling shareholder, actual controller or related parties. As at the end of the Reporting Period, the balance of guarantee provided by the Company for its subsidiaries with an asset-liability ratio of more than 70% amounted to RMB5.703 billion.



### 3. Other Material Contracts

Not applicable.

## XII. THE WORK OF THE LISTED COMPANY ON POVERTY ALLEVIATION

### 1. The plan of targeted poverty alleviation

The Company and CRSC Group, our controlling shareholder, undertook the designated poverty alleviation task in Sheqi county, Henan Province. The Company adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly studied and implemented the spirit of General Secretary Xi Jinping's important speech at the seminar on decisive battle to overcome poverty alleviation, and fully implemented the Party Central Committee's decision and deployment and the work requirements of the SASAC. It took multiple measures, pushed forward vigorously, continued to consolidate the results of poverty alleviation in Sheqi County, and helped Sheqi County to win the fight against poverty. (1) The Company accurately implemented policies to promote poverty alleviation through industry support. It persisted in taking industrial poverty alleviation as a fundamental strategy for poverty alleviation, continued to increase policy, capital, and technical assistance, continued to develop and expand the scale of characteristic industries, and continued to enhance the capability for "self-development" of poverty alleviation to promote the continuous and stable increase of income for the poor households. (2) The Company took multiple measures to carry out poverty alleviation through consumption. It helped poor households resolve the difficulties of agricultural product sales as the focus of poverty alleviation this year, and adopted a combination of online and offline methods to help farmers sell distinctive agricultural products to increase their income and become rich. (3) The Company continued to make efforts in poverty alleviation through education. It has been taking education assistance as a powerful measure for long-term assistance, increased investment in rural basic education facilities and vigorously carried out activities to help the poor. (4) The Company actively promoted poverty alleviation through healthcare. CRSC continued to carry out the event of the "Same Boat Project-Emergency Relief", focusing on the towns and villages with heavier tasks for poverty alleviation and the poor households who are greatly affected by the epidemic with more difficulties. (5) The Company vigorously carried out poverty alleviation through living standard. For the families in the county remaining in poverty, the Company coordinated 257 administrative villages in 16 townships (sub-districts) to check the housing and drinking water conditions of poor families, to make sure once again that every aspect relating to living conditions improvement has been taken into consideration and to ensure rural poor people do not have to worry about food and clothing and have access to compulsory education, basic medical services and safe housing.

## SECTION V

# SIGNIFICANT EVENTS

### 2. Summary of targeted poverty alleviation

In the first half of 2020, the Company and its controlling shareholder, CRSC Group, helped Sheqi County, Henan Province continue to consolidate the results of poverty alleviation. We implemented industrial assistance and actively developed characteristic industries such as honeysuckle. With the strong support of the local government, the development model of “cooperative + farmer households” has been adopted. 142 households in Haozhai Town (including 97 registered poor households) joined the professional cooperatives to plant 428 acres of honeysuckle; the scale of the blueberry industry was expanded and we actively guided the cooperative to expand the scale of planting. This year, we encouraged 6 registered households to join in planting blueberries; vegetable planting bases were developed to build 10 vegetable greenhouses and absorb 37 people in 15 poor households. The annual income of poor households increased by more than RMB13,000, and more than 50 people were employed. Consumption assistance was carried out to help sell agricultural products in poor areas amounting to RMB787,000. Education assistance was carried out to train 323 grassroots poverty alleviation cadres, and train 350 leaders of poverty alleviation and technicians. Health assistance was promoted to carry out the “Same Boat Project-Emergency Relief” action, and health assistance funds were distributed to 40 eligible poor families. We improved the livelihood of people who lived in poverty. For the 3,794 poor families in the county remaining in poverty, CRSC coordinated 257 administrative villages in 16 townships (sub-districts) to check the housing and drinking water conditions of poor families, and once again ensure that every aspect of improving the basic living conditions of poor households has been taken into consideration. At the same time, CRSC actively participated in the investment promotion of Sheqi County. We led the successful introduction of Nanyang Jinshi Functional Glass Technology Co., Ltd. (南陽金石功能玻璃科技有限公司) to invest and build factories in Sheqi County. A formal investment agreement was signed for the project in January 2020.

### 3. Effect of targeted poverty alleviation

Not applicable.

### 4. Progress in fulfilling social responsibility for targeted poverty alleviation

On 28 February 2020, the Henan Provincial People’s Government announced that in accordance with the relevant procedural regulations and standard requirements for the withdrawal of poverty-stricken counties, Sheqi county has completed the procedures of county-level application, municipal-level preliminary review, and provincial-level special evaluation and inspection, fully realized poverty alleviation, and officially withdrew from the poor county sequence.

### 5. Subsequent targeted poverty alleviation plan

The Company and its controlling shareholder, CRSC Group, will thoroughly study and implement General Secretary Xi Jinping's important demonstration on poverty alleviation and the spirit of the important speech at the national forum on decisive victory over poverty alleviation, strictly implement the decisions and deployments of the Party Central Committee and the SASAC, actively respond to the adverse effects of the epidemic, resolutely carry out poverty alleviation and assistance, and strive to achieve the overall victory in the poverty alleviation. Firstly, we will actively carry out research on poverty alleviation work, promote the implementation of key tasks, and further refine the assistance measures to actively help the grassroots to resolve difficulties. Secondly, we will intensify industrial poverty alleviation efforts, make targeted efforts, and take multiple measures to help the remaining poor households to increase their incomes, get rid of poverty, help poor areas improve their development capabilities, and continue to consolidate and expand the achievements of poverty alleviation. Thirdly, we will continue to strengthen the docking of production and sales and solidly carry out poverty alleviation through consumption to resolve the problem of sluggish sales of agricultural products in poor areas through multiple channels.

### 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

Guided by Xi Jinping's thought on ecological civilization, CRSC has been implementing the spirit of the 19th National Congress of the CPC and the National Ecological Environmental Protection Conference, firmly establishes the concept of socialist ecological civilization, and promotes the notion of green development. Focusing on protecting the environment and saving resources, CRSC follows the relevant laws and regulations of the state on ecological environmental protection, implements pollutant reduction and environmental governance simultaneously and actively fulfills its social responsibility. Only Shenyang Railway Signal Co., Ltd. under CRSC is a key pollutant discharging unit announced by the local ecological environmental protection department, and the relevant environmental protection information and detection of this enterprise are disclosed on the website of the local ecological environment department in accordance with the relevant regulations.

## SECTION V

# SIGNIFICANT EVENTS

### 1. *Pollutant discharging information*

CRSC is an environmental-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); hazardous wastes are 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 2019, the COD emission in sewage was 2.63 tons, the ammonia nitrogen emission was 0.41 ton, and the hazardous waste treatment capacity was 168.53 tons, maintaining a reasonable level. The emission of sulfur dioxide and nitrogen oxide in the air pollutants were 0.021 ton and 1.01 tons, respectively. 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.

### 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. For the links 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. The additional and upgraded enterprise-level sewage treatment stations substantially improved sewage treatment capacity and achieved strong monitoring of water pollution discharge indicators. Hazardous wastes are stored and managed in strict compliance with the relevant regulations. In the process of transfer and disposal of hazardous wastes, the joint bills of hazardous wastes transfer are filled out in accordance with the provisions of the Administrative Measures on the Joint Bills for the Transfer of Hazardous Wastes, and qualified units are entrusted to carry out harmless and safe disposal according to law.

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

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 is controlled and the principle of combining prevention with treatment is 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 are 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.

## SECTION V SIGNIFICANT EVENTS

### **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.

### **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 its actual conditions. 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 discharging 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.

### **(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 three independent non-executive directors 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 2020.

### **(IV) Subsequent events**

There were no other significant subsequent events which have occurred since 30 June 2020 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**

Not applicable.

### **(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.



## CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

## I. THE MOVEMENTS IN SHARE CAPITAL

## (I) Table of changes in shares

## 1. Table of changes in shares

Unit: share

	Before the changes		Changes for the period (+, -)					After the changes	
	Number of shares	Percentage (%)	New shares	Bonus shares	Reserve transferred to shares	Other	Subtotal	Number of shares	Percentage (%)
I. Shares subject to trading moratorium	7,436,647,400	70.23	-	-	-	-75,629,400	-75,629,400	7,361,018,000	69.51
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	7,107,826,000	67.12	-	-	-	-	-	7,107,826,000	67.12
3. Other domestic shares	328,821,400	3.11	-	-	-	-75,629,400	-75,629,400	253,192,000	2.39
Of which held by: domestic non-state-owned legal person	328,821,400	3.11	-	-	-	-75,629,400	-75,629,400	253,192,000	2.39
domestic natural person	-	-	-	-	-	-	-	-	-
4. Foreign shares	-	-	-	-	-	-	-	-	-
Of which held by: overseas legal person	-	-	-	-	-	-	-	-	-
overseas natural person	-	-	-	-	-	-	-	-	-
II. Circulating shares not subject to trading moratorium	3,153,171,600	29.77	-	-	-	75,629,400	75,629,400	3,228,801,000	30.49
1. RMB ordinary shares	1,184,370,600	11.18	-	-	-	75,629,400	75,629,400	1,260,000,000	11.90
2. Domestic listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	1,968,801,000	18.59	-	-	-	-	-	1,968,801,000	18.59
4. Others	-	-	-	-	-	-	-	-	-
III. Total number of shares	10,589,819,000	100.00	-	-	-	-	-	10,589,819,000	100.00

## SECTION VI

# CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

### 2. Explanation on changes in shares

The reason for the change in the share capital structure is that the shares subject to trading moratorium issued under the offline allotment of the IPO on 22 January 2020 were listed for trading.

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

Not applicable.

### 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

Unit: share

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the Reporting Period	Number of shares released from trading moratorium for the Reporting Period	Number of new shares subject to trading moratorium for the Reporting Period	Number of shares subject to trading moratorium at the end of the Reporting Period	Reason for the trading moratorium	Date of release from trading moratorium
Offline allotment participants (92 accounts) <sup>Note 1</sup>	75,629,400	75,629,400	–	–	Subject to trading moratorium under the offline allotment of the initial public offering	22 January 2020
China Railway Signal and Communication (Group) Corporation Limited	6,604,426,424	–	–	6,604,426,424	Subject to trading moratorium under the initial public offering	22 July 2020
China Chengtong Holdings Group Ltd.	63,507,192	–	–	63,507,192	Subject to trading moratorium under the initial public offering	22 July 2020
China Reform Holdings Corporation Ltd.	63,507,192	–	–	63,507,192	Subject to trading moratorium under the initial public offering	22 July 2020
China National Machinery Industry Corporation	63,507,192	–	–	63,507,192	Subject to trading moratorium under the initial public offering	22 July 2020

## CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the Reporting Period	Number of shares released from trading moratorium for the Reporting Period	Number of new shares subject to trading moratorium for the Reporting Period	Number of shares subject to trading moratorium at the end of the Reporting Period	Reason for the trading moratorium	Date of release from trading moratorium
CICC Jiacheng Investment Management Co., Ltd.	26,070,000	-	-	26,070,000	Subject to trading moratorium under the initial public offering	22 July 2020
CICC-Guangfa Bank-CICC Feng Zhong No. 1 collective assets management plan for employee participation in STAR MARKET strategic allotment	18,901,500	-	-	18,901,500	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
CICC-Guangfa Bank-CICC Feng Zhong No. 2 collective assets management plan for employee participation in STAR MARKET strategic allotment	44,713,112	-	-	44,713,112	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
CICC-Guangfa Bank-CICC Feng Zhong No. 3 collective assets management plan for employee participation in STAR MARKET strategic allotment	34,227,038	-	-	34,227,038	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
CICC-Guangfa Bank-CICC Feng Zhong No. 4 collective assets management plan for employee participation in STAR MARKET strategic allotment	1,621,102	-	-	1,621,102	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
CICC-Guangfa Bank-CICC Feng Zhong No. 5 collective assets management plan for employee participation in STAR MARKET strategic allotment	9,270,248	-	-	9,270,248	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
China CICC Wealth Management Securities Company Limited(former China Investment Securities Co., Ltd.)	36,000,000	-	-	36,000,000	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2021
Guoxin Investment Co., Ltd.	85,470,000	-	-	85,470,000	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
China Railway Investment Co., Ltd.	34,188,000	-	-	34,188,000	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
Sinomach Capital Holdings Ltd.	23,677,500	-	-	23,677,500	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020

## SECTION VI

# CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the Reporting Period	Number of shares released from trading moratorium for the Reporting Period	Number of new shares subject to trading moratorium for the Reporting Period	Number of shares subject to trading moratorium at the end of the Reporting Period	Reason for the trading moratorium	Date of release from trading moratorium
Zhongdian Electronics Information Industry Investment Fund (Tianjin) Partnership (Limited Partnership)	23,677,500	–	–	23,677,500	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
Guangdong Hengjian Capital Management Co., Ltd.	23,677,500	–	–	23,677,500	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
Hunan Rail Transit Holding Group Co., Ltd.	23,677,500	–	–	23,677,500	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
Shandong Railway Development Fund Co., Ltd.	23,677,500	–	–	23,677,500	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
National Railway (Tianjin) Equity Investment Partnership (Limited Partnership)	11,839,000	–	–	11,839,000	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
China Railway Construction Corporation Limited	11,839,000	–	–	11,839,000	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
COSCO SHIPPING Development Co., Ltd.	11,839,000	–	–	11,839,000	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
Power Construction Corporation of China, Ltd.	11,839,000	–	–	11,839,000	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
CITIC Industrial Investment Group Corp., Ltd.	11,839,000	–	–	11,839,000	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020

## CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the Reporting Period	Number of shares released from trading moratorium for the Reporting Period	Number of new shares subject to trading moratorium for the Reporting Period	Number of shares subject to trading moratorium at the end of the Reporting Period	Reason for the trading moratorium	Date of release from trading moratorium
Sichuan Transportation Investment Innovation Development Co., Ltd.	11,839,000	-	-	11,839,000	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
Sichuan Expressway Company Limited	11,839,000	-	-	11,839,000	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
New China Life Insurance Company Ltd.	11,839,000	-	-	11,839,000	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
China Life Insurance Company Ltd.	11,839,000	-	-	11,839,000	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
Huaxia 3-year Closed Operation Strategic Allocation Flexible Allocation Hybrid Securities Investment Fund (LOF)	11,839,000	-	-	11,839,000	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
Bosera Science Theme 3-year Closed Operation Flexible Allocation Hybrid Securities Investment Fund	11,839,000	-	-	11,839,000	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
SIG Asset Management Co., Ltd.	11,602,000	-	-	11,602,000	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
BOC Financial Asset Investment Co., Ltd.	6,037,500	-	-	6,037,500	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
China Southern Power Grid Capital Holdings Co., Ltd.	5,801,000	-	-	5,801,000	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020

## SECTION VI

# CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the Reporting Period	Number of shares released from trading moratorium for the Reporting Period	Number of new shares subject to trading moratorium for the Reporting Period	Number of shares subject to trading moratorium at the end of the Reporting Period	Reason for the trading moratorium	Date of release from trading moratorium
Minmetals Capital Holdings Limited	3,552,000	-	-	3,552,000	Subject to trading moratorium under the strategic allotment of the initial public offering	22 July 2020
Total	7,436,647,400	75,629,400	-	7,361,018,000	/	/

Note 1: For the details of the offline allotment accounts, please see the Schedule 1, Table of Lottery Results of the Offline Allotment, to the Announcement on the Results of the Initial Public Offering and the Listing on the STAR Market of China Railway Signal & Communication Corporation Limited issued on 19 July 2019 on the SSE ([www.sse.com.cn](http://www.sse.com.cn)).

## II. PARTICULARS OF SHAREHOLDERS

### (I) Total number of shareholders

Total number of ordinary shareholders as at the end of the Reporting Period (account)	135,725
Total number of shareholders of preference shares with restored voting rights as at the end of the Reporting Period (account)	Not applicable

Note: As of the end of the Reporting Period, the Company had 135,487 A Share shareholders and 238 registered H Share shareholders.

### Number of depositary receipt holders

Not applicable.

## CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

## (II) Particulars of shareholdings of the top ten Shareholders and the top ten 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	Particulars of shareholdings of the top ten Shareholders				Number of restricted shares including lending shares for securities financing	Shares pledged or frozen		Nature of shareholder
		Number of shares held as at the end of the period	Percentage (%)	Number of shares held subject to trading moratorium	Status of shares		Number of shares		
China Railway Signal and Communication (Group) Corporation Limited	–	6,604,426,424	62.37	6,604,426,424	6,604,426,424	No	–	State-owned corporation	
HKSCC NOMINEES LIMITED <sup>Note</sup>	24,950	1,967,824,950	18.58	–	–	Unknown	–	Overseas corporation	
Guoxin Investment Co., Ltd.	–	85,470,000	0.81	85,470,000	85,470,000	Unknown	–	State-owned corporation	
China National Machinery Industry Corporation	–	63,507,192	0.60	63,507,192	63,507,192	Unknown	–	State-owned corporation	
China Reform Holdings Corporation Ltd.	–	63,507,192	0.60	63,507,192	63,507,192	Unknown	–	State-owned corporation	
China Chengtong Holdings Group Ltd.	–	63,507,192	0.60	63,507,192	63,507,192	Unknown	–	State-owned corporation	
CICC-Guangfa Bank-CICC Feng Zhong No. 2 collective assets management plan for employee participation in STAR MARKET strategic allotment	–	44,713,112	0.42	44,713,112	44,713,112	No	–	Other	
CICC-Guangfa Bank-CICC Feng Zhong No. 3 collective assets management plan for employee participation in STAR MARKET strategic allotment	–	34,227,038	0.32	342,270,330	342,270,330	No	–	Other	
China Railway Investment Co., Ltd.	–	34,188,000	0.32	34,188,000	34,188,000	Unknown	–	State-owned corporation	
CICC Jiacheng Investment Management Co., Ltd.	–	26,070,000	0.25	26,070,000	26,070,000	Unknown	–	Other	



## SECTION VI

# CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

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

Name of shareholder	Number of circulating shares held not subject to trading moratorium	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED <sup>Note</sup>	1,967,824,950	Overseas listed foreign shares	1,967,824,950
National Social Security Fund-Eight Combinations	20,344,478	RMB ordinary shares	20,344,478
China CICC Wealth Management Securities Company Limited	8,000,197	RMB ordinary shares	8,000,197
Huatai Securities Co., Ltd.	7,885,042	RMB ordinary shares	7,885,042
Guotai Junan Securities Co., Ltd.	4,032,465	RMB ordinary shares	4,032,465
QIAN Yingshi	4,000,158	RMB ordinary shares	4,000,158
ZHANG Yong	3,810,126	RMB ordinary shares	3,810,126
YIN Jianrong	3,542,205	RMB ordinary shares	3,542,205
Hua Life Insurance Co., Ltd. – private capital	3,249,037	RMB ordinary shares	3,249,037
WANG Chengyi	3,007,000	RMB ordinary shares	3,007,000
Explanation on the related party relationship or acting-in-concert arrangement among the above Shareholders	China Railway Signal and Communication (Group) Corporation Limited does not have any related party relationship with the other shareholders, nor is it a person acting in concert with them. Guoxin Investment Co., Ltd. is a wholly-owned subsidiary of China Reform Holdings Corporation Ltd. The Company is not aware whether the other shareholders have related party relationship or acting-in-concert arrangement.		
Explanation on the shareholders of preference shares with restored voting right and their shareholdings	Not applicable		

Note: H shares held by HKSCC NOMINEES LIMITED are held on behalf of various clients.

## CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

Number of shareholdings of the top ten Shareholders subject to trading moratorium and conditions of trading moratorium

Unit: share

No.	Name of shareholder 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 2020		- 36 months from the date when the Company's shares are listed at the SSE
2	Guoxin Investment Co., Ltd.	85,470,000	22 July 2020		- 12 months from the date when the Company's shares are listed at the SSE
3	China National Machinery Industry Corporation	63,507,192	22 July 2020		- 12 months from the date when the Company's shares are listed at the SSE
4	China Reform Holdings Corporation Ltd.	63,507,192	22 July 2020		- 12 months from the date when the Company's shares are listed at the SSE
5	China Chengtong Holdings Group Ltd.	63,507,192	22 July 2020		- 12 months from the date when the Company's shares are listed at the SSE
6	CICC-Guangfa Bank-CICC Feng Zhong No. 2 collective assets management plan for employee participation in STAR MARKET strategic allotment	44,713,112	22 July 2020		- 12 months from the date when the Company's shares are listed at the SSE
7	CICC-Guangfa Bank-CICC Feng Zhong No. 3 collective assets management plan for employee participation in STAR MARKET strategic allotment	34,227,038	22 July 2020		- 12 months from the date when the Company's shares are listed at the SSE
8	China Railway Investment Co., Ltd.	34,188,000	22 July 2020		- 12 months from the date when the Company's shares are listed at the SSE
9	CICC Jiacheng Investment Management Co., Ltd.	26,070,000	22 July 2020		- 12 months from the date when the Company's shares are listed at the SSE
10	Guangdong Hengjian Capital Management Co., Ltd.	23,677,500	22 July 2020		- 12 months from the date when the Company's shares are listed at the SSE
Explanation on the related party relationship or acting-in-concert arrangement among the above Shareholders		China Railway Signal and Communication (Group) Corporation Limited does not have any related party relationship with the other shareholders above, nor is it a person acting-in-concert with them. Guoxin Investment Co., Ltd. is a wholly-owned subsidiary of China Reform Holdings Corporation Ltd. The Company is not aware whether the other shareholders above have related party relationship or acting-in-concert arrangement.			

**Particulars of the top ten domestic depositary receipts holders of the Company as at the end of the Reporting Period**

Not applicable.

## SECTION VI

# CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

***Number of shareholdings of the top ten holders of depository receipts subject to trading moratorium and conditions of trading moratorium***

Not applicable.

**(III) Particulars of top ten shareholders with voting rights as at the end of the Reporting Period**

Not applicable.

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

As at 30 June 2020, 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 Securities and Futures Ordinance (“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 Share	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	A shares	Beneficial owner	6,604,426,424 (Long position)	76.61%	62.37%
National Council for Social Security Fund of the PRC	H shares	Beneficial owner	176,952,000 (Long position)	8.99%	1.67%
Shanghai Zhenhua Heavy Industries Co., Ltd. <sup>(1)</sup>	H shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25%	1.16%
Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited <sup>(1)</sup>	H shares	Beneficial owner	123,063,000 (Long position)	6.25%	1.16%
China Railway Group Investment (Hong Kong) Limited <sup>(2)</sup>	H shares	Beneficial owner	123,063,000 (Long position)	6.25%	1.16%
China Railway Engineering Corporation <sup>(2)</sup>	H shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25%	1.16%
China Railway Group Limited <sup>(2)</sup>	H shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25%	1.16%
China Railway International Group Co., Limited <sup>(2)</sup>	H shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25%	1.16%
BlackRock, Inc. <sup>(3)</sup>	H shares	Interests in a controlled corporation	104,861,500 (Long position)	5.33%	0.99%
	H shares	Interests in a controlled corporation	2,082,000 (Short position)	0.11%	0.02%

## CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

*Notes:*

As at 30 June 2020, the total number of issued shares of the Company was 10,589,819,000 shares, of which 1,968,801,000 shares were H shares and 8,621,018,000 shares were A shares.

1. Shanghai Zhenhua Heavy Industries Co., Ltd. had interests in such shares through Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited.
2. 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.
3. BlackRock, Inc. had interests in such shares through the corporations it directly or indirectly held, of which 7,000 H shares (short position) were derived from unlisted and cash settled derivatives.

Save as disclosed above, as at 30 June 2020, 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.

**(V) Top ten shareholders from strategic investors or general legal persons participating in the placing of the new shares/depository receipts**

Not applicable.

**III. CHANGES IN THE CONTROLLING SHAREHOLDER OR ACTUAL CONTROLLER**

Not applicable.

**IV. IMPLEMENTATION AND CHANGES OF ARRANGEMENTS RELATED TO DEPOSITORY RECEIPT DURING THE REPORTING PERIOD**

Not applicable.

**V. SHARES WITH SPECIAL VOTING RIGHTS**

Not applicable.

## **SECTION VII**

# **PARTICULARS OF PREFERENCE SHARES**

Not applicable.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## I. CHANGES IN SHAREHOLDING

**(I) The changes in shareholding of current and resigned directors, supervisors, senior management and core technicians during the Reporting Period**

Not applicable.

**(II) The equity incentives granted to the directors, supervisors, senior management and core technicians during the Reporting Period**

Not applicable.

**(III) Interests and short positions of directors, supervisors and chief executives of the Company in Shares, underlying shares and debentures of the Company and its associated corporations**

As at 30 June 2020, none of the directors, supervisors and chief executives of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to 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 will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) 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 2020.

## SECTION VIII

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Name	Position held	Information on the change
XU Zongxiang	Executive Director	Elected
KONG Ning	Chairman of the Supervisory Committee, Supervisor	Elected
LI Tienan	Supervisor	Elected
WU Zuowei	Supervisor	Resigned
TIAN Liyan	Chairwoman of the Supervisory Committee	Resigned

Explanation on changes in directors, supervisors, senior management and core technicians of the Company

In January 2020, due to work arrangements, Ms. TIAN Liyan and Mr. WU Zuowei resigned as Supervisors of the third session of the Supervisory Committee of the Company. On 21 January 2020, the Company held the sixth meeting of the third session of the Supervisory Committee and nominated Mr. KONG Ning and Ms. LI Tienan as shareholder representative Supervisors of the third session of the Supervisory Committee.

On 12 February 2020, the Company held the 2020 first extraordinary general meeting and elected Mr. XU Zongxiang as executive Director and Mr. KONG Ning and Ms. LI Tienan as shareholder representative Supervisors.

On 25 March 2020, the Company held the seventh meeting of the third session of the Supervisory Committee and elected Mr. KONG Ning as the chairman of the Supervisory Committee.

### III. OTHER EXPLANATIONS

Not applicable.



## SECTION IX PARTICULARS OF CORPORATE BONDS

Not applicable.

# SECTION X FINANCIAL REPORT REVIEW REPORT

Ernst & Young Hua Ming (2020) Zhuan Zi No. 61172338\_A19  
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 2020, 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 2020, 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: ZHANG Xiaoliang (章曉亮)

Chinese Certified Public Accountant: ZHANG Mingming (張鳴鳴)

Beijing, China

28 August 2020



# CONSOLIDATED BALANCE SHEET

30 June 2020

## I. AUDIT REPORT

Applicable  Not applicable

## II. FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEET

30 June 2020

Prepared by: China Railway Signal & Communication Corporation Limited

Unit: Yuan Currency: RMB

ITEM	Notes	30 June 2020	31 December 2019
<b>Current assets:</b>			
Cash and bank balances	VII.1	22,305,714,100.37	24,000,333,948.30
Balances with clearing companies		—	—
Placements with banks and other financial institutions		—	—
Held-for-trading financial assets	VII.2	—	—
Derivative financial assets	VII.3	—	—
Bills receivable	VII.4	—	—
Accounts receivable	VII.5	17,573,608,015.70	16,757,628,007.95
Receivables for financing	VII.6	1,421,233,468.07	1,478,647,844.54
Prepayments	VII.7	1,108,007,950.68	924,649,290.25
Premiums receivable		—	—
Reinsurance accounts receivable		—	—
Deposits receivable from reinsurance treaty		—	—
Other receivables	VII.8	1,269,760,754.02	1,148,124,174.34
Including: Interest receivable		—	—
Dividends receivable		19,125,000.00	—
Financial assets held under resale agreements		—	—
Inventories	VII.9	2,495,480,387.48	2,200,762,577.00
Contract assets	VII.10	34,206,521,974.49	33,034,982,342.51
Assets held for sale	VII.11	—	—
Non-current assets due within one year	VII.12	19,074,360.16	19,022,697.66
Other current assets	VII.13	1,068,542,803.14	940,133,548.13
<b>Total current assets</b>		<b>81,467,943,814.11</b>	<b>80,504,284,430.68</b>

# CONSOLIDATED BALANCE SHEET

30 June 2020

ITEM	Notes	30 June 2020	31 December 2019
<b>Non-current assets:</b>			
Loans and advances to customers		–	–
Debt investment	VII.14	273,172,183.50	273,172,183.50
Other debt investment	VII.15	–	–
Long-term receivables	VII.16	6,747,026,919.86	6,422,130,017.28
Long-term equity investments	VII.17	1,061,457,011.47	981,541,601.50
Other equity instrument investment	VII.18	806,064,229.20	806,064,229.20
Other non-current financial assets	VII.19	–	–
Investment properties	VII.20	218,752,136.86	217,533,676.51
Fixed assets	VII.21	4,235,904,703.57	4,329,298,247.74
Construction in progress	VII.22	761,537,552.70	160,740,323.63
Productive biological assets	VII.23	–	–
Oil and gas assets	VII.24	–	–
Right-of-use-assets	VII.25	160,699,276.95	158,427,539.85
Intangible assets	VII.26	2,365,879,848.59	2,416,808,796.77
Development expenditure	VII.27	135,339,108.53	47,507,051.83
Goodwill	VII.28	305,324,128.58	305,324,128.58
Long-term prepaid expenses	VII.29	52,297,827.25	56,221,830.76
Deferred tax assets	VII.30	322,706,814.13	331,374,950.05
Other non-current assets	VII.31	562,813,134.36	502,162,296.48
Total non-current assets		18,008,974,875.55	17,008,306,873.68
Total assets		99,476,918,689.66	97,512,591,304.36

# CONSOLIDATED BALANCE SHEET

30 June 2020

ITEM	Notes	30 June 2020	31 December 2019
<b>Current liabilities:</b>			
Short-term borrowings	VII.32	<b>723,648,183.08</b>	238,066,170.39
Borrowings from central bank		—	—
Placements from banks and other financial institutions		—	—
Held-for-trading financial liabilities	VII.33	—	—
Derivative financial liabilities	VII.34	—	—
Bills payable	VII.35	<b>1,147,675,799.99</b>	1,278,194,766.35
Accounts payable	VII.36	<b>39,793,631,290.58</b>	39,943,249,975.12
Advance receipts	VII.37	—	—
Contract liabilities	VII.38	<b>7,141,771,936.69</b>	7,177,237,816.91
Financial assets sold for repurchase		—	—
Customers deposits and deposits from banks and other financial institutions		—	—
Amount paid for agency securities trading		—	—
Amount paid for agency securities underwriting		—	—
Employee benefits payable	VII.39	<b>617,784,278.24</b>	587,348,839.09
Tax payable	VII.40	<b>628,205,736.62</b>	916,296,853.22
Other payables	VII.41	<b>3,312,404,510.99</b>	1,120,169,597.60
Including: Interest payable		—	—
Dividends payable		<b>2,162,330,609.54</b>	34,391,330.43
Fees and commissions payable		—	—
Reinsurance accounts payable		—	—
Liabilities held for sale	VII.42	—	—
Non-current liabilities due within one year	VII.43	<b>241,900,315.13</b>	257,586,818.00
Other current liabilities	VII.44	<b>217,665,486.36</b>	240,541,829.73
<b>Total current liabilities</b>		<b>53,824,687,537.68</b>	51,758,692,666.41

# CONSOLIDATED BALANCE SHEET

30 June 2020

ITEM	Notes	30 June 2020	31 December 2019
<b>Non-current liabilities:</b>			
Insurance contract reserve		–	–
Long-term borrowings	VII.45	2,149,540,406.46	1,941,098,540.80
Bonds payable	VII.46	–	–
Including: Preference shares		–	–
Perpetual bonds		–	–
Lease liabilities	VII.47	80,387,557.71	75,374,177.82
Long-term payables	VII.48	84,613,065.38	74,981,014.21
Long-term employee benefits payable	VII.49	671,419,000.00	660,246,000.00
Provisions	VII.50	70,697,880.79	73,524,439.45
Deferred income	VII.51	140,065,043.30	155,820,852.92
Deferred tax liabilities	VII.30	45,842,257.20	48,176,031.73
Other non-current liabilities	VII.52	–	–
Total non-current liabilities		3,242,565,210.84	3,029,221,056.93
Total liabilities		57,067,252,748.52	54,787,913,723.34
<b>Shareholder's equity:</b>			
Share capital	VII.53	10,589,819,000.00	10,589,819,000.00
Other equity instruments	VII.54	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.55	15,964,713,181.41	15,964,398,557.22
Less: treasury stocks	VII.56	–	–
Other comprehensive income	VII.57	-282,947,561.74	-272,865,585.12
Special reserve	VII.58	371,170,071.88	412,165,921.09
Surplus reserve	VII.59	1,342,479,759.71	1,342,479,759.71
General risk reserve		–	–
Retained earnings	VII.60	9,845,208,019.12	10,283,609,709.60
Total equity attributable to Shareholders of the parent company		40,630,442,470.38	41,119,607,362.50
Non-controlling interests		1,779,223,470.76	1,605,070,218.52
Total Shareholder's equity		42,409,665,941.14	42,724,677,581.02
<b>Total liabilities and Shareholder's equity</b>		<b>99,476,918,689.66</b>	<b>97,512,591,304.36</b>

Legal Representative: ZHOU Zhiliang

Chief Financial Officer: HU Shaofeng

Head of Accounting Department: ZHANG Shihu

# PARENT COMPANY'S BALANCE SHEET

30 June 2020

Prepared by: China Railway Signal & Communication Corporation Limited

Unit: Yuan Currency: RMB

Item	Notes	30 June 2020	31 December 2019
<b>Current assets:</b>			
Cash and bank balances		18,547,968,432.89	19,237,599,410.15
Held-for-trading financial assets		—	—
Derivative financial assets		—	—
Bills receivable		—	—
Accounts receivable	XVII.1	2,161,893,187.60	2,191,166,790.85
Receivables for financing		113,855,635.21	626,265,688.56
Prepayments		293,193,909.19	347,440,401.68
Other receivables	XVII.2	8,748,321,642.99	6,438,023,339.85
Including: Interest receivable		—	—
Dividends receivable		1,727,150,430.31	249,665,430.31
Inventories		2,748,398.74	—
Contract assets		1,484,853,030.32	1,652,006,155.11
Assets held for sale		—	—
Non-current assets due within one year		767,827.47	767,827.47
Other current assets		63,171,388.40	82,849,952.98
Total current assets:		31,416,773,452.81	30,576,119,566.65
<b>Non-current assets:</b>			
Debt investment		273,172,183.50	273,172,183.50
Other debt investment		—	—
Long-term receivables		397,849,286.57	379,891,751.29
Long-term equity investments	XVII.3	17,062,863,976.42	16,391,064,832.98
Other equity instrument investment		476,408,221.20	476,408,221.20
Other non-current financial assets		—	—
Investment properties		1,517,442,446.95	1,536,429,244.36
Fixed assets		552,370,540.69	566,043,569.32
Construction in progress		4,290,783.53	4,290,783.53
Productive biological assets		—	—
Oil and gas assets		—	—
Right-of-use-assets		—	—
Intangible assets		468,349,003.41	475,132,006.77
Development expenditure		—	—
Goodwill		—	—
Long-term prepaid expenses		—	—
Deferred tax assets		21,245,296.28	19,150,297.26
Other non-current assets		65,117,482.88	125,525,324.69
Total non-current assets		20,839,109,221.43	20,247,108,214.90
Total assets		52,255,882,674.24	50,823,227,781.55



# PARENT COMPANY'S BALANCE SHEET

30 June 2020

Item	30 June 2020	31 December 2019
<b>Current liabilities:</b>		
Short-term borrowings	400,000,000.00	—
Held-for-trading financial liabilities	—	—
Derivative financial liabilities	—	—
Bills payable	—	—
Accounts payable	4,633,003,184.34	4,842,936,842.45
Advance receipts	—	—
Contract liabilities	1,345,324,768.64	1,098,443,771.29
Employee benefits payable	21,853,251.56	25,100,010.53
Tax payable	47,369,086.95	56,439,643.28
Other payables	12,905,990,154.79	11,462,182,244.05
Including: Interest payable	—	—
Dividends payable	2,117,963,800.00	—
Liabilities held for sale	—	—
Non-current liabilities due within one year	—	—
Other current liabilities	30,351,127.68	28,994,307.85
<b>Total current liabilities</b>	<b>19,383,891,573.96</b>	<b>17,514,096,819.45</b>
<b>Non-current liabilities:</b>		
Long-term borrowings	—	—
Bonds payable	—	—
Including: Preference shares	—	—
Perpetual bonds	—	—
Lease liabilities	—	—
Long-term payables	—	—
Long-term employee benefits payable	75,866,000.00	75,866,000.00
Provisions	2,511,689.94	2,511,736.34
Deferred income	3,731,692.25	4,081,692.25
Deferred tax liabilities	—	—
Other non-current liabilities	—	—
<b>Total non-current liabilities</b>	<b>82,109,382.19</b>	<b>82,459,428.59</b>
<b>Total liabilities</b>	<b>19,466,000,956.15</b>	<b>17,596,556,248.04</b>

# PARENT COMPANY'S BALANCE SHEET

30 June 2020

Item	30 June 2020	31 December 2019
<b>Shareholder's equity:</b>		
Share capital	10,589,819,000.00	10,589,819,000.00
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	16,356,470,432.63	16,356,470,432.63
Less: treasury stocks	—	—
Other comprehensive income	-49,474,254.51	-49,451,003.24
Special reserve	37,026,347.73	37,577,577.81
Surplus reserve	1,342,479,759.71	1,342,479,759.71
Retained earnings	1,713,560,432.53	2,149,775,766.60
Total Shareholders' equity	<u>32,789,881,718.09</u>	<u>33,226,671,533.51</u>
Total liabilities and Shareholders' equity	<u>52,255,882,674.24</u>	<u>50,823,227,781.55</u>

Legal Representative: ZHOU Zhiliang    Chief Financial Officer: HU Shaofeng    Head of Accounting Department: ZHANG Shihu

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

January to June 2020

Unit: Yuan Currency: RMB

Item	Notes	For the six months ended 30 June 2020	For the six months ended 30 June 2019
1. Total revenue		<b>14,620,778,851.32</b>	20,511,577,842.86
Including: Revenue	VII.61	<b>14,620,778,851.32</b>	20,511,577,842.86
Interest income		—	—
Premiums earned		—	—
Fees and commissions income		—	—
2. Total cost of sales		<b>12,495,996,849.36</b>	17,906,065,515.05
Including: Cost of sales	VII.61	<b>11,050,086,661.65</b>	15,731,610,829.12
Interest expenses		—	—
Fees and commissions expense		—	—
Surrenders		—	—
Net payments for insurance claims		—	—
Net provisions for insurance contract reserve		—	—
Policy dividend expenses		—	—
Reinsurance costs		—	—
Taxes and surcharges	VII.62	<b>100,847,700.48</b>	137,303,885.82
Selling and distribution expenses	VII.63	<b>304,082,038.25</b>	369,696,340.19
General and administrative expenses	VII.64	<b>797,141,410.58</b>	1,087,937,234.04
Research and development expenses	VII.65	<b>510,171,461.49</b>	581,151,441.08
Finance costs	VII.66	<b>-266,332,423.09</b>	-1,634,215.20
Including: Interest expenses		<b>25,027,798.72</b>	93,335,784.66
Interest income		<b>286,378,402.62</b>	108,107,819.27
Add: Other income	VII.67	<b>111,335,071.74</b>	86,163,041.16
Investment income (with “-” for losses)	VII.68	<b>25,264,908.01</b>	331,015,310.56
Including: Share of profits of associates and joint ventures		<b>25,868,541.66</b>	26,417,004.30
Derecognition of income from financial assets at amortized cost (with “-” for losses)		—	—
Foreign exchange gains (with “-” for losses)		—	—
Net gains from hedging exposure (with “-” for losses)	VII.69	—	—
Gains from changes in fair value (with “-” for losses)	VII.70	—	—
Credit impairment losses (with “-” for losses)	VII.71	<b>-20,070,906.04</b>	-150,133,375.67
Assets impairment losses (with “-” for losses)	VII.72	—	—
Gains from disposal of assets (with “-” for losses)	VII.73	<b>483,141.55</b>	-1,356,544.68
3. Operating profits (with “-” for losses)		<b>2,241,794,217.22</b>	2,871,200,759.18
Add: Non-operating income	VII.74	<b>7,662,229.43</b>	12,271,186.35
Less: Non-operating expenses	VII.75	<b>1,755,663.46</b>	10,114,404.30
4. Total profits (with “-” for total losses)		<b>2,247,700,783.19</b>	2,873,357,541.23
Less: Income tax expenses	VII.76	<b>287,843,858.03</b>	435,943,600.22

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

January to June 2020

Item	Notes	For the six months ended 30 June 2020	For the six months ended 30 June 2019
5. Net profit (with “-” for net loss)		<b>1,959,856,925.16</b>	2,437,413,941.01
(1) Classified by continuity of operation			
1. Profit or loss from continuing operation (with “-” for net loss)		<b>1,959,856,925.16</b>	2,437,413,941.01
2. Profit or loss from discontinued operations (with “-” for net loss)		—	—
(2) Classified by the ownership			
1. Profit or loss attributable to the owners of the parent company (with “-” for net loss)		<b>1,774,925,442.85</b>	2,267,893,086.86
2. Profit or loss attributable to non-controlling interests (with “-” for net loss)		<b>184,931,482.31</b>	169,520,854.15
6. Other comprehensive income, net of tax	VII.77	<b>-10,081,976.62</b>	198,381.47
(I) Other comprehensive income attributable to the owners of the parent company, net of tax	VII.77	<b>-10,081,976.62</b>	198,381.47
1. Other comprehensive income not to be reclassified to profit or loss		<b>-20,334,000.00</b>	-4,000.00
(1) Changes of re-measurement of defined benefit plans	VII.77	<b>-20,334,000.00</b>	-4,000.00
(2) Other comprehensive income under equity method that cannot be reclassified into profit or loss		—	—
(3) Changes in fair value of other equity instrument investments		—	—
(4) Changes in fair value of the Company’s own credit risk		—	—
2. Other comprehensive income to be reclassified to profit or loss		<b>10,252,023.38</b>	202,381.47
(1) Other comprehensive income under equity method that can be reclassified into profit or loss		—	—
(2) Changes in fair value of other debt investments		—	—
(3) The amount of financial assets reclassified into other comprehensive income		—	—
(4) Credit impairment provisions for other debt investments		—	—
(5) Hedging reserve arising from cash flows	VII.77	<b>7,625,525.97</b>	184,676.65
(6) Exchange differences on translation of foreign operations	VII.77	<b>33,952.72</b>	17,704.82
(7) Others		<b>2,592,544.69</b>	—
(II) Other comprehensive income attributable to non-controlling interests, net of tax		—	—

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

January to June 2020

Item	For the six months ended 30 June 2020	For the six months ended 30 June 2019
7. Total comprehensive income	<b>1,949,774,948.54</b>	2,437,612,322.48
(I) Total comprehensive income attributable to Shareholders of the parent company	<b>1,764,843,466.23</b>	2,268,091,468.33
(II) Total comprehensive income attributable to non-controlling interests	<b>184,931,482.31</b>	169,520,854.15
8. Earnings per share:		
(I) Basic earnings per share (RMB/share)	<b>0.16</b>	0.25
(II) Diluted earnings per share (RMB/share)	<b>0.16</b>	0.25

Legal Representative: ZHOU Zhiliang    Chief Financial Officer: HU Shaofeng    Head of Accounting Department: ZHANG Shihu

# PARENT COMPANY'S STATEMENT OF PROFIT OR LOSS

January to June 2020

Unit: Yuan Currency: RMB

Item	Notes	For the six months ended 30 June 2020	For the six months ended 30 June 2019
1. Revenue	XVII.4	<b>1,352,218,331.45</b>	2,295,857,935.46
Less: cost of sale	XVII.4	<b>1,226,250,971.67</b>	2,081,942,633.25
Taxes and surcharges		<b>15,879,726.37</b>	20,383,290.27
Selling and distribution expenses		<b>3,519,479.29</b>	7,503,534.89
General and administrative expenses		<b>60,866,474.69</b>	95,760,454.86
Research and development expenses		<b>20,157,769.27</b>	—
Finance costs		<b>-248,668,277.40</b>	18,716,184.76
Including: Interest expenses		<b>14,815,340.90</b>	86,007,329.53
Interest income		<b>247,841,897.25</b>	69,569,721.63
Add: Other income		<b>1,457,633.07</b>	—
Investment income (with “-” for loss)	XVII.5	<b>1,598,060,106.81</b>	2,054,515,704.44
Including: Share of profits of associates and joint ventures		<b>2,654,399.32</b>	1,161,009.68
Derecognition of income from financial assets measured at amortized cost (with “-” for loss)		—	—
Net gains from exposure hedges (with “-” for loss)		—	—
Gains from changes in fair values (with “-” for loss)		—	—
Credit impairment losses (with “-” for loss)		<b>-8,600,923.77</b>	-5,596,070.58
Assets impairment losses (with “-” for loss)		—	—
Gains from disposal of assets (with “-” for loss)		<b>6,275.72</b>	—
2. Operating profit (with “-” for loss)		<b>1,865,135,279.39</b>	2,120,471,471.29
Add: Non-operating income		<b>5,564.08</b>	505,504.13
Less: Non-operating expenses		<b>332,725.58</b>	10,891.40
3. Total profit (with “-” for total loss)		<b>1,864,808,117.89</b>	2,120,966,084.02
Less: Income tax expenses		<b>87,696,318.63</b>	52,456,536.43
4. Net profit (with “-” for net loss)		<b>1,777,111,799.26</b>	2,068,509,547.59
(1) Net profit from continuing operations (with “-” for net loss)		<b>1,777,111,799.26</b>	2,068,509,547.59
(2) Net profit of discontinued operations (with “-” for net loss)		—	—

# PARENT COMPANY'S STATEMENT OF PROFIT OR LOSS

January to June 2020

Item	For the six months ended 30 June 2020	For the six months ended 30 June 2019
5. Other comprehensive income, net of tax	-23,251.27	-
(I) Other comprehensive income not reclassified to profit or loss	-	-
1. Changes of the re-measurement of defined benefit plans	-	-
2. Other comprehensive income under equity method that cannot be reclassified to profit or loss	-	-
3. Change in fair value of other investments in equity instruments	-	-
4. Changes in fair value of the Company's own credit risks	-	-
(II) Other comprehensive income that will be reclassified to profit or loss	-23,251.27	-
1. Other comprehensive income that may be transferred to profit or loss under equity method	-	-
2. Change in fair value of other debt investments	-	-
3. Amount of financial assets reclassified to other comprehensive income	-	-
4. Provision for credit impairment of other debt investments	-	-
5. Hedging reserve arising from cash flows	-	-
6. Exchange differences on translation of foreign operations	-23,251.27	-
7. Others	-	-
6. Total comprehensive income	<u>1,777,088,547.99</u>	<u>2,068,509,547.59</u>

Legal Representative: ZHOU Zhiliang    Chief Financial Officer: HU Shaofeng    Head of Accounting Department: ZHANG Shihu



# CONSOLIDATED STATEMENT OF CASH FLOWS

January to June 2020

Unit: Yuan Currency: RMB

Item	Notes	For the six months ended 30 June 2020	For the six months ended 30 June 2019
<b>1. Cash flows generated from operating activities:</b>			
Cash received from the sale of goods or rendering of services		<b>13,748,865,734.96</b>	16,473,996,921.75
Net increase in customer deposits received and interbank deposits		—	—
Net increase in borrowings from central bank		—	—
Net increase in placements from other financial institutions		—	—
Cash received from original insurance contract premium		—	—
Net cash received from reinsurance business		—	—
Net increase in savings and investment funds		—	—
Interests, service charges and commission received		—	—
Net increase in placements		—	—
Net increase of returned business capital		—	—
Net cash received from accounts payables to brokerage clients		—	—
Refunds of tax		<b>96,105,149.60</b>	74,309,407.12
Cash received relating to other operating activities	VII.78	<b>310,189,448.21</b>	234,963,764.21
Subtotal of cash inflows from operating activities		<b>14,155,160,332.77</b>	16,783,270,093.08
Cash paid for goods and services		<b>-11,759,916,867.87</b>	-12,204,523,635.52
Net increase in loans and advances to customers		—	—
Net increase in deposits with the central bank and interbank funds		—	—
Cash paid for original insurance contract compensation		—	—
Net increase in placements with banks and other financial institutions		—	—
Interests, service charges and commission paid		—	—
Cash paid for bonus of guarantee slip		—	—
Cash paid to and on behalf of employees		<b>-2,046,414,894.67</b>	-2,010,899,153.32
Cash paid for all taxes		<b>-1,015,295,952.11</b>	-1,627,593,168.48
Cash paid relating to other operating activities	VII.78	<b>-305,584,840.51</b>	-1,070,422,446.00
Subtotal of cash outflows from operating activities		<b>-15,127,212,555.16</b>	-16,913,438,403.32
Net cash flows generated from operating activities	VII.79	<b>-972,052,222.39</b>	-130,168,310.24

# CONSOLIDATED STATEMENT OF CASH FLOWS

January to June 2020

Item	Notes	For the six months ended 30 June 2020	For the six months ended 30 June 2019
<b>2. Cash flows generated from investing activities:</b>			
Cash received from disposal of investments		—	147,968,600.00
Cash received from return on investment		<b>17,528,935.88</b>	15,850,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>1,319,124.58</b>	1,024,225.72
Net cash from disposal of subsidiaries and other operating units		—	—
Decrease in unsecured/pledged and unrestricted time deposits with maturity over three months		<b>1,312,527,790.76</b>	—
Cash received relating to other investing activities	VII.78	<b>139,226,133.38</b>	1,686,587,655.75
Subtotal of cash inflows from investing activities		<b>1,470,601,984.60</b>	1,851,430,481.47
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		<b>-1,066,966,880.83</b>	-192,719,971.43
Cash paid for investments		<b>-90,386,180.00</b>	-519,243,014.52
Net increase in pledged loan		—	—
Net cash paid on acquisition of subsidiaries and other operating units		—	—
Increase in unsecured/pledged and unrestricted time deposits with maturity of over three months		—	-1,744,725,456.95
Cash paid relating to other investing activities	VII.78	<b>-15,625,481.80</b>	-67,227,316.24
Subtotal of cash outflows from investing activities		<b>-1,172,978,542.63</b>	-2,523,915,759.14
Net cash flows generated from investing activities		<b>297,623,441.97</b>	-672,485,277.67
<b>3. Cash flows generated from financing activities:</b>			
Cash received as capital contributions		—	30,915,000.00
Including: Cash received by subsidiaries from minority shareholders' investment		—	—
Cash received from borrowings		<b>849,491,497.67</b>	3,509,182,035.37
Cash received from other financing activities		—	—
Subtotal of cash inflows from financing activities		<b>849,491,497.67</b>	3,540,097,035.37
Cash paid on repayments for borrowings		<b>-188,295,196.52</b>	-2,625,333,149.86
Cash paid for distribution of dividends or profits and for interest expenses		<b>-122,754,643.06</b>	-2,057,936,099.16
Including: Dividend and profit of minority shareholder paid by subsidiaries		<b>-2,363,511.01</b>	-108,548,924.92
Cash paid for other financing activities	VII.78	<b>-189,508,187.70</b>	-34,163,499.92
Subtotal of cash outflows from financing activities		<b>-500,558,027.28</b>	-4,717,432,748.94

# CONSOLIDATED STATEMENT OF CASH FLOWS

January to June 2020

Item	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Net cash flows generated from financing activities	<u>348,933,470.39</u>	<u>-1,177,335,713.57</u>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>	<u>22,266,644.83</u>	<u>4,503,648.35</u>
<b>5. Net increase in cash equivalents</b>	<b>-303,228,665.20</b>	<b>-1,975,485,653.13</b>
Add: Balance of cash and cash equivalents at the beginning of the period	<u>17,854,952,684.12</u>	<u>10,808,205,777.53</u>
<b>6. Balance of cash and cash equivalents at the end of the period</b>	<u><b>17,551,724,018.92</b></u>	<u><b>8,832,720,124.40</b></u>

Legal Representative: ZHOU Zhiliang    Chief Financial Officer: HU Shaofeng    Head of Accounting Department: ZHANG Shihu

# STATEMENT OF CASH FLOWS OF THE PARENT COMPANY

January to June 2020

Unit: Yuan Currency: RMB

Item	For the six months ended 30 June 2020	For the six months ended 30 June 2019
<b>1. Cash flows generated from operating activities:</b>		
Cash received from the sale of goods or rendering of services	1,874,371,489.09	3,644,344,800.93
Refunds of taxes	22,159,041.14	–
Cash received relating to other operating activities	272,897,217.99	90,123,426.16
Subtotal of cash inflows from operating activities	<u>2,169,427,748.22</u>	<u>3,734,468,227.09</u>
Cash paid for purchase of goods and services	-1,490,284,426.99	-2,679,870,955.81
Cash paid to and on behalf of employees	-29,788,257.95	-39,855,103.37
Cash paid for all taxes	-122,981,996.27	-167,913,959.76
Cash paid relating to other operating activities	-352,708,934.07	-70,843,019.52
Subtotal of cash outflows from operating activities	<u>-1,995,763,615.28</u>	<u>-2,958,483,038.46</u>
Net cash flows generated from operating activities	<u>173,664,132.94</u>	<u>775,985,188.63</u>
<b>2. Cash flows generated from investing activities</b>		
Cash received from disposal of investments	–	124,240,000.00
Cash received from investment income	514,785,690.04	920,059,910.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	–	6,000.26
Net cash from disposal of subsidiaries and other operating units	–	–
Decrease in unsecured/pledged and unrestricted time deposits with maturity over three months	1,303,017,600.00	–
Cash received relating to other investing activities	257,146,840.87	811,370,075.66
Subtotal of cash inflows from investing activities	<u>2,074,950,130.91</u>	<u>1,855,675,985.92</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	-53,523,290.19	-43,123,381.84
Cash paid for investments	-678,048,680.00	-652,938,683.50
Net cash received from subsidiaries and other units	–	–
Increase in unsecured/pledged and unrestricted time deposits with maturity of over three months	–	-2,041,701,700.00
Cash paid relating to other investing activities	-1,210,127,596.69	-13,473,555.46
Subtotal of cash outflows from investing activities	<u>-1,941,699,566.88</u>	<u>-2,751,237,320.80</u>
Net cash flows generated from investing activities	<u>133,250,564.03</u>	<u>-895,561,334.88</u>

# STATEMENT OF CASH FLOWS OF THE PARENT COMPANY

January to June 2020

Item	For the six months ended 30 June 2020	For the six months ended 30 June 2019
<b>3. Cash flows generated from financing activities:</b>		
Cash received as capital contributions	—	—
Cash received from borrowings	400,000,000.00	2,500,000,000.00
Cash received relating to other financing activities	—	—
Subtotal of cash inflows from financing activities	<u>400,000,000.00</u>	<u>2,500,000,000.00</u>
Cash paid on repayments of borrowings	—	-2,500,000,000.00
Cash paid on distribution of dividends or profits and for interest expenses	-95,363,333.33	-1,928,467,113.22
Cash paid relating to other financing activities	—	—
Subtotal of cash outflows from financing activities	<u>-95,363,333.33</u>	<u>-4,428,467,113.22</u>
Net cash flows generated from financing activities	<u>304,636,666.67</u>	<u>-1,928,467,113.22</u>
<b>4. Effect of fluctuations in exchange rate on cash and cash equivalents</b>	<u>24,752,687.12</u>	<u>4,280,612.64</u>
<b>5. Net increase in cash and cash equivalents</b>	<b>636,304,050.76</b>	<b>-2,043,762,646.83</b>
Add: Balance of cash and cash equivalents at the beginning of the period	<u>13,492,113,566.38</u>	<u>7,716,529,085.80</u>
<b>6. Balance of cash and cash equivalents at the end of the period</b>	<u><b>14,128,417,617.14</b></u>	<u><b>5,672,766,438.97</b></u>

Legal Representative: ZHOU Zhiliang    Chief Financial Officer: HU Shaofeng    Head of Accounting Department: ZHANG Shihu

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

January to June 2020

Unit: Yuan Currency: RMB

Item	Equity attributable to owners of the Company										Total shareholder's equity		
	For the six months ended 30 June 2020	Other equity instruments	Less: treasury stocks	Other comprehensive income	General risk reserve	Surplus reserve	Special reserve	Retained earnings	Others	Subtotal		Non-controlling interest	
	Paid-in capital (or share capital)	Preferred share	Perpetual bonds	Others	Capital reserve	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Others	Subtotal	Non-controlling interest	Total shareholder's equity
I. As at 31 December 2019	10,393,819,000.00	-	2,800,000,000.00	-	15,954,398,357.22	412,165,521.09	1,342,479,759.71	-	10,283,608,709.50	-	41,119,607,362.50	1,605,070,218.52	42,724,677,581.02
Add: changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of errors in prior period	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination of entities under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
II. As at 1 January 2020	10,393,819,000.00	-	2,800,000,000.00	-	15,954,398,357.22	412,165,521.09	1,342,479,759.71	-	10,283,608,709.50	-	41,119,607,362.50	1,605,070,218.52	42,724,677,581.02
III. Increases/(decreases) during the period	-	-	-	-	314,624.19	-40,995,849.21	-	-	-493,401,690.48	-	-493,401,690.48	174,153,252.24	-315,011,638.88
(I) Total comprehensive income	-	-	-	-	-	-40,995,849.21	-	-	1,774,925,442.85	-	1,764,843,466.23	184,931,482.31	1,949,774,948.54
(II) Capital contributions and withdrawals by shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recorded in Shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-2,213,327,133.33	-	-2,213,327,133.33	-12,338,990.12	-2,225,665,123.45
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Accrual of general risk reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Profits distributed to owners (or shareholders)	-	-	-	-	-	-	-	-	-2,117,963,800.00	-	-2,117,963,800.00	-12,338,990.12	-2,130,302,790.12
4. Others	-	-	-	-	-	-	-	-	-65,363,333.33	-	-65,363,333.33	-	-65,363,333.33
(IV) Internal transfer of Shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve into capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve into capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Reversal of loss by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Changes arising from defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-40,995,849.21	-	-	-	-	-40,995,849.21	1,560,760.05	-34,435,089.16
1. Appropriated in current period	-	-	-	-	-	-40,995,849.21	-	-	-	-	-40,995,849.21	1,560,760.05	-34,435,089.16
2. Used in current period	-	-	-	-	-	102,540,593.20	-	-	-	-	102,540,593.20	8,260,202.75	110,800,795.95
(VI) Others	-	-	-	-	314,624.19	143,536,432.41	-	-	-	-	143,536,432.41	6,694,442.70	150,236,875.11
IV. As at 30 June 2020	10,393,819,000.00	-	2,800,000,000.00	-	15,954,713,181.41	371,170,771.88	1,342,479,759.71	-	9,845,208,019.12	-	40,630,442,470.38	1,775,223,470.76	42,405,665,941.14

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

January to June 2020

For the six months ended 30 June 2019

Equity attributable to owners of the Company

Item	Other equity instruments				Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Others	Subtotal	Non-controlling interest	Total Equity
	Paid-in capital (or share capital)	Preferred share	Perpetual bonds	Others										
I. As at 31 December 2018	8,788,819,000.00	-	2,800,000,000.00	-	7,409,464,897.08	-	372,846,705.67	1,104,399,533.39	-	8,680,338,212.67	-	28,908,366,681.99	1,363,684,667.19	30,272,051,349.18
Plus: changes in accounting policies	-	-	-	-	-	-248,471,666.82	-	-	-	-	-	-	-	-
Correction of errors in prior periods	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination of entities under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. As at 1 January 2019	8,788,819,000.00	-	2,800,000,000.00	-	7,409,464,897.08	-248,471,666.82	372,846,705.67	1,104,399,533.39	-	8,680,338,212.67	-	28,908,366,681.99	1,363,684,667.19	30,272,051,349.18
III. Increases (decreases) during the period (with "+" for decrease)	-	-	-	-	-37,373,102.80	198,381.47	64,794,802.54	-	-	430,401,438.39	-	458,015,519.79	-48,232,238.09	409,783,281.70
(I) Total comprehensive income	-	-	-	-	-	198,381.47	-	-	-	2,267,893,086.86	-	2,268,091,468.33	169,520,854.15	2,437,612,322.48
(II) Capital contributions and withdrawals by shareholders	-	-	-	-	-37,721,884.92	-	-	-	-	37,715,001.94	-	-6,882.98	29,404,666.78	29,397,663.80
1. Common shares contributed by owners	-	-	-	-	-	-	-	-	-	-	-	-	30,915,000.00	30,915,000.00
2. Capital contributed by the holder of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recorded in Shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-37,721,884.92	-	-	-	-	37,715,001.94	-	-6,882.98	-1,510,163.22	-1,517,046.20
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-1,675,206,650.22	-	-1,675,206,650.22	-246,124,541.22	-2,121,331,191.44
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Accrual of general risk reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Profits distributed to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-1,757,463,800.00	-	-1,757,463,800.00	-224,602,369.22	-1,982,066,169.22
4. Others	-	-	-	-	-	-	-	-	-	-117,242,850.22	-	-117,242,850.22	-21,522,171.00	-138,765,022.22
(IV) Internal transfer of Shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve into capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve into capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Recover of loss by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Changes arising from defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	64,794,802.54	-	-	-	-	64,794,802.54	-1,033,407.80	63,761,394.74
1. Appropriated in current period	-	-	-	-	-	-	354,766,534.55	-	-	-	-	354,766,534.55	3,166,801.72	358,933,336.27
2. Used in current period	-	-	-	-	-	-	289,973,732.01	-	-	-	-	289,973,732.01	4,600,209.52	294,573,941.53
(VI) Others	-	-	-	-	342,782.12	-	-	-	-	-	-	342,782.12	-	342,782.12
IV. As at 30 June 2020	8,788,819,000.00	-	2,800,000,000.00	-	7,372,091,794.28	-248,273,285.35	437,641,508.21	1,104,399,533.39	-	9,110,739,651.25	-	28,366,412,201.78	1,315,452,609.10	30,681,864,810.88

Legal Representative: ZHOU Zhiliang

Chief Financial Officer: HU Shaofeng

Head of Accounting Department: ZHANG Shihu



# PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

January – June 2020

Unit: Yuan Currency: RMB

Item	For the six months ended 30 June 2020										
	Paid-in capital (or share capital)	Preferred share	Perpetual bonds	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total Equity
I. As at 31 December 2019	10,889,819,000.00	-	2,800,000,000.00	-	16,356,470,432.63	-	-49,451,003.24	37,577,577.81	1,342,479,759.71	2,149,775,766.60	33,226,671,533.51
Plus: changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Correction of errors in prior periods	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. As at 1 January 2020	10,889,819,000.00	-	2,800,000,000.00	-	16,356,470,432.63	-	-49,451,003.24	37,577,577.81	1,342,479,759.71	2,149,775,766.60	33,226,671,533.51
III. Increases/(decreases) during the period (with "*" for decrease)	-	-	-	-	-	-	-23,251.27	-551,230.08	-	-436,215,334.07	-436,789,815.42
(I) Total comprehensive income	-	-	-	-	-	-	-23,251.27	-	-	1,777,111,799.26	1,777,088,547.99
(II) Capital contributions and withdrawals by shareholders	-	-	-	-	-	-	-	-	-	-	-
1. Common shares contributed by owners	-	-	-	-	-	-	-	-	-	-	-
2. Capital contributed by the holder of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recorded in Shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-2,213,327,133.33	-2,213,327,133.33	-2,213,327,133.33
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	-	-	-
2. Profits distributed to owners (or shareholders)	-	-	-	-	-	-	-	-	-2,117,963,800.00	-2,117,963,800.00	-2,117,963,800.00
3. Others	-	-	-	-	-	-	-	-	-95,363,333.33	-95,363,333.33	-95,363,333.33
(IV) Internal transfer of Shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve into capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve into capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-
3. Recover of loss by surplus reserve	-	-	-	-	-	-	-	-	-	-	-
4. Changes arising from defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-551,230.08	-	-	-551,230.08
1. Appropriated in current period	-	-	-	-	-	-	-	374,963.27	-	-	374,963.27
2. Used in current period	-	-	-	-	-	-	-	926,193.35	-	-	926,193.35
(VI) Others	-	-	-	-	-	-	-	-	-	-	-
IV. As at 30 June 2020	10,889,819,000.00	-	2,800,000,000.00	-	16,356,470,432.63	-	-49,474,254.51	37,026,347.73	1,342,479,759.71	1,713,560,432.53	32,789,881,716.09

# PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

January – June 2020

For the six months ended 30 June 2019

Item	Other equity instruments				Less:		Retained earnings	Total Equity
	Paid-in capital (or share capital)	Preferred share	Perpetual bonds	Others	Capital reserve	treasury stock		
I. As at 31 December 2018	8,789,819,000.00	-	2,800,000,000.00	-	7,802,128,059.41	-	1,955,223,085.26	22,441,213,864.50
Plus: changes in accounting policies	-	-	-	-	-	-	-	-
Correction of errors in prior periods	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II. As at 1 January 2019	8,789,819,000.00	-	2,800,000,000.00	-	7,802,128,059.41	-	1,955,223,085.26	22,441,213,864.50
III. increases/(decreases) during the period (with "+" for decrease)	-	-	-	-	-	-	-	-
(I) Total comprehensive income	-	-	-	-	-	-	215,703,525.37	212,383,820.94
(II) Capital contributions and withdrawals by shareholders	-	-	-	-	-	-	2,068,509,547.59	2,068,509,547.59
1. Common shares contributed by owners	-	-	-	-	-	-	-	-
2. Capital contributed by the holder of other equity instruments	-	-	-	-	-	-	-	-
3. Share-based payment recorded in Shareholders' equity	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-1,852,806,022.22	-1,852,806,022.22
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-
2. Profits distributed to owners (or shareholders)	-	-	-	-	-	-	-1,757,963,800.00	-1,757,963,800.00
3. Others	-	-	-	-	-	-	-94,842,222.22	-94,842,222.22
(IV) Internal transfer of Shareholders' equity	-	-	-	-	-	-	-	-
1. Transfer of capital reserve into capital (or share capital)	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve into capital (or share capital)	-	-	-	-	-	-	-	-
3. Recover of loss by surplus reserve	-	-	-	-	-	-	-	-
4. Changes arising from defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Appropriated in current period	-	-	-	-	-	-	-	-
2. Used in current period	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
IV. As at 30 June 2020	8,789,819,000.00	-	2,800,000,000.00	-	7,802,128,059.41	-	2,170,926,610.63	22,853,607,665.44

Legal Representative: ZHOU Zhiliang

Chief Financial Officer: HU Shaofeng

Head of Accounting Department: ZHANG Shihu

# NOTES TO FINANCIAL STATEMENTS

30 June 2020  
RMB

## III. CORPORATE INFORMATION

### 1. Company profile

√ Applicable   □ Not applicable

China Railway Signal & Communication Corporation Limited (the “Company”) is a joint stock limited liability company jointly sponsored on 29 December 2010 by China Railway Signal & Communication Corporation (here in after referred to as the “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. (these four companies are collectively referred to as the “Other Promoters”) approved by 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) (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 Company’s domicile is at 20th floor of Block A, CRSC Building, 1 Compound Automobile Museum South Road, Fengtai District, Beijing.

Upon approval of the China Securities Regulatory Commission’s “Reply 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 that were listed on the Hong Kong Stock Exchange from July to September 2015. The total amount of funds raised before deducting the issuance expenses was approximately HK\$11,275,859,700 and such H Shares commenced for trading on the Main Board of the Hong Kong Stock Exchange in August and September 2015. The Company’s four state-owned shareholders, the CRSC Group, China National Machinery Industry Corporation, China Chengtong Holdings Group Ltd. and China Reform Holdings Corporation Ltd., converted a total of 178,982,000 state-owned legal person shares to H Shares during August and September 2015, which were then transferred to the National Council for Social Security Fund of the People’s Republic of China.

According to the China Securities Regulatory Commission’s “Approval for Consent to the Registration of China Railway Signal & Communication Corporation Limited’s Initial Public Offering” (Zheng Jian Xu Ke [2019] No. 1135), as of 16 July 2019, the Company has issued 1,800,000,000 ordinary shares with a nominal value of RMB1 each at an issue price of RMB5.85 per share that were listed on the Sci-Tech innovation board of the Shanghai Stock Exchange. The total amount of funds raised before deduction of issuance expenses was RMB10,530,000,000.00 and such ordinary shares were commenced for trading on the Shanghai Stock Exchange’s Sci-Tech innovation board on 22 July 2019.

## III. CORPORATE INFORMATION (Continued)

### 1. Company profile (Continued)

As of 30 June 2020, the Company has accumulatively issued a total issued share capital of 10,589,819,000 shares with the accumulated share capital amounting RMB10,589,819,000.

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

The parent company and the ultimate controlling party of the Company are the CRSC Group based in the PRC.

The financial statements were approved by resolution by the Board of Directors of the Company on 28 August 2020.

### 2. Scope of consolidated financial statements

Applicable  Not applicable

The scope of consolidation of the consolidated financial statements was determined on the basis of control. For changes during the Reporting Period, please refer to Note IX. 1.

# NOTES TO FINANCIAL STATEMENTS

30 June 2020  
RMB

## IV. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### 1. Basis of preparation

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

The financial statements are presented on a going concern basis.

The financial statements have been prepared 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 in accordance with related 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 12 months since 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 detail of which are as follows:

### 1. Statement of compliance with accounting Standards for Business enterprises

The financial statements present fairly and fully the financial position at 30 June 2020 as well as operating results and cash flows of the Company and the Group for the six months ended 30 June 2020 in accordance with Accounting Standards for Business Enterprises.

### 2. Accounting period

The accounting year of the Company is from 1 January to 31 December of each calendar year. The Reporting Period of the financial statements is from 1 January 2020 to 30 June 2020.

**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 Group's operating cycle is usually 12 months.

**4. Functional currency**

The functional currency of and the currency adopted for the preparation of these financial statements by the Group is RMB. Unless otherwise stated, all financial statements are denominated in RMB.

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

Applicable  Not applicable

Business combinations are classified into business combinations involving entities under common control and business combinations involving entities not under common control.

**(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 the acquiree. The combination date is the date on which the acquirer effectively obtains control of the acquiree.

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 date of combination 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) shall be 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 2020  
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 acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination involving entities not under common control shall be measured 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 identifiable net assets. If the aggregate of the fair value of 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 identifiable net 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 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 for the current period.



**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 is determined on the basis of control, including the financial statements of the Company and all of its 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 owners' equity of the subsidiary, the excess amount is still allocated against minority interests.

For a subsidiary that is acquired in a business combination involving enterprises not under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the date on which the Group obtains control, until the Group ceases its control. In the preparation of 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 that is acquired in a business combination involving enterprises under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period of combination. In the preparation of the comparative consolidated financial statements, the relative items of the previous financial statements shall be adjusted, and treated as if 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 gives rise to one or more changes in controlling factors, the Group will reassess whether it controls the investee.

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

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## 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 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 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

Cash is the Group's cash on hand and deposits for payment at any time; Cash equivalents are short-term, highly liquid investments held by an enterprise, 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

For foreign currency transaction, the Group translates the amounts of foreign currency into its functional currency.

Foreign currency transactions are initially recorded using the functional currency spot exchange rate ruling at the date of transactions. At the balance sheet date, monetary items denominated in foreign currencies are translated into functional currencies at the spot exchange rates ruling at the balance sheet date. All differences arising from settlement and monetary items 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 or construction of qualifying assets dealing with by the principle of capitalization of borrowing costs. 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 ruling 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 related 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 at the spot exchange rates ruling at the dates of the cash flows. The effect of changes in exchange rates on cash is 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 an enterprise and form the financial liabilities or equity instruments of other units.

#### **Recognition and derecognition of financial instruments**

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

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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 part 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 receive cash flows from financial assets expire;
- (2) Transfer the right to receive cash flows from financial assets, 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 substantially transfer or retain almost all of 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 be included in the profit or loss for the period.

Financial assets traded in regular ways are recognised and derecognised on a trading date. Trading of financial assets in regular ways 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 is the date on which the Group undertakes to buy or sell the financial assets.

#### **Classification and measurement of financial assets**

The financial assets of the Group are classified upon the initial recognition based on the business model of the Group’s corporate management financial assets and the characteristics of the financial assets’ contractual cash flows: 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). All affected financial assets would be reclassified if and only if the Group changes its business model for managing financial assets.

Financial assets are measured at fair value at initial recognition. However, if the accounts receivable or bills receivable arising from the sale of goods or the provision of services do not contain significant financing components or do not consider financing components not exceeding one year, the financial assets shall be initially measured at 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 for the period. Transaction costs of other types of financial assets are included in the value initially recognised.

Subsequent measurement of financial assets depends on their classification:

*Debt instrument investments 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 on a specific date 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 derecognition, modification or impairment are recognised in profit or loss for the period.

*Debt instrument investments 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 to both collect contractual cash flows and sell the financial assets; the contractual terms of the financial assets stipulate that cash flows on a specific date 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. Other changes in fair values are included in other comprehensive income except for interest income, impairment losses and exchange differences which are recognised in profit or loss for the period. When the financial assets are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are transferred from it and included in profit or loss for the period.

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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 investments 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 (excluding dividend income explicitly recovered as part of investment cost) is included in profit or loss for the period. Subsequent changes in fair value are included in other comprehensive income with no impairment provision required. When the financial assets are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are transferred from it and included in retained earnings.

##### *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, except for hedging accounting, all changes in fair value are recognised in profit or loss for the period.

#### **Classification and measurement of financial liabilities**

Upon initial recognition, financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss and other financial liabilities. 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, and the related transaction fee of other financial liabilities is included in their initial amount recognised.

##### *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 include financial liabilities held for trading (including derivatives that are financial liabilities) and those designated as financial liabilities at fair value through profit or loss upon initial recognition. Held-for-trading financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value. Except for hedging accounting, all changes in fair value are recognised in profit or loss for the period. Financial liabilities designated to be measured at fair value through profit or loss are subsequently measured at fair value. Changes in fair value caused by changes in the Group's own credit risk are recognised in other comprehensive income, while other changes in fair value are included in profit or loss for the period. When changes in fair value caused by changes in the Group's own credit risk included in other comprehensive income may result in or enlarge accounting mismatches in profit or loss, the Group shall include all changes in fair value (including the amount of impact of changes in its own credit risk) in profit or loss for the period.

**V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** (Continued)**10. Financial instruments** (Continued)**Classification and measurement of financial liabilities** (Continued)*Financial liabilities measured at fair value through profit or loss* (Continued)

Only if one of the following conditions is met can financial liabilities be designated as financial liabilities at fair value through profit or loss at initial recognition:

- (1) It can eliminate or significantly reduce accounting mismatch.
- (2) The financial instrument portfolio is managed, evaluated and reported to key management on fair value basis according to the documented written risk management or investment strategy.
- (3) Hybrid instruments that contain one or more embedded derivatives, unless the embedded derivatives have no significant effect on the cash flow of the hybrid instrument, or the embedded derivatives should obviously not be separated from the related hybrid instruments.
- (4) Hybrid instruments containing embedded derivatives that need to be separated but cannot be measured individually after it has been acquired or on the subsequent dates of balance sheet.

A financial liability designated as financial liabilities measured at fair value through profit or loss for the period by enterprises at initial recognition shall not be reclassified as other financial liabilities; other financial liabilities shall not be re-designated as financial liabilities measured at fair value through profit or loss for the period after initial recognition.

*Other financial liabilities*

For such financial liabilities, subsequent measurement is made at amortised cost using effective interest method.



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## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 10. Financial instruments (Continued)

#### **Financial instrument impairment**

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

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

For receivables that contain significant financing components and contractual assets, the Group uses a simplified measurement approach to measure loss allowance at the full lifetime expected credit loss.

In addition to the above-mentioned financial assets, loan commitments and financial guarantee contracts 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 losses during 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 has occurred, 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 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 their 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 evaluates the expected credit losses of financial instruments on individual items and portfolios. Taking into account the credit risk characteristics of different customers, the Group evaluates the expected credit losses of receivables based on the combination of aging.

Please refer to Note X.3 for the Group's criteria for judging the significant increase in credit risk, the definition of credit-impaired assets, the assumption of measuring expected credit losses, and disclosures.

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

**Financial instrument offset**

If the following conditions are met, financial assets and financial liabilities are presented in the balance sheet with the net amount after offsetting each other; there is a currently enforceable legal right to offset the recognised; 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 by which the 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 terms of the debt instrument. Financial guarantee contracts are measured at fair value at initial recognition. Except for the financial guarantee contracts that are designated as financial liabilities at fair value through profit and 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 accumulated amortisation amount recognised according to the revenue recognition principle, whichever is higher.

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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 foreign 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 fair value at the date when the derivative contracts are entered into and are subsequently measured at their fair values. Derivative financial instruments with a positive fair value are recognised as an asset, and that with a negative fair value is recognised as a liability.

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

#### *Transfer of financial assets*

The Group derecognises a financial asset when it has transferred substantially all the risks and rewards of ownership of the financial asset to the transferee; the Group does not derecognise the financial asset when it retains substantially all the risks and rewards of ownership of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of financial assets, the related accounting treatments of such financial assets are 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 asset 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 carrying amount of the financial assets and the financial guarantee amount, whichever is lower. The amount of the financial guarantee is the maximum amount of the consideration received that will be required to be repaid.

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

## 11. Bills receivable

*Methods for determining and accounting of ECL of bills receivable*

Applicable  Not applicable

## 12. Accounts receivable

*Methods for determining and accounting of ECL of accounts receivable*

Applicable  Not applicable

Please refer to Note V. 10.

## 13. Receivable for financing

Applicable  Not applicable

Please refer to Note V. 10.

## 14. Other receivables

*Methods for determining and accounting of ECL of other receivables*

Applicable  Not applicable

Please refer to Note V. 10.

## 15. Inventories

Applicable  Not applicable

The Group's inventories include commodities, raw materials, semi-finished goods and work in progress and turnover materials.

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, which are amortised using immediate write off.

Inventories are accounted for using the perpetual inventory system.

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

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## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 15. Inventories (Continued)

Net realisable value is the amount that the estimated inventory selling price in the ordinary course of business less the estimated costs of completion, the estimated selling expenses and relevant 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.

### 16. Contract assets

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

Applicable  Not applicable

The Group presents the contract assets or contract liabilities in the balance sheet according to the relationship between satisfying performance obligations and customer payments. The Group presents the net amount after offsetting the contract assets and contract liabilities under the same contract.

Contractual assets are the right to receive consideration for goods or services that have been transferred to a customer, and that right depends on other factors beyond the passage of time.

#### **(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 contractual assets and accounting treatment methods, please refer to Note V. 10.

### 17. Asset held for sale

Applicable  Not applicable

### 18. Debt investments

#### **Methods for determining and accounting of ECL of debt investments**

Applicable  Not applicable

Please refer to Note V. 10.

### 19. Other debt investments

#### **Methods for determining and accounting of ECL of other debt investments**

Applicable  Not applicable

**V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)****20. Long-term receivables*****Methods for determining and accounting of ECL of long-term receivables***

Applicable    Not applicable

Please refer to Note V. 10.

**21. 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 its initial investment cost when acquired. For a long-term equity investment acquired through 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 in the ultimate controlling party's consolidated financial statements on the date of combination. The difference between initial investment cost and the carrying amount of the consolidated consideration is adjusted to capital reserve (if the balance of capital reserve is not sufficient to absorb the difference, any excess shall be adjusted to retained earnings). For other comprehensive income before the combination date, the same basis as direct disposal of the related 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 profits distribution of the investee is transferred to profit or loss for the period when the investment is disposed of. Among which, after the disposal, the long-term equity investments 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 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 prior to the acquisition date and the new investment cost on the acquisition 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 acquisition date and recognised as a result of the adoption of the equity method, the same basis as direct disposal of the related assets or liabilities of the invest is adopted when the investments are 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 which, after the disposal, the long-term equity investments 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 changes of the equity investment held before the acquisition date as investment in other equity instrument to be included in other comprehensive income are transferred to retained earnings in full when cost method is adopted.

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## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 21. Long-term equity investments (Continued)

For the acquired long-term equity investment in other ways, in addition to the long-term equity investments by formed by business combination, 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 required expenditures directly related to the long-term equity investment will be taken as the initial investment cost; if acquired through issuing equity securities, the fair value of the issued equity instruments will be taken as the initial investment cost.

The long-term equity investments 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 returns.

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

When the Group has joint control or significant influence over the investee, the long-term equity investments shall be accounted for using the equity method. Joint control is the contractually agreed sharing of control over an arrangement, and exists only when the decision making about the relevant activities requires 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 with other parties over the formulation of those policies.



## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 21. Long-term equity investments (Continued)

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, it will be classified as the initial investment cost of the long-term equity investment. Where the initial investment cost of the long-term 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.

Under the equity method, after a long-term equity investment is acquired, the Group recognises its share of the net profit or loss and other comprehensive income of the investee as investment income or loss and other comprehensive income, respectively, and adjusts the carrying amount of the long-term equity investment. When recognizing 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, the Group will offset the profits or 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 recognizes the 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 a long-term equity investment, the difference between the carrying amount and the actual price is recognised in 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 directly disposes of the related 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)

### 22. Investment properties

Applicable  Not applicable

#### **(1). In respect of investment properties measured at cost:**

An investment property is a property held to earn rentals or for capital appreciation or for both purposes. It includes a building for the purpose 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 properties are included in the cost of the investment properties when it is probable that economic benefits associated with the asset will flow to the Group and the cost can be measured reliably. Otherwise, they are recognised in profit or loss for 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 properties which is consistent with that for houses, buildings and land use rights.

### 23. Fixed assets

#### **(1). Recognition criteria**

Applicable  Not applicable

A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for the fixed asset that meet 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 subsequent expenditures shall be recognised in profit or loss for the period in which they are incurred.

Fixed assets are initially measured at cost, and taking into account the impact of 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)

### 23. Fixed assets (Continued)

#### (2). Depreciation method

Applicable  Not applicable

The Straight-line method is adopted for provision of depreciation for the fixed assets. The useful lives, estimated net residual value and annual depreciation rates of fixed assets are as follows:

Categories	Depreciation method	Useful life (year)	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%
Means of transportation vehicles	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, estimated net residual value of a fixed asset and the depreciation method applied at least once at each year-end, and make adjustments when necessary.

#### (3). The basis, valuation and depreciation method for the fixed assets acquired under financing leases

Applicable  Not applicable

### 24. Construction in progress

Applicable  Not applicable

Construction in progress is recognised based on the actual construction expenditures incurred. It includes all types of expenditures necessary to be incurred during the construction period, capitalised borrowing costs before the construction is ready for intended use, and other relevant expenditures.

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

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## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 25. Borrowing costs

Applicable  Not applicable

Borrowing costs refer to interest and other related costs arising from the Group's borrowing. 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 acquisition, construction or production of a qualifying asset are capitalised when such costs fulfil the conditions of capitalisation, whereas other borrowing costs are recorded in profit or loss for the period. Qualifying assets are assets that necessarily take a substantially long period of time for acquisition, construction or production to get ready for their intended use or sale.

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

- (1) Expenditures for the asset have been incurred;
- (2) Borrowing costs have been incurred;
- (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 shall be recognised in profit or loss for 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 determined by the actual interest costs incurred during the current period deducted by any temporary interest or investment income;
- (2) for general borrowings, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the excess amounts of cumulative expenditures on the asset over the weighted average of cumulative expenditures on the asset of specific borrowings multiplying the weight average rate of general borrowings.

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of qualifying assets is interrupted abnormally for a continuous period of more than three months except the necessary procedures for the assets to get ready for their intended use or sale. The borrowing costs incurred during the suspension period shall be recognised as expenses in profit or loss for the period until the acquisition, construction or production of the asset is resumed.

**V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)****26. Biological assets**

Applicable     Not applicable

**27. Oil and gas assets**

Applicable     Not applicable

**28. Right-of-use assets**

Applicable     Not applicable

The Group's right-of-use assets include buildings and means of transportation vehicles.

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, the amount of which includes: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date of the lease term less any lease incentives already received; any initial direct costs incurred by the lessee; an estimate of costs to be incurred by the lessee in dismantling and removing the leased asset, restoring the site on which it is located or restoring the leased asset to the condition required by the terms and conditions of the lease. The Group depreciates the right-of-use assets by using the straight-line method. If it is reasonable to determine the ownership of the leased asset at the expiration of the lease term, the Group shall depreciate the leased assets over the remaining useful life. 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 Group shall depreciate the leased assets over the lease term or the remaining useful life of the leased assets, whichever is shorter.

The Group shall remeasure 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, yet there is still a further reduction in the measurement of the lease liabilities, the Group recognises any remaining amount of the remeasurement in profit or loss for the period.

# NOTES TO FINANCIAL STATEMENTS

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## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 29. Intangible assets

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

Applicable  Not applicable

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

The useful life of the intangible assets shall be determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset shall be 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 each category of intangible assets are as follows:

	<b>Useful life</b>
Land use rights	50 years
Patents	5-8 years
Software	5 years
Unfinished contract	2-3 years
Customer relationships	5-9 years

**V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)****29. Intangible assets (Continued)****(1). Valuation methods, useful life and impairment test (Continued)**

Land use rights obtained by the Group are usually accounted for as intangible assets. The land use rights of the self-developed buildings including plants are measured as intangible assets and buildings are measured as fixed assets, respectively. 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 their useful lives using the straight-line method. The Group reviews the useful lives and the amortisation method for intangible assets with finite useful lives at least once at each year-end, and makes adjustments when necessary.

**(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 at the research phase and expenditure at the development phase. Expenditure at the research phase is recognised in profit or loss for the period in which it is incurred. Expenditure at the development phase is capitalised when the Group can demonstrate all of the followings: 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 its ability to measure reliably the expenditure attributable to the intangible asset during its development. Expenditure at the development phase that does not meet the above criteria is recognised in profit or loss for the period in which it is incurred.



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## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 30. Long-term impairment of assets

Applicable  Not applicable

The Group determines the impairment of assets other than inventories, contract assets, deferred income taxes and financial assets based on the following methods:

The Group assesses at the balance sheet date whether there is any indication that the assets may be impaired. If any indication exists that such assets may be impaired, the Group estimates the recoverable amount of the asset and performs impairment tests. Goodwill arising in a business combination and an intangible asset with an indefinite useful life shall be 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 expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is difficult to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group shall be based on whether major cash inflows generated by the asset group are independent from the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount shall be reduced to its recoverable amount by the Group. The reduced amount is recognised in profit or loss for the current period. A provision for impairment loss of 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 difficult 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 is not larger than a reportable segment determined by the Group.

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 30. Long-term impairment of assets (Continued)

In testing an asset group or a set of asset groups including goodwill for impairment, if there is indication of impairment, the Group shall first test the asset group or the set of asset groups excluding goodwill for impairment. It shall calculate the recoverable amount and recognise corresponding impairment loss. After that, the Group shall test the asset group or set of asset groups including goodwill for impairment. The carrying amount of the related asset group or set of asset group is compared to its recoverable amount. If the recoverable amount of the asset group or set of asset groups is lower than its carrying amount, an 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 (excluding 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 shall not be reversed in subsequent accounting periods.

### 31. Long-term prepaid expenses

Applicable  Not applicable

Long-term prepaid expenses are amortised on the straight-line basis. The amortisation period is as follows:

	<b>Amortisation period</b>
Costs of improvements to fixed assets under operating leases	2-5 years

### 32. Contract liabilities

#### ***Methods for determining contract liabilities***

Applicable  Not applicable

Contractual liabilities are the obligation spent to transfer goods or services to customers at a price received or receivable, such as amounts that the business has received prior to the transfer of promised goods or services.

The Group will present the net amount after offsetting the contract assets with the contract liabilities under the same contract.

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## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 33. Employee benefits

Employee compensation includes short-term compensation, and after-service benefits, termination benefits and other long-term employee benefits provided in various forms of consideration other than share-based payment given by the Group in exchange for service rendered by employees or compensations for the termination of employment relationship. The benefits that the Group provides to the spouse, children and dependents of the employees, the late employees' family and other beneficiaries also shall be deemed as employee benefits.

#### (1). Accounting methods for short-term remuneration

Applicable  Not applicable

During an accounting period when employees render services, short-term remuneration actually incurred are recognised as a liability, and charged to profit or loss or in related costs of assets for the current period.

#### (2). Accounting methods for post-employment benefits

Applicable  Not applicable

##### **Post-employment benefits (defined contribution plan)**

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 included in other comprehensive income.

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

## 33. Employee benefits (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 the net liability of the defined benefit plan) and return on the asset in the plan (net of the amounts included in the net interest on the net liability of the defined benefit plan) are 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: when the Group modifies the defined benefit plans; and when the Group recognises relevant restructuring costs or termination benefits.

Net interest equals to the net liability or net 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. 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.

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## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 33. Employee benefits (Continued)

#### **(3). Accounting methods for termination benefits**

Applicable  Not applicable

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.

**V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)****34. Lease liabilities**

Applicable    Not applicable

On the commencement date of the lease term, the Group 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 Group calculates interest expenses of lease liabilities in each period of the lease term based on the constant periodic interest rate and recognises the interest expenses in profit or loss for the current period, except for those that are stipulated to be recognised in related asset costs. The variable lease payments that are not included in the measurement of the lease liabilities are included in profit or loss when incurred, except for those that are stipulated to be recognised in related asset costs.

After the commencement date of the lease term, in the event of change in the actual fixed payment amount, change in the amount expected to be payable under a residual value guaranteed, change in the index or ratio used to determine the lease payments, or change in the assessment results or actual exercise rights of the call option, renewal option or termination option, the Group re-measures the lease liability based on the present value of the changed lease payments.

**35. Provisions**

Applicable    Not applicable

Except for contingent consideration and contingent liabilities assumed in business combinations involving enterprises not under common control, 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 assumed by the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation;
- (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.

**36. Share-based payment**

Applicable    Not applicable

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## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 37. Preference shares, perpetual bonds and other financial instruments

Applicable  Not applicable

The perpetual bonds 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 bonds, 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.

### 38. 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: obtain 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.



**V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)****38. 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 assets under construction in the performance of the Group, the Group considers them as performance obligations within a certain period of time, and recognises 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 and the costs occurred. 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.

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## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 38. 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. 35. 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.

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

## 38. 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.

*(2). Differences between the accounting policies for revenue recognition due to different business models adopted by similar business*

Applicable     Not applicable

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## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 39. 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 labour 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;
- (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.

**V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)****40. 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 basic conditions require that the long-term assets should be 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 profit or loss from asset disposal for the current period.

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## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 41. Deferred tax assets/deferred tax liabilities

Applicable  Not applicable

Income tax comprises current and deferred tax. Income tax is recognised as income tax expense or income in profit or loss for the current period, except for the adjusted goodwill resulting from a business combination or those relating to a transaction or event which is included directly in shareholders' equity, they are included in the shareholder's equity.

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

For temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and tax bases, 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 of the balance sheet.

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.
- (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.
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures that satisfy all of the following conditions 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 for deducting against the deductible temporary differences in the future.

**V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)****41. 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 of the manner by which the Group expects to recover the assets or settle the liabilities at the balance sheet date.

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 to obtain sufficient taxable profit in future periods to deduct the income of deferred income tax assets. Deferred tax assets which have not been recognised are reassessed at the balance sheet date and are recognised to the extent that it is probable to have sufficient taxable profit available to deduct 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 in 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 income tax assets and deferred income tax liabilities are related to the income tax payable by the same tax payer to 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, 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.

**42. Leases****(1). Accounting method for operating leases**

Applicable    Not applicable

*Recognition of lease*

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 one or more identified assets 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.



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## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 42. Leases (Continued)

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

##### *Recognition of separate lease*

Where a contract concurrently contains multiple separate leases, the Group splits the contract and conducts accounting treatment for all separate leases respectively. 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.

##### *Split of leased and non-leased parts*

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.

##### *Assessment of lease term*

The lease term is the period during which the Group has the right to use the leased asset and is irrevocable. The Group has the option to renew the lease, that is, it has the right to choose to renew the lease, and reasonably determine that the option will be exercised. The lease term also includes the period covered by the option to renew the lease. The Group has the option to terminate the lease, that is, it has the right to choose to terminate the lease of the asset but reasonably determine that the option will not be exercised. The lease term includes the period covered by the option to terminate the lease. In the event of a major event or change within the Group's controllable scope, and affecting whether the Group reasonably determines that the option will be exercised, the Group reassesses whether it reasonably determines that it will exercise the option to renew the lease, call option or not to exercise the option to terminate the lease.

**V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** (Continued)**42. Leases** (Continued)**(1). Accounting method for operating leases** (Continued)*As a lessee*

For the general accounting treatment of the Group as a lessee, please refer to Note V. 28 and Note V. 34.

*Modification of lease*

Modification of lease is the modification of lease scope, lease consideration, and lease term beyond 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 the 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 of 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 the contract situation.

If accounting treatment for the modification of lease as a separate lease is not conducted, the Group shall redetermine 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 contained in the lease for the remaining lease periods as the discount rate; if the lease interest rate contained in the lease for the remaining lease periods 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 based on 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)

### 42. 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 call 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 chooses not to recognise short-term leases and low-value asset leases as right-of-use assets and lease liabilities. During each period over 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.

##### **As a 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. The Group classifies the sublease with reference to the right-of-use assets arising from the original lease as a sub-lessor.

##### *As the lessor of a finance lease*

At the commencement date, the Group recognises finance lease receivables and derecognises financial leased assets for the financial lease. The Group initially measures finance lease receivables in the amount of net investment in the lease. Net investment in the lease is the sum of unguaranteed residual value and the present value of lease payments not received at the commencement date being discounted at the interest rate contained in the lease.

The Group calculates and recognises interest income in each period during the lease term based on a constant periodic rate of interest. The variable lease payments that are not included in the measurement of the net investment in the lease are recognised in profit or loss when incurred.

##### *As a lessor of an operating lease*

Lease payments under an operating lease are recognised in current profit or loss on a straight-line basis in each period over the lease term. Contingent rents are recognised in 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 to conduct accounting treatment 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)**42. Leases** (Continued)**(2). Accounting method for financing leases**

Applicable     Not applicable

**(3). Methods for determining and accounting of lease under new lease standards**

Applicable     Not applicable

Please refer to Note V. 42(1) for details.

**43. Other significant accounting policies and estimates**

Applicable     Not applicable

**(1) Hedge accounting**

In respect of the methods of hedge accounting, the Group's hedging is classified as:

- (1) fair value hedge, which is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment (excluding foreign exchange risk).
- (2) cash flow hedge, which is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction; or a foreign currency risk in an unrecognised firm commitment.

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## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 43. Other significant accounting policies and estimates (Continued)

#### (1) *Hedge accounting* (Continued)

- (3) hedge of net investment in overseas operations.

At the inception of a hedge relationship, the Group officially designates the hedge relationship and prepares formal written documentation of the hedge relationship, risk management objectives and hedging risk management strategies. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness. Hedge effectiveness is the extent to which the changes in cash flow of hedging instruments can offset the cash flow of hedged items caused by hedged risk. Such hedges are assessed on an ongoing basis to meet the requirements for hedge effectiveness on the initial designated date and beyond.

If the hedging instrument expires or is sold, terminated or exercised (but the rollover or replacement of part of a hedging instrument under the hedging strategy is not treated as an expiration or a contract termination), or due to a change in the risk management objective, the hedging relationship no longer meets the risk management objective, or when the hedging no longer meets other conditions of the hedge accounting method, the Group terminates the use of hedge accounting.

Where the hedging relationship no longer meets the hedging effectiveness requirements due to the hedging ratio, but the risk management objectives for the designated hedging relationship have not changed, the Group rebalances the hedging relationship.

Hedges which meet the criteria for hedge accounting are accounted for as follow:

#### *Cash flow hedge*

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income while any ineffective portion is recognised immediately in the current profit or loss.

If an anticipated transaction under hedge is subsequently recognised as non-financial assets or non-financial liabilities, or an anticipated transaction of non-financial assets or non-financial liabilities forms a definitive undertaking in fair value hedging, cash flow hedging reserve previously recognised in other comprehensive income shall be transferred out and included in the amount of initial recognition of such assets or liabilities. In respect of the remaining cash flow hedge, if an anticipated sale occurs in the same period when the expected cash flow under hedge affects profit or loss, cash flow hedging reserve recognised in other comprehensive income shall be transferred out and included in current profit or loss.

When stops using hedging accounting for cash flow hedge, if the hedged future cash flow is still expected to occur, the amount previously included in other comprehensive income will not be transferred out until the expected transaction occurs or the commitment is confirmed to be fulfilled. If the hedged future cash flow is expected to no longer occur, the amount of accumulated cash flow hedging reserve recognised in other comprehensive income shall be transferred out and included in current profit and loss.

**V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)****43. Other significant accounting policies and estimates (Continued)****(1) Hedge accounting (Continued)***Cost of hedging*

The Group separates the intrinsic value and time value of an option contract and designates as the hedging instrument only the change in intrinsic value of an option; or separates the forward element from the spot element of a forward contract and designates as the hedging instrument only the change in the value of the spot element; or separates the foreign currency basis spread of the financial instruments and designates as the hedging instrument only the financial instruments which foreign currency basis spread is separated, the Group recognises the time value of an option, forward element of a forward contract and the part of the hedged items that are relevant to the fair value changes of foreign currency basis spread of the financial instrument into other comprehensive income. If the characteristics of the hedged items are related to the transaction, the same accounting treatment with the cash flow hedge reserve shall be applied. If the characteristics of the hedged items are related to the period of time, the above fair value change shall be amortised on a systematic and reasonable basis over the time when the hedged item affects the profit or loss or other comprehensive income, transferred from other comprehensive income to profit or loss for the current period.

**(2) Profit distribution**

The Company's cash dividends are recognised as liabilities upon approval by the Shareholders' general meeting.

**(3) Production safety expenses**

Production safety expenses provided for as required were included in cost of product or the current profit and loss, and credited in special reserve. And the funds are treated separately depending on whether fixed assets are resulted when being used: funds related to expenditure is offset against special reserve directly while those forming fixed assets will consolidate expenditure incurred and recognized as fixed assets when such assets are ready for their intended use, at the same time offsetting equivalent amounts in the special reserve and recognizing equivalent amounts of accumulated depreciation.

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## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 43. Other significant accounting policies and estimates (Continued)

#### (4) Fair value measurement

The Group measures listed equity investment instruments at fair value at each of the balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or in the most advantageous market for the asset or liability when a principal market is absent. The principal or the most advantageous market must be accessible to by the Group at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other supporting information are available, giving priority to the use of relevant observable inputs, and using unobservable inputs only when observable inputs are unavailable or not feasible to obtain.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities; Level 2—Input that is observable for related assets or liabilities, either directly or indirectly, but other than the input of the Level 1; Level 3—Input that is unobservable for related assets or liabilities.

For assets and liabilities that are recognised in the financial statements on a recurring basis at fair value, the Group determines whether transfers have occurred between levels at fair value in the hierarchy by re-assessing categorisation at each of the balance sheet date.

### 44. Significant accounting judgments and estimates

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:



**V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)****44. Significant accounting judgments and estimates (Continued)****Judgements** (Continued)*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.

*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 progress towards completion of the performance obligations based on the accumulated actual construction costs incurred to date as a percentage of the estimated total costs, and recognizes revenue 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.

*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).

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## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 44. Significant accounting judgments and estimates (Continued)

#### Estimation uncertainty (Continued)

##### *Impairment of financial instruments and contract assets*

The Group has adopted the expected credit loss model to evaluate the impairment of financial instruments and contract assets. 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. Differences in estimates may have an impact on the provision for Impairment. A provision for impairment may not be equal to the actual amount of impairment losses in the future.

##### *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.

##### *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.

**V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)****44. Significant accounting judgments and estimates (Continued)****Estimation uncertainty** (Continued)*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 higher than 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 amount of future taxable profits together with future tax planning strategies.

*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 the useful lives of similar assets used in a way of similar nature and functions. 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 different from the previous estimation. Useful lives and net residual values are reviewed, at each balance sheet date, based on changes in circumstances.

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## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 44. Significant accounting judgments and estimates (Continued)

#### Estimation uncertainty (Continued)

##### *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 estimate of the warranty rate may not be equal to the actual warranty rate in the future. 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.

##### *Lessee's incremental borrowing rate*

For a lease whose rate cannot be readily determined, the Group adopts lessee's incremental borrowing rate as the discount rate in estimating the present value of the lease payment. When determining the incremental borrowing interest rate, the Group uses the observable interest rate as a reference basis for determining the incremental borrowing rate according to the economic environment in which it is located and, on this basis, adjusts the reference interest rate according to the specific circumstances of the lease business, such as its own conditions, the underlying asset's condition, the lease term and the amount of the lease liability for obtaining an appropriate incremental borrowing rate.

### 45. Changes in significant accounting policies and estimates

#### **(1). Changes in significant accounting policies**

Applicable     Not applicable

#### **(2). Changes in significant accounting estimates**

Applicable     Not applicable

#### **(3). Description of retrospective adjustment of the previous comparative data by the initial adoption of new revenue standards and new lease standards since 2020**

Applicable     Not applicable

### 46. Others

Applicable     Not applicable

## 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	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 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.	6%, 9%, 13%
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.	—

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

Applicable  Not applicable

Please refer to tax preferential for details.

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## VI. TAXATION (Continued)

### 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), CRSC Research & Design Institute Group Co., Ltd., Casco Signal Ltd., CRSC Communication & Information Group Company Ltd., and CRSC Wanquan Signal Equipment Company 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.:

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.

Shenyang Railway Signal Co., Ltd.:

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.:

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.:

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.

## VI. TAXATION (Continued)

### 2. Tax preferential (Continued)

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

Beijing Railway Signal Co., Ltd.:

Beijing Railway Signal 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 paid corporate income tax at the preferential tax rate of 15% from 2017 to 2020.

Shanghai Railway Communication Co., Ltd.:

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.

Shanghai Deuta Electronic & Electrical Equipment Co., Ltd.:

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.:

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.:

Jiaozuo Railway Cable Co., Ltd. was finally recognised as a high-new technology enterprise in 2013. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2019, and obtained the updated high-new technology enterprise certificate on 3 December 2019. The certificate is valid for three years. The company shall pay corporate income tax at the preferential tax rate of 15% from 2019 to 2022.

CRSC Research & Design Institute Group Co., Ltd.:

CRSC Research & Design Institute Group 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.:

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.:

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.:

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 Company Ltd.:

CRSC Wanquan Signal Equipment Company 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 policy for high-new technology enterprises (Continued)

COSCO Signal Ltd.:

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.:

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.:

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.:

Shanghai Xinhaixin Information Technology Co., Ltd. applied in 2016 and was finally recognised as a high-new technology enterprise on 24 November 2016. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2019, and obtained the updated high-new technology enterprise certificate on 28 October 2019. The certificate is valid for three years. The company paid corporate income tax at the preferential tax rate of 15% from 2019 to 2022.

Chengdu Railway Communication Equipment Co., Ltd.:

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.

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## VI. TAXATION (Continued)

### 2. Tax preferential (Continued)

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

CRSCE Beijing Research & Design Experiment Center Ltd.:

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.

CRSC Engineering Bureau Group Information Technology Co., Ltd.:

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.:

CRSC Engineering Bureau Group Construction Engineering 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 2016 and was finally recognised as a high-new technology enterprise on 6 December 2016. The company submitted the high-tech enterprise qualification review materials to the competent authorities in 2019, and obtained the updated high-new technology enterprise certificate on 20 September 2019. The certificate is valid for three years. The company paid corporate income tax at the preferential tax rate of 15% from 2019 to 2022.

CRSC (Changsha) Railway Traffic Control Technology Co., Ltd.:

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.

CRSCE Tianjin Tongze Railway Engineering Equipment Ltd.:

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 company submitted the high-tech enterprise qualification review materials to the competent authorities in 2019, and obtained the updated high-new technology enterprise certification on 28 October 2019 and the certificate is valid for three years. The company paid enterprise income tax at the preferential tax rate of 15% from 2019 to 2022.

## VI. TAXATION (Continued)

### 2. Tax preferential (Continued)

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

CRSC Institute of Smart City Research & Design:

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 enterprise income tax at the preferential tax rate of 15% from 2018 to 2021.

CRSC Railway Vehicles Co., Ltd.:

CRSC Railway Vehicles Co., Ltd. applied to Beijing Science and Technology Committee, Beijing Municipal Finance Bureau, Beijing Municipal Office, SAT and Beijing Municipal Local Taxation Bureau in 2019 and was finally recognised as a high-new technology enterprise on 20 September 2019. The certificate is valid for three years. The company shall pay enterprise income tax at the preferential tax rate of 15% from 2019 to 2022.

#### 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), from 1 January 2018 to 31 December 2020, 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. is eligible for the preferential tax policies for small low-profit enterprises.

### 3. Others

Applicable     Not applicable

# NOTES TO FINANCIAL STATEMENTS

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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	1,729,999.76	1,441,606.54
Bank deposits	22,116,511,953.79	23,732,556,802.97
Other monetary funds	187,472,146.82	266,335,538.79
<b>Total</b>	<b>22,305,714,100.37</b>	<b>24,000,333,948.30</b>
Including: Total amount deposited abroad	1,149,987,629.44	1,068,559,495.78
	<b>Closing balance</b>	<b>Opening balance</b>
Balance of monetary funds for the year	22,305,714,100.37	24,000,333,948.30
Less: Non-pledged/secured and unrestricted time deposits with maturity of three months or above	-4,566,517,934.63	-5,879,045,725.39
Less: Other monetary funds with restricted use	-187,472,146.82	-266,335,538.79
Closing balance of cash and cash equivalents for the year	17,551,724,018.92	17,854,952,684.12
Less: Opening balance of cash and cash equivalents for the year	-17,854,952,684.12	-10,808,205,777.53
(Decrease)/increase in cash and cash equivalents	<b>-303,228,665.20</b>	<b>7,046,746,906.59</b>

Other explanation:

As at 30 June 2020, the Group's cash and bank balances deposited abroad were RMB1,149,987,629.44 (31 December 2019: RMB1,068,559,495.78).

As at 30 June 2020, the Group's cash and bank balances with title restrictions were RMB187,472,146.82 (31 December 2019: RMB266,335,538.79).

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

### 2. Held-for-trading financial assets

Applicable     Not applicable

### 3. Derivative financial assets

Applicable     Not applicable

### 4. Notes receivable

#### **(1). Classified presentation of notes receivable**

Applicable     Not applicable

#### **(2). Notes receivable pledged by the Company at the end of the period**

Applicable     Not applicable

#### **(3). Notes receivable endorsed or discounted by the Company at the end of the period and not yet due on the balance sheet date**

Applicable     Not applicable

#### **(4). Notes transferred to accounts receivable by the Company due to the drawer's failure to perform the contract at the end of the period**

Applicable     Not applicable

#### **(5). Disclosure by classification with the method of provision for bad debt**

Applicable     Not applicable

# NOTES TO FINANCIAL STATEMENTS

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

### 4. Notes receivable (Continued)

#### (6). Provision for bad debts

Applicable  Not applicable

#### (7). The situation of the write-off of notes receivable for the period

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

### 5. Accounts receivable

#### (1). Disclosure by aging

Applicable  Not applicable

Unit: Yuan Currency: RMB

Aging	Book balance at the end of the period	Book balance at the beginning of the period
Subtotal within 1 year	13,597,041,284.27	13,118,530,821.64
1 to 2 years	2,846,925,297.23	2,508,398,816.01
2 to 3 years	999,672,038.46	938,711,660.18
Over 3 years	823,564,192.62	841,875,581.18
Less: provision for bad debts of accounts receivable	-693,594,796.88	-649,888,871.06
Total	<u>17,573,608,015.70</u>	<u>16,757,628,007.95</u>



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

### 5. Accounts receivable (Continued)

#### (1). Disclosure by aging (Continued)

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

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Opening balance for the year/period	649,888,871.06	580,136,528.11
Provision for the year	99,956,737.34	157,745,859.75
Transfer of contract assets	—	97,129,012.18
Reversal for the year	56,231,271.52	183,386,094.10
Write-off for the year	19,540.00	1,736,434.88
Closing balance for the year	<u>693,594,796.88</u>	<u>649,888,871.06</u>

#### (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	Proportion (%)	Withdrawal	Book value	Amount	Proportion (%)	Amount	Proportion (%)
Single provision for bad debt	1,314,894,684.77	7.20	66,034,529.13	5.02	1,248,860,155.64	1,247,585,433.08	7.17	65,993,584.68	5.29	1,181,591,848.40
Provision withdrawn for bad debt on a combination basis	16,952,308,127.81	92.80	627,560,267.75	3.70	16,324,747,860.06	16,159,931,445.93	92.83	583,895,286.38	3.61	15,576,036,159.55
Total	<u>18,267,202,812.58</u>	<u>100.00</u>	<u>693,594,796.88</u>	<u>3.80</u>	<u>17,573,608,015.70</u>	<u>17,407,516,879.01</u>	<u>100.00</u>	<u>649,888,871.06</u>	<u>3.73</u>	<u>16,757,628,007.95</u>

# NOTES TO FINANCIAL STATEMENTS

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

### 5. Accounts receivable (Continued)

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

Single provision for bad debt:

Applicable  Not applicable

30 June 2020

Unit: Yuan Currency: RMB

Name	Closing balance			Reason
	Gross carrying amount	Provision for bad debt	Provision withdrawal Proportion (%)	
Accounts receivable of single provision for bad debt	<u>1,314,894,684.77</u>	<u>66,034,529.13</u>	<u>5.02</u>	Note
Total	<u>1,314,894,684.77</u>	<u>66,034,529.13</u>	<u>5.02</u>	/

31 December 2019

Unit: Yuan Currency: RMB

Name	Opening balance			Reason
	Gross carrying amount	Provision for bad debt	Provision withdrawal Proportion (%)	
Accounts receivable of single provision for bad debt	<u>1,247,585,433.08</u>	<u>65,993,584.68</u>	<u>5.29</u>	Note
Total	<u>1,247,585,433.08</u>	<u>65,993,584.68</u>	<u>5.29</u>	/

Descriptions of single provision for bad debt:

Applicable  Not applicable

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

Provision withdrawn for bad debt on a combination basis:

Applicable  Not applicable

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

### 5. Accounts receivable (Continued)

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

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

30 June 2020

Unit: Yuan Currency: RMB

Name	Accounts receivable	Closing balance	
		Provision for bad debt	Percentage of provision (%)
Within 1 year	12,391,538,682.18	61,957,693.41	0.50
1 to 2 years	2,864,711,323.37	143,235,566.17	5.00
2 to 3 years	961,906,169.63	96,190,616.96	10.00
Over 3 years	734,151,952.63	326,176,391.21	44.43
Total	<u>16,952,308,127.81</u>	<u>627,560,267.75</u>	/

31 December 2019

Unit: Yuan Currency: RMB

Name	Accounts receivable	Opening balance	
		Provision for bad debt	Percentage of provision (%)
Within 1 year	12,051,236,699.69	60,256,183.50	0.50
1 to 2 years	2,442,209,891.67	122,110,494.58	5.00
2 to 3 years	937,127,187.35	93,712,718.74	10.00
Over 3 years	729,357,667.22	307,815,889.56	42.20
Total	<u>16,159,931,445.93</u>	<u>583,895,286.38</u>	/

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

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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

### 5. Accounts receivable (Continued)

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

If provisions for bad debts are made as per the general model of ECL, please make disclosure with reference to other receivables:

Applicable  Not applicable

#### (3). Provision for bad debt

Applicable  Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Increase/decrease during the period			Closing balance
		Provision	Recovery or reversal	Write-off or cancellation	
Provision for bad debts of accounts receivable	649,888,871.06	99,956,737.34	56,231,271.52	19,540.00	693,594,796.88
Total	649,888,871.06	99,956,737.34	56,231,271.52	19,540.00	693,594,796.88

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

Applicable  Not applicable

#### (4). The situation of the write-off of accounts receivable for the period

Applicable  Not applicable

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

### 5. Accounts receivable (Continued)

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

Applicable  Not applicable

As at 30 June 2020, top five debtors with the largest balance of accounts receivables are as follows:

Unit: Yuan Currency: RMB

Name of entity	Gross carrying amount	Provision for bad debt	Proportion of accounts receivable (%)
Aggregation of the top five borrowers with the largest closing balance of accounts receivables	1,754,538,614.21	57,000,288.76	9.60
Total	<u>1,754,538,614.21</u>	<u>57,000,288.76</u>	<u>9.60</u>

As at 31 December 2019, top five debtors with the largest balance of accounts receivables are as follows:

Unit: Yuan Currency: RMB

Name of entity	Gross carrying amount	Provision for bad debt	Proportion of accounts receivable (%)
Aggregation of the top five borrowers with the largest closing balance of accounts receivables for the previous year	2,100,235,212.99	66,843,050.45	12.07
Total	<u>2,100,235,212.99</u>	<u>66,843,050.45</u>	<u>12.07</u>

#### (6). Accounts receivable derecognized due to the transfer of financial assets

Applicable  Not applicable

This period, the Group's accounts receivable were factored to financial institutions for non-recourse. The gross carrying amount of the derecognized accounts receivables was RMB450,000,000.00 (31 December 2019: RMB1,849,251,870.04).

#### (7). Amount of assets or liabilities resulting from accounts receivable transfer and its continuing involvement

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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

### 6. Receivables for financing

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	557,051,905.76	805,952,389.88
Commercial acceptance bills	864,181,562.31	672,695,454.66
Total	1,421,233,468.07	1,478,647,844.54

As at 30 June 2020, the ownership of acceptance receivable with book value of RMB41,574,502.14 (as at 31 December 2019, the book value of RMB67,084,139.66) is restricted, see Note VII. 81.

Pledged notes receivable are as follows:

Item	Closing balance	Opening balance
Bank acceptance bills	4,400,000.00	5,824,991.90
Commercial acceptance bills	37,174,502.14	61,259,147.76
Total	41,574,502.14	67,084,139.66

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.

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

### 6. Receivables for financing (Continued)

The bills receivable that have been endorsed or discounted but have not expired on the balance sheet date are listed as follow:

Unit: Yuan Currency: RMB

	Closing balance		Opening balance	
	Derecognised	Not derecognized	Derecognised	Not derecognized
Bank acceptance bills	432,650,238.74	129,674,333.72	541,594,787.67	88,668,931.24
Commercial acceptance bills	–	234,843,083.61	–	268,535,267.23
Total	<u>432,650,238.74</u>	<u>364,517,417.33</u>	<u>541,594,787.67</u>	<u>357,204,198.47</u>

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

Applicable  Not applicable

If provisions for bad debts are made as per the general model of ECL, please make disclosure with reference to other receivables:

Applicable  Not applicable

The Group has no bank acceptance bills and commercial acceptance bills with single impairment provision. As of 30 June 2020, the Group measured the bad debt provision at the lifetime expected credit loss, and the relevant amount was RMB2,592,544.69. The Group believes that there is no significant credit risk in the bank acceptance bills and commercial acceptance bills held by the Group, and will not cause significant loss due to the default of the acceptor.

Other explanation:

Applicable  Not applicable



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

### 7. 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	977,836,393.53	88.25	857,270,707.00	92.71
1 to 2 years	101,950,070.98	9.20	41,751,200.05	4.51
2 to 3 years	7,919,675.61	0.71	10,879,140.91	1.18
Over 3 years	20,301,810.56	1.84	14,748,242.29	1.60
Total	<u>1,108,007,950.68</u>	<u>100.00</u>	<u>924,649,290.25</u>	<u>100.00</u>

As at 30 June 2020, large-amount prepayments with an age of over one year are as follows:

Unit: Yuan Currency: RMB

Top five prepayments with an age of over one year	Amount
Total	<u>36,364,790.20</u>

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

### 7. Prepayments (Continued)

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

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

The above-mentioned large-amount prepayments with an age of over one year were not settled timely mainly because the relevant projects have not been completed or the materials and equipment have not been received.

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

Applicable  Not applicable

Unit: Yuan Currency: RMB

Aggregate closing balance of top five prepayments	Gross carrying amount	Proportion of total prepayments (%)
Total	<u>124,849,491.40</u>	<u>11.27</u>

Other explanation:

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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

### 8. Other receivables

#### Item

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Dividends receivable	19,125,000.00	–
Other receivables	1,250,635,754.02	1,148,124,174.34
Total	1,269,760,754.02	1,148,124,174.34

Other explanation:

Applicable  Not applicable

#### Interests receivable

##### (1). Classification of interests receivable

Applicable  Not applicable

##### (2). Significant overdue interest

Applicable  Not applicable

##### (3). Provision for bad debts

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

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

### 8. Other receivables (Continued)

#### Interests receivable (Continued)

##### (1). Dividends receivable

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item (or investee)	Closing balance	Opening balance
Xi'an Schaltbau Electric Corp., Ltd. ("Schaltbau") (西安沙爾特寶電氣有限公司)	19,125,000.00	—
Total	19,125,000.00	—

##### (2). Significant dividends receivable with an age over 1 year

Applicable  Not applicable

##### (3). Provision for bad debts

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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

### 8. Other receivables (Continued)

#### Other receivables

##### (1). Disclosure by aging

Applicable  Not applicable

Unit: Yuan Currency: RMB

Aging	Closing book balance	Opening book balance
Within 1 year	758,975,159.54	739,748,185.28
1 to 2 years	252,088,245.85	246,590,228.55
2 to 3 years	73,427,720.13	83,947,773.12
Over 3 years	299,082,277.52	235,156,779.28
Less: provision for bad debts of other receivables	-132,937,649.02	-157,318,791.89
Total	<u>1,250,635,754.02</u>	<u>1,148,124,174.34</u>

##### (2). Classification by nature of accounts

Applicable  Not applicable

Unit: Yuan Currency: RMB

Nature of accounts	Closing book balance	Opening book balance
Performance and tender bonds	723,639,565.32	696,894,809.40
Advance payments	251,095,719.88	218,867,757.37
Various deposits	111,132,875.75	103,956,939.32
Others	297,705,242.09	285,723,460.14
Less: provision for bad debts of other receivables	-132,937,649.02	-157,318,791.89
Total	<u>1,250,635,754.02</u>	<u>1,148,124,174.34</u>

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

### 8. Other receivables (Continued)

#### (3). Provision for bad debt

√ Applicable    □ Not applicable

For the six months ended 30 June 2020

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 2020	31,058,385.67	55,329,140.77	70,931,265.45	157,318,791.89
Amounts due for the period as at 1 January 2020				
– Transferred to stage 2	–	–	–	–
– Transferred to stage 3	–	–	–	–
– Reversed to stage 2	–	–	–	–
– Reversed to stage 1	–	–	–	–
Provision for the period	3,668,754.72	14,715,527.20	–	18,384,281.92
Reversal for the period	-10,743,796.76	-32,021,628.03	–	-42,765,424.79
Write-off for the period	–	–	–	–
Cancellation for the period	–	–	–	–
Other changes	–	–	–	–
Amounts due as at 30 June 2020	<u>23,983,343.63</u>	<u>38,023,039.94</u>	<u>70,931,265.45</u>	<u>132,937,649.02</u>

# NOTES TO FINANCIAL STATEMENTS

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

### 8. Other receivables (Continued)

#### (3). Provision for bad debt (Continued)

2019

	Unit: Yuan    Currency: RMB			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL (non-credit- impaired)	Lifetime ECL (credit-impaired)	Total
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	6,204,135.23	22,167,898.54	6,669,088.18	35,041,121.95
Reversal for the period	-11,392,342.92	-10,062,631.40	–	-21,454,974.32
Write-off for the period	-2,146,284.15	–	–	-2,146,284.15
Cancellation for the period	–	–	–	–
Other changes	-971,451.71	–	–	-971,451.71
Amounts due as at 31 December 2019	<u>31,058,385.67</u>	<u>55,329,140.77</u>	<u>70,931,265.45</u>	<u>157,318,791.89</u>



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

### 8. Other receivables (Continued)

#### (3). 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

For the six months ended 30 June 2020

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 1 January 2020	1,178,723,209.79	55,329,140.77	71,390,615.67	1,305,442,966.23
Amounts due for the period as at 1 January 2020				
– Transferred to stage 2	-18,394,409.00	18,394,409.00	–	–
– Transferred to stage 3	–	–	–	–
– Reversed to stage 2	–	–	–	–
– Reversed to stage 1	–	–	–	–
Increase	801,192,686.17	–	–	801,192,686.17
Derecognised	-723,062,249.36	–	–	-723,062,249.36
Cancellation for the period	–	–	–	–
Other changes	–	–	–	–
Amounts due as at 30 June 2020	<u>1,238,459,237.60</u>	<u>73,723,549.77</u>	<u>71,390,615.67</u>	<u>1,383,573,403.04</u>

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

### 8. Other receivables (Continued)

#### (3). Provision for bad debt (Continued)

2019

	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	809,092,808.66	-	-	809,092,808.66
Derecognised	-774,348,826.02	-201,252,627.95	-	-975,601,453.97
Cancellation for the period	-2,146,284.15	-	-	-2,146,284.15
Other changes	-10,516,003.92	-	-	-10,516,003.92
Amounts due as at 31 December 2019	<u>1,178,723,209.79</u>	<u>55,329,140.77</u>	<u>71,390,615.67</u>	<u>1,305,442,966.23</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

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

### 8. Other receivables (Continued)

#### (4). Provision for bad debt

Applicable  Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Increase/decrease during the period			Closing balance
		Provision	Recovery or reversal	Write-off or cancellation	
Provision for bad debt of other receivable	157,318,791.89	18,384,281.92	-42,765,424.79	-	132,937,649.02
Total	157,318,791.89	18,384,281.92	-42,765,424.79	-	132,937,649.02

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

Applicable  Not applicable

#### (5). The situation of the write-off of other receivables for the period

Applicable  Not applicable

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

Applicable  Not applicable

As at 30 June 2020, 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	Proportion of the closing balance of other receivables (%)	Provision for bad debt Closing balance
Aggregate closing balance of top five other receivables	Receivable current payments	303,132,880.12	21.91	63,766,262.09
Total	/	303,132,880.12	21.91	63,766,262.09

# NOTES TO FINANCIAL STATEMENTS

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

### 8. Other receivables (Continued)

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

As at 31 December 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	Proportion of the closing balance of other receivables (%)	Provision for bad debt Closing balance
Aggregate closing balance of top five other receivables	Receivable current payments	313,800,521.43	24.04	95,621,465.17
Total	/	313,800,521.43	24.04	95,621,465.17

#### (7). Receivables involving government subsidies

Applicable  Not applicable

#### (8). Other receivables derecognized due to the transfer of financial assets

Applicable  Not applicable

During the period, none of the Group's other receivables were derecognized due to being factored to financial institutions with no right of recourse (31 December 2019: RMB441,752,441.81).

#### (9). Amount of assets or liabilities resulting from transfer of other receivables and continuing involvement

Applicable  Not applicable

Other explanations:

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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

### 9. 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	974,173,962.98	5,619,190.97	968,554,772.01	781,311,660.39	5,619,190.97	775,692,469.42
Work-in-progress	588,310,611.04	-	588,310,611.04	486,197,098.97	-	486,197,098.97
Finished goods	926,081,920.15	523,909.72	925,558,010.43	923,335,095.53	523,909.72	922,811,185.81
Turnover materials	13,056,994.00	-	13,056,994.00	16,061,822.80	-	16,061,822.80
Total	<u>2,501,623,488.17</u>	<u>6,143,100.69</u>	<u>2,495,480,387.48</u>	<u>2,206,905,677.69</u>	<u>6,143,100.69</u>	<u>2,200,762,577.00</u>

# NOTES TO FINANCIAL STATEMENTS

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

### 9. Inventories

**(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 2020

Unit: Yuan Currency: RMB

Item	Decrease for the period	Opening balance		Increase for the period		Closing balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	5,619,190.97	-	-	-	-	5,619,190.97
Work-in-progress	-	-	-	-	-	-
Finished goods	523,909.72	-	-	-	-	523,909.72
Total	<u>6,143,100.69</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,143,100.69</u>

2019

Item	Decrease for the period	Opening balance		Increase for the period		Closing balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	5,920,362.09	-	-	301,171.12	-	5,619,190.97
Work-in-progress	1,814,658.14	-	-	1,814,658.14	-	-
Finished goods	1,696,377.95	510,235.27	-	1,682,703.50	-	523,909.72
Total	<u>9,431,398.18</u>	<u>510,235.27</u>	<u>-</u>	<u>3,798,532.76</u>	<u>-</u>	<u>6,143,100.69</u>

**(3). Explanation about inclusion of capitalized amount of the borrowing cost in the closing balance of inventories**

Applicable  Not applicable

**(4). Explanation about current amortization amount of contract performance cost**

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

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

### 10. Contract assets

#### (1). Information of contract assets

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
Contract assets	34,308,175,953.17	-101,653,978.68	34,206,521,974.49	33,139,898,460.16	-104,916,117.65	33,034,982,342.51
Total	34,308,175,953.17	-101,653,978.68	34,206,521,974.49	33,139,898,460.16	-104,916,117.65	33,034,982,342.51

#### (2). Amount of and reason for significant change in carrying amount within the Reporting Period

Applicable  Not applicable

#### (3). 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
Provision for impairment of contract assets	3,173,833.47	-6,435,972.44	—	
Total	3,173,833.47	-6,435,972.44	—	

Contract assets of the Group are derived from provision of construction services to customers and recognition of revenue over a period of time. At time of settlement of project-related payments, any such contract asset turns into the unconditional right to collect payments and is transferred into the receivables.



# NOTES TO FINANCIAL STATEMENTS

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

### 10. Contract assets (Continued)

#### (3). Provision for impairment of contract assets in the period (Continued)

As at 30 June 2020, the ECL rate of the contract assets was 0.30% (31 December 2019: 0.32%).

If provisions for bad debts are made as per the general model of ECL, please make disclosure with reference to other receivables:

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

### 11. Assets held for sale

Applicable  Not applicable

### 12. 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	19,169,951.59	19,118,289.09
Less: Provision for bad debt	-95,591.43	-95,591.43
Total	<u>19,074,360.16</u>	<u>19,022,697.66</u>

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

Applicable  Not applicable

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

### 13. Other current assets

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
VAT input to be deducted	1,062,951,846.96	888,464,432.91
Prepaid corporate income tax	1,710,901.34	44,653,703.27
Other	3,880,054.84	7,015,411.95
<b>Total</b>	<b>1,068,542,803.14</b>	<b>940,133,548.13</b>

### 14. 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. (山東鐵路發展基金有限公司)	273,172,183.50	-	273,172,183.50	273,172,183.50	-	273,172,183.50
<b>Total</b>	<b>273,172,183.50</b>	<b>-</b>	<b>273,172,183.50</b>	<b>273,172,183.50</b>	<b>-</b>	<b>273,172,183.50</b>

The Company completed its 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 PBoC (the prevailing interest rate  $4.9\% \times 0.9 = 4.41\%$ ), and the interest was commenced on a phased basis from the date on which Shandong Development Fund received the investment capital, subject to adjustment according to interest rate of the central bank. At the end of the tenth anniversary of the date on which the project cooperation is commenced (i.e., 28 January 2029), Shandong Railway Development Fund Co., Ltd. will receive the equity equivalent to the Company's original capital contribution in lump sum. Therefore, the Company mainly holds the investment for the purpose of obtain contractual cash flows, and cash flows generated on specific dates are solely for the payment of the investment principal and interests incurred from the outstanding amount, and they fall into financial assets measured at amortised cost, therefore, the investment is stated as debt investment.

The Company has assessed that its credit risk has not significantly increased since the initial recognition on the balance sheet date, therefore the Company did not make provision for impairment according to the amount equivalent to the ECL for the next 12 months.

# NOTES TO FINANCIAL STATEMENTS

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

### 14. Debt investment (Continued)

#### **(2). Significant debt investments at the end of the period**

Applicable     Not applicable

#### **(3). Information of provision for impairment**

Applicable     Not applicable

### 15. Other debt investments

#### **(1). Information of other debt investments**

Applicable     Not applicable

#### **(2). Other significant debt investments at the end of the period**

Applicable     Not applicable

#### **(3). Information of provision for impairment**

Applicable     Not applicable

Other explanation:

Applicable     Not applicable

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

### 16. Long-term receivables

#### (1) Information of long-term receivables

√ Applicable    □ Not applicable

Unit: Yuan    Currency: RMB

Item	Closing balance			Opening balance			Discount rate range
	Gross carrying amount	Provision for bad debt	Carrying amount	Gross carrying amount	Provision for bad debt	Carrying amount	
"Build-Transfer" project receivables (Note 1)	98,403,430.03	492,017.15	97,911,412.88	98,209,322.09	491,046.61	97,718,275.48	
"Build-Operate-Transfer" project receivables (Note 2)	4,047,696,356.57	46,051,461.79	4,001,644,894.78	3,943,062,472.22	45,583,709.94	3,897,478,762.28	
Project receivables	2,659,590,979.23	12,120,367.03	2,647,470,612.20	2,438,248,316.26	11,315,336.74	2,426,932,979.52	
Total	<u>6,805,690,765.83</u>	<u>58,663,845.97</u>	<u>6,747,026,919.86</u>	<u>6,479,520,110.57</u>	<u>57,390,093.29</u>	<u>6,422,130,017.28</u>	/

Note 1: The Group signed a municipal engineering investment construction repurchase agreement with relevant government departments, and the relevant government departments authorized the Group's companies which 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 agreement with relevant government departments. The relevant government departments have authorized the Group's companies which to undertake "build-operate-transfer" projects to implement investment and financing functions on its behalf, 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.

The Group evaluated whether or not the credit risk of the said long-term receivables has been significantly increased since the initial recognition on each balance sheet date. If such credit risk has not significantly increased since the initial recognition, the Group made provisions for loss at the amount equivalent to ECL for the next 12 months; and if the credit risk has significantly increased since the initial recognition but no credit impairment has occurred, the Company made provisions for loss at the amount equivalent to the lifetime ECL.

As at 30 June 2020, the Group's long-term receivables of RMB3,717,847,591.63 (31 December 2019: RMB3,586,890,185.27), which were formed by the earning rights of the franchise pledged and all proceeds under it, were used to obtain long-term loans of RMB1,948,059,499.26 (31 December 2019: RMB1,664,299,760.80) (Notes VII. 45 and 81).

# NOTES TO FINANCIAL STATEMENTS

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

### 16. Long-term receivables (Continued)

#### (2) Information of provision for bad debts

Applicable  Not applicable

For the six months ended 30 June 2020

Unit: Yuan Currency: RMB

Opening balance for the year	Increase/decrease for the year			Closing balance for the year
	Provision	Recovery or reversal	Cancellation or write-off	
57,390,093.29	1,558,428.53	284,675.85	–	58,663,845.97

2019

Unit: Yuan Currency: RMB

Opening balance for the year	Increase/decrease for the year			Closing balance for the year
	Provision	Recovery or reversal	Cancellation or write-off	
26,805,651.32	33,642,701.03	3,058,259.06	–	57,390,093.29

Explanation about obvious changes in gross carrying amount of long-term receivables for which loss provision has changed in the period:

Applicable  Not applicable

Amount of provision for bad debts for the period and basis for evaluating whether or not credit risk of financial instruments increases significantly:

Applicable  Not applicable

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

### 16. Long-term receivables (Continued)

**(3) Long-term receivables derecognized due to the transfer of financial assets**

Applicable  Not applicable

**(4) Amount of assets or liabilities resulting from transfer of long-term receivables and the Continuing Involvement**

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

### 17. Long-term equity investment

Applicable  Not applicable

Unit: Yuan Currency: RMB

	<b>30 June 2020</b>	31 December 2019
Investments in joint ventures	<b>218,948,216.52</b>	236,048,139.20
Investments in associates	<b>842,508,794.95</b>	745,493,462.30
Total	<b><u>1,061,457,011.47</u></b>	<u>981,541,601.50</u>

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

### 17. Long-term equity investment (Continued)

For the six months ended at 30 June 2020

Unit: Yuan Currency: RMB

Investee	Notes	Opening balance	Increase in investment	Decrease in investment	Increase/decrease during the period					Declared and paid cash dividends or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
					Investment gains/ losses confirmed under equity method	Other comprehensive income adjustment	Other equity changes							
I. Joint ventures														
Xi'an Schalbau Electric Corp., Ltd. ("Schalbau") (西安沙爾堡電氣有限公司)		159,544,366.71	-	-	8,062,577.32	-	-	-	25,500,000.00	-	-	142,106,944.03	-	
Wenzhou-Hangwen High-Speed Railway Investment Partnership (LLP) ("Wenzhou-Hangwen High-Speed Railway") (溫州溫高鐵路投資合夥企業(有限合夥))		76,503,772.49	-	-	-	-	-	-	-	-	-	76,503,772.49	-	
CRSC Smart Data Technology (Beijing) Co., Ltd. (“CRSC Smart Technology”) (通智數據科技(北京)有限公司)	Note 1	-	337,500.00	-	-	-	-	-	-	-	-	337,500.00	-	
<b>Subtotal</b>		<b>236,048,139.20</b>	<b>337,500.00</b>	<b>-</b>	<b>8,062,577.32</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,500,000.00</b>	<b>-</b>	<b>-</b>	<b>218,948,216.52</b>	<b>-</b>	



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

### 17. Long-term equity investment (Continued)

Investee	Notes	Opening balance	Increase in investment	Decrease in investment	Increase/decrease during the period			Declared and paid cash dividends or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
					Investment gains/losses confirmed under equity method	Other comprehensive income adjustment	Other equity changes					
II. Associates												
Sping Integrated Pipeline Construction Co., Ltd. ("Sping Pipeline") (四平) 聯合管線建設有限公司	Note 2	134,715,266.36	90,048,660.00	-	-	-	-	-	-	-	224,763,946.36	-
CRSC Private Equity Fund (Limited Partnership) ("CRSC Private Equity Fund") (廣研透氣設備投資基金(有限合夥))		5,274,704.87	-	-	3,698,385.20	-	-	-	-	-	8,973,090.07	-
Siemens Signalling Company Ltd. ("SSCX") (西門子信號有限公司)		73,632,221.76	-	-	7,821,688.02	-	-	-	-	-	81,453,919.78	-
CSCEC Fostian Joint Investment Co., Ltd. ("CSCEC Fostian") (佛山中建交通聯合投資有限公司)		18,001,674.57	-	-	502,250.05	-	-	-	-	-	9,599,966.74	-
CRSC (Beijing) Electronic Technology Co., Ltd. ("CRSC Electronics") (通銳(北京)電子科技有限公司)		2,750,331.71	-	-	3,525.60	-	-	-	-	-	2,753,857.31	-
Guangdong Ultrast Financial Leasing Co., Ltd. ("Guangdong Ultrast Financial Leasing") (廣東粵財租賃租賃股份有限公司)		313,638,566.72	-	-	2,152,149.27	-	-	-	-	-	315,790,715.99	-
China Tietong Railway Operation Co., Ltd. ("China Tietong Railway") (中鐵通車運籌有限公司)		19,941,435.04	-	-	3,627,956.20	-	314,624.19	-	-	-	21,634,015.43	-
CRSC Tianshui Tram Co., Ltd. ("Tianshui Tram") (天水通車電車有限公司)		177,539,261.27	-	-	-	-	-	-	-	-	177,539,261.27	-
CRSC Changxing (Zhejiang) Technology Co., Ltd. ("CRSC Changxing Technology") (建誠興行(浙江)科技股份有限公司)	Note 3	745,493,462.30	90,048,660.00	-	17,805,964.34	-	314,624.19	-	-	-	842,508,794.95	-
Subtotal		981,541,601.50	90,386,180.00	-	25,868,541.66	-	314,624.19	-	-	-	1,061,457,011.47	-
Total												

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

### 17. Long-term equity investment (Continued)

2019

Investee	Notes	Opening balance	Increase in investment	Decrease in investment	Increase/decrease during the period					Closing balance	
					Investment gains/ losses confirmed under equity method	Other comprehensive income adjustment	Other paid cash dividends or profits	Provision for impairment	Others		
I. Joint ventures											
Wenzhou-Hangwen High-Speed Railway Investment Partnership (LLP) ("Wenzhou-Hangwen High-Speed Railway") (温州杭温高速铁路投资合伙企业(有限合伙))		-	76,500,000.00	-	3,772.49	-	-	-	-	-	76,503,772.49
Xi'an Schalthau Electric Corp., Ltd. ("Schalthau") (西安沙特特变电气有限公司)		161,420,044.90	-	-	23,624,321.81	-	25,500,000.00	-	-	-	159,544,366.71
CRSC Smart Technology Co., Ltd. ("Smart Technology") (成都慧智科技有限公司)		15,647,639.72	-	15,647,639.72	-	-	-	-	-	-	-
Sichuan Development CRSC Urban Investment Co., Ltd. ("Sichuan Development") (四川毅康城市建设投资有限责任公司)		56,733,823.16	-	56,733,823.16	-	-	-	-	-	-	-
Beijing CRSC Beifang Real Estate Co., Ltd. ("Beifang Real Estate") (北京通泰北房置业有限公司)		-	20,400,000.00	20,400,000.00	-	-	-	-	-	-	-
Beijing CRSC Construction and Development Co., Ltd. ("CRSC Construction and Development") (北京通泰建设开发有限公司)		19,689,812.76	-	19,689,812.76	-	-	-	-	-	-	-
Subtotal		253,491,320.54	96,900,000.00	112,471,275.64	23,628,094.30	-	25,500,000.00	-	-	-	236,048,139.20

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

### 17. Long-term equity investment (Continued)

Investee	Notes	Opening balance	Increase in investment	Decrease in investment	Increase/decrease during the period					Closing balance	Closing balance of provision for impairment			
					Investment gains/ losses confirmed under equity method	Other comprehensive income adjustment	Other equity changes	Declared and paid cash dividends or profits	Provision for impairment			Others		
<b>II. Associates</b>														
Sping Integrated Pipeline Construction Co., Ltd. ("Sping Pipeline") (四平市綜合管線建設運營有限公司)	Note 2	134,715,266.36	-	-	-	-	-	-	-	-	-	-	134,715,266.36	-
CFSC Airbus Co., Ltd. ("Airbus") (赫寧空中客車有限公司)		20,248,799.36	-	19,746,169.95	-502,629.41	-	-	-	-	-	-	-	-	-
CFSC Private Equity Fund (Limited Partnership) ("CFSC Private Equity Fund") (橫琴遠景股權投資基金(有限合伙))		4,650,858.97	-	-	623,845.90	-	-	-	-	-	-	-	5,274,704.87	-
Siemens Signalling Company Ltd. ("SSCX") (西門士信號有限公司)		78,427,682.44	-	-	14,104,539.32	-	-	18,900,000.00	-	-	-	-	73,632,221.76	-
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	-	21,615,415.95	-933,236.55	-	-	-	-	-	-	-	-	-
CSCEC Foshan Joint Investment Co., Ltd. ("CSCEC Foshan") (佛山中建交通聯合投資有限公司)		82,300,609.21	-	64,240,000.00	-58,934.64	-	-	-	-	-	-	-	18,001,674.57	-
CFSC Beijing Electronic Technology Co., Ltd. ("CFSC Electronics") (北京電子科技有限公司)		3,880,751.98	-	-	-1,130,420.27	-	-	-	-	-	-	-	2,750,331.71	-
Guangdong Ultrast Financial Leasing Co., Ltd. ("Guangdong Ultrast Financial Leasing") (廣東粵財金融租賃股份有限公司)		302,243,054.50	-	-	11,395,512.22	-	-	-	-	-	-	-	313,638,566.72	-
China Tieong Railway Operation Co., Ltd. ("China Tieong Railway") (中鐵遠景運營有限公司)		13,841,677.43	-	-	5,501,587.70	-	-	598,169.91	-	-	-	-	19,941,435.04	-
CFSC Transhui Tram Co., Ltd. ("Transhui Tram") (天水遠景有軌電車投資責任公司)		88,761,761.27	88,777,500.00	-	-	-	-	-	-	-	-	-	177,539,261.27	-
CFSC Changxing (Zhejiang) Technology Co., Ltd. ("CFSC Changxing Technology") (浙江遠景科技股份有限公司)	Note 3	810,966.12	1,004,331.02	-	-1,815,297.14	-	-	-	-	-	-	-	-	-
Subtotal		752,490,080.14	89,781,831.02	105,601,565.90	27,184,967.13	-	598,169.91	18,900,000.00	-	-	-	-	745,493,462.30	-
Total		1,005,921,400.68	186,661,831.02	218,072,861.54	50,813,061.43	-	598,169.91	44,400,000.00	-	-	-	-	981,541,801.50	-

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

### 17. Long-term equity investment (Continued)

#### *Key information of joint ventures and associates*

For the six months ended 30 June 2020

	Principal place of business/place of registration	Nature of business	Registered capital	Shareholding by the Group (%)		Voting ratio of the Group (%)
				Direct	Indirect	
Joint venture						
Schaltbau	Xi'an City	Product manufacturing	US\$4,400,000.00	–	50.00	33.00
Wenzhou-Hangwen High-Speed Railway	Wenzhou City	Commercial service	5,010,000,000.00	29.99	–	29.99
CRSC Smart Technology	Beijing City	Technology development	10,000,000.00	–	45.00	45.00
Associates						
SSCX	Xi'an City	Product manufacturing	€5,220,000.00	–	30.00	30.00
CSCEC Foshan	Guangzhou City	Investment project construction	16,000,000.00	11.00	–	20.00
Siping Pipeline	Siping City	Project contracting	1,125,608,500.00	20.00	–	20.00
CRSC Private Equity Fund	Zhuhai City	Equity investment management	200,000,000.00	–	40.00	33.00
CRSC Electronics	Beijing City	Manufacturing of product	10,000,000.00	–	49.00	49.00
Guangdong Utrust 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	–	40.00
CRSC Changxing Technology	Taizhou City	Rail transit supplies	22,000,000.00	–	49.00	49.00

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

### 17. Long-term equity investment (Continued)

#### *Key information of joint ventures and associates (Continued)*

2019

	Principal place of business/place of registration	Nature of business	Registered capital	Shareholding by the Group (%)		Voting ratio of the Group (%)
				Direct	Indirect	
Joint venture						
Schaltbau	Xi'an City	Manufacturing of product	US\$4,400,000.00	–	50.00	33.00
Wenzhou-Hangwen High-Speed Railway	Wenzhou City	Commercial service	5,010,000,000.00	29.99	–	29.99
Associates						
SSCX	Xi'an City	Manufacturing of product	€5,220,000.00	–	30.00	30.00
CSCEC Foshan	Guangzhou City	Investment project construction	16,000,000.00	11.00	–	20.00
Siping Pipeline	Siping City	Project contracting	1,125,608,500.00	20.00	–	20.00
CRSC Private Equity Fund	Zhuhai City	Equity investment management	200,000,000.00	–	40.00	33.00
CRSC Electronics	Beijing City	Manufacturing of product	10,000,000.00	–	49.00	49.00
Guangdong Utrust 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	–	40.00
CRSC Changxing Technology	Taizhou City	Rail transit supplies	22,000,000.00	–	49.00	49.00

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

### 17. Long-term equity investment (Continued)

#### *Key information of joint ventures and associates (Continued)*

Note 1: On 14 April 2020, CRSC Smart Technology was registered and jointly established by CRSC Institute of Smart City Research & Design and Aerospace Harmony Wisdom Technologies Co., Ltd. CRSC Institute of Smart City Research & Design holds 45% of the shares and 45% of the voting rights, exerting a significant influence on the company. As of 30 June 2020, the Company has actually contributed RMB337,500 as a joint venture of the Group and calculated by the equity method.

Note 2: On 21 January 2020, the Company paid the third registered capital of RMB90.0487 million for Siping Pipeline, and the capital contribution requirement has completed. As of 30 June 2020, the Company has invested a total of RMB225.1217 million, accounting for 20% of the total registered capital of the project company.

Note 3: CRSC Changxing Technology, an associate of the Company, is being dissolved and liquidated upon the agreement of both parties of shareholders, and the book value of long-term equity investment has been written down to nil.

As at 30 June 2020 and 31 December 2019, the investees of long-term equity investments held by the Group have no restrictions on their ability to transfer funds to the Group.

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

### 17. Long-term equity investment (Continued)

#### *Key information of joint ventures and associates (Continued)*

The following tables sets out the summary of financial information of joint ventures that are insignificant to the Group:

	<b>For the six months ended 30 June 2020</b>	2019
Total book value of investment	<b>218,948,216.52</b>	236,048,139.20
Total amount of the following items calculated according to shareholding percentage:		
Net profit	<b>8,062,577.32</b>	23,628,094.30
Total comprehensive income	<b>8,062,577.32</b>	23,628,094.30

The following table sets out the summary of financial information of associates that are insignificant to the Group:

	<b>For the six months ended 30 June 2020</b>	2019
Total book value of investment	<b>842,508,794.95</b>	745,493,462.30
Total amount of the following items calculated according to the shareholding percentage:		
Net profit	<b>17,805,964.34</b>	27,184,967.13
Total comprehensive income	<b>17,805,964.34</b>	27,184,967.13

# NOTES TO FINANCIAL STATEMENTS

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

### 18. Other equity instrument investment

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

√ Applicable    □ Not applicable

Unit: Yuan    Currency: RMB

Item	Closing balance	Opening balance
Beijing Yawan High Speed Railway Co., Ltd. (北京雅萬高速鐵路有限公司)	323,916,888.00	323,916,888.00
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
Ganzhou-Shenzhen Railway (Guangdong) Company Limited (贛深鐵路(廣東)有限公司)	100,000,000.00	100,000,000.00
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
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
Lunan High Speed Railway Co., Ltd. (魯南高速鐵路有限公司)	274,267,062.00	274,267,062.00
Total	806,064,229.20	806,064,229.20



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

### 18. Other equity instrument investment (Continued)

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

For the six months ended 30 June 2020

Item	Cost	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend income for the current year		Reason for designating as at fair value through other comprehensive income
				Equity instruments derecognized in the current year	Equity instruments still held	
Beijing Yawan High Speed Railway Co., Ltd. (北京雅萬高速鐵路有限公司)	323,916,888.00	-	323,916,888.00	-	-	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
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
<b>Total</b>	<b>806,781,044.20</b>	<b>-</b>	<b>806,064,229.20</b>	<b>-</b>	<b>-</b>	

# NOTES TO FINANCIAL STATEMENTS

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

### 18. Other equity instrument investment (Continued)

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

2019

Item	Cost	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend income for the current year		Reason for designating as at fair value through other comprehensive income
				Equity instruments derecognized in the current year	Equity instruments still held	
Beijing Yawan High Speed Railway Co., Ltd. (北京雅萬高速鐵路有限公司)	323,916,888.00	-	323,916,888.00	-	-	- 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
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	<u>806,781,044.20</u>	<u>-</u>	<u>806,064,229.20</u>	<u>-</u>	<u>-</u>	

#### (2). Information of non-trading equity instrument investment

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

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

### 19. Other non-current financial assets

Applicable  Not applicable

### 20. Investment properties

Measurement model for investment properties

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

For six months ended at 30 June 2020 (Unaudited)

Unit: Yuan Currency: RMB

Item	Buildings	Land use right	Total
I. Original book value			
1. Opening balance	234,163,170.34	118,614,400.00	352,777,570.34
2. Increase during the current period	7,747,529.72	—	7,747,529.72
3. Decrease during the current period	—	—	—
4. Closing balance	241,910,700.06	118,614,400.00	360,525,100.06
II. Accumulated depreciation and accumulated amortization			
1. Opening balance	108,508,367.54	26,735,526.29	135,243,893.83
2. Increase during the current period	5,158,016.74	1,371,052.63	6,529,069.37
(1) Provision or amortization	5,066,014.82	1,371,052.63	6,437,067.45
(2) Transfer from fixed assets	92,001.92	—	92,001.92
3. Decrease during the current period	—	—	—
4. Closing balance	113,666,384.28	28,106,578.92	141,772,963.20
IV. Carrying amount			
1. Closing carrying amount	128,244,315.78	90,507,821.08	218,752,136.86
2. Opening carrying amount	125,654,802.80	91,878,873.71	217,533,676.51

# NOTES TO FINANCIAL STATEMENTS

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

### 20. Investment properties (Continued)

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

2019

Unit: Yuan Currency: RMB

Item	Buildings	Land use right	Total
I. Original book value			
1. Opening balance	234,163,170.34	118,614,400.00	352,777,570.34
2. Increase during the current period	—	—	—
3. Decrease during the current period	—	—	—
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	98,376,334.92	23,993,421.02	122,369,755.94
2. Increase during the current period	10,132,032.62	2,742,105.27	12,874,137.89
(1) Provision or amortization	10,132,032.62	2,742,105.27	12,874,137.89
3. Decrease during the current period	—	—	—
4. Closing balance	<u>108,508,367.54</u>	<u>26,735,526.29</u>	<u>135,243,893.83</u>
III. Carrying amount			
1. Closing carrying amount	<u>125,654,802.80</u>	<u>91,878,873.71</u>	<u>217,533,676.51</u>
2. Opening carrying amount	<u>135,786,835.42</u>	<u>94,620,978.98</u>	<u>230,407,814.40</u>

#### (2). Information of investment properties for which title certificates have not been obtained

Applicable  Not applicable

Other explanations:

Applicable  Not applicable

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

### 21. Fixed assets

#### *Presentation of item*

Applicable    Not applicable

Unit: Yuan   Currency: RMB

Item	Closing balance	Opening balance
Fixed asset	4,235,904,703.57	4,329,298,247.74
Disposal of fixed asset	—	—
Total	<u>4,235,904,703.57</u>	<u>4,329,298,247.74</u>

Other explanations:

Applicable    Not applicable

# NOTES TO FINANCIAL STATEMENTS

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

### 21. Fixed assets (Continued)

#### (1). Information about fixed assets

√ Applicable    □ Not applicable

For the six months ended 30 June 2020

Unit: Yuan    Currency: RMB

Item	Buildings	Machinery	Vehicles	Electronic equipment and others	Total
I. Original book value:					
1. Opening balance	4,333,395,628.45	987,994,643.88	442,535,612.46	1,205,776,277.66	6,969,702,162.45
2. Increase during the period	8,186,479.11	30,993,066.80	3,852,461.75	32,975,202.36	76,007,210.02
(1) Additions	8,186,479.11	10,030,736.33	3,852,461.75	32,422,082.89	54,491,760.08
(2) Transferred from construction in progress	-	20,962,330.47	-	553,119.47	21,515,449.94
3. Decrease during the period	8,050,318.22	2,866,120.15	4,937,881.92	5,055,173.92	20,909,494.21
(1) Transferred to investment properties	7,747,529.72	-	-	-	7,747,529.72
(2) Disposal or retirement	302,788.50	2,866,120.15	4,937,881.92	5,055,173.92	13,161,964.49
4. Closing balance	4,333,531,789.34	1,016,121,590.53	441,450,192.29	1,233,696,306.10	7,024,799,878.26
II. Accumulated depreciation					
1. Opening balance	893,879,564.57	657,684,416.68	331,997,582.78	756,810,232.62	2,640,371,796.65
2. Increase during the period	46,556,573.08	35,361,266.95	28,447,312.61	50,544,090.72	160,909,243.36
(1) Provision	46,556,573.08	35,361,266.95	28,447,312.61	50,544,090.72	160,909,243.36
3. Decrease during the period	351,292.58	2,741,893.11	4,689,842.73	4,634,954.96	12,417,983.38
(1) Transferred to investment properties	92,001.92	-	-	-	92,001.92
(2) Disposal or retirement	259,290.66	2,741,893.11	4,689,842.73	4,634,954.96	12,325,981.46
4. Closing balance	940,084,845.07	690,303,790.52	355,755,052.66	802,719,368.38	2,788,863,056.63
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	3,393,446,944.27	325,785,681.95	85,695,139.63	430,976,937.72	4,235,904,703.57
2. Opening book value	3,439,516,063.88	330,278,109.14	110,538,029.68	448,966,045.04	4,329,298,247.74

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

### 21. Fixed assets (Continued)

#### (1). Information about fixed assets (Continued)

2019

Item	Unit: Yuan					Currency: RMB
	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	527,256,557.94	181,270,499.39	28,877,056.72	172,599,540.33	910,003,654.38	
(1) Additions	724,828.94	106,810,153.34	28,877,056.72	152,744,411.92	289,156,450.92	
(2) Transferred from construction in progress	526,531,729.00	74,460,346.05	-	19,855,128.41	620,847,203.46	
3. Decrease during the period	127,888,546.03	33,827,185.64	21,501,263.44	16,702,716.72	199,919,711.83	
(1) Disposal or retirement	-	33,827,185.64	19,760,111.61	11,207,311.70	64,794,608.95	
(2) Disposal of subsidiaries	-	-	1,741,151.83	620,212.91	2,361,364.74	
(3) Other decrease	127,888,546.03	-	-	4,875,192.11	132,763,738.14	
4. Closing balance	4,333,395,628.45	987,994,643.88	442,535,612.46	1,205,776,277.66	6,969,702,162.45	
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	101,495,845.84	92,249,454.98	59,388,728.64	114,499,460.26	367,633,489.72	
(1) Provision	101,495,845.84	92,249,454.98	59,388,728.64	114,383,429.64	367,517,459.10	
(2) Other increase	-	-	-	116,030.62	116,030.62	
3. Decrease during the period	-	21,714,937.68	19,055,232.44	9,644,657.10	50,414,827.22	
(1) Disposal or retirement	-	21,714,937.68	18,475,861.84	9,155,833.13	49,346,632.65	
(2) Disposal of subsidiaries	-	-	579,370.60	488,823.97	1,068,194.57	
4. Closing balance	893,879,564.57	657,684,416.68	331,997,582.78	756,810,232.62	2,640,371,796.65	
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	3,439,516,063.88	330,278,109.14	110,538,029.68	448,966,045.04	4,329,298,247.74	
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	

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

### 21. Fixed assets (Continued)

#### **(1). Information about fixed assets (Continued)**

As at 30 June 2020, the original value of fixed assets of the Group which have been fully provided for depreciation but still in use was RMB1,308,883,446.48 (31 December 2019: RMB1,273,593,019.80).

As at 30 June 2020, the Group had no temporarily idle fixed assets in the fixed assets the Group mainly produced and operated (31 December 2019: None).

As at 30 June 2020 and 31 December 2019, the Group had no fixed assets with title restriction.

#### **(2). Temporarily-idle fixed assets**

Applicable     Not applicable

#### **(3). Fixed assets leased in through financial leases**

Applicable     Not applicable

#### **(4). Fixed assets leased out through operating leases**

Applicable     Not applicable



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

### 21. Fixed assets (Continued)

#### (5). Fixed assets for which title certificates have not been obtained

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Carrying amount	Reason for failure to obtain title certificate
Buildings	1,517,853,855.96	In progress

As at the approval date of this financial statement, the Group was applying for title certificate and handling registration or transfer procedures for houses and buildings with book values totaling RMB1,517,853,855.96 as of 30 June 2020. The management of the Group believed that the Group has the right to legally and effectively occupy and use the above-mentioned houses, and also believed that the above matters will not have any significant adverse impact on the overall financial position of the Group as at 30 June 2020.

Other explanations:

Applicable  Not applicable

#### **Disposal of fixed asset**

Applicable  Not applicable

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

### 22. Construction in progress

#### *Presentation by item*

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Construction in progress	761,537,552.70	160,740,323.63
Construction materials	—	—
Total	<u>761,537,552.70</u>	<u>160,740,323.63</u>

Other explanations:

Applicable  Not applicable

#### Construction in progress

##### *(1). Construction in progress*

Applicable  Not applicable

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

### 22. Construction in progress (Continued)

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

√ Applicable    □ Not applicable

For the six months ended 30 June 2020

Unit: Yuan    Currency: RMB

Project name	Opening balance	Increase during the period	Transferred into fixed assets during the period	Transferred into intangible assets during the period	Transferred into long-term prepaid expenses during the year	Closing balance	Proportion of total project investment in the budget (%)	Source of fund
Technology upgrade of rail transportation safety control system	82,457,989.34	2,752,043.19	-	-	-	85,210,032.53	100.00	Equity fund
CRSC Changsha Industrial Park Project Phase II	12,503,476.88	4,595,135.92	-	-	-	17,098,612.80	2.18	Equity fund
Shanghai Yi Center Office Building (上海壹中心辦公大樓)	-	597,541,451.73	-	-	-	597,541,451.73	91.74	Equity fund
Other	65,778,857.41	20,289,725.24	-21,515,449.94	-2,424,176.17	-441,500.90	61,687,455.64	/	Equity fund
<b>Total</b>	<b>160,740,323.63</b>	<b>625,178,356.08</b>	<b>-21,515,449.94</b>	<b>-2,424,176.17</b>	<b>-441,500.90</b>	<b>761,537,552.70</b>	<b>/</b>	<b>/</b>

# NOTES TO FINANCIAL STATEMENTS

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

### 22. Construction in progress (Continued)

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

2019

Unit: Yuan Currency: RMB

Project name	Opening balance	Increase during the period	Transferred into fixed assets during the period	Transferred into long-term prepaid expenses during the year	Closing balance	Proportion of total project investment in the budget (%)	Source of fund
Technology upgrade of rail transportation safety control system	112,544,252.80	5,318,339.13	-35,404,602.59	-	82,457,989.34	99.78	Equity fund
CRSC Changsha Industrial Park Project	448,149,601.17	78,125,933.07	-513,772,057.36	-	12,503,476.88	99.04	Equity fund
Other	77,032,401.13	64,900,301.50	-71,670,543.51	-4,483,301.71	65,778,857.41	/	Equity fund
<b>Total</b>	<b>637,726,255.10</b>	<b>148,344,573.70</b>	<b>-620,847,203.46</b>	<b>-4,483,301.71</b>	<b>160,740,323.63</b>	<b>/</b>	<b>/</b>

As at 30 June 2020 and 31 December 2019, the Group had no construction in progress with title restriction.

As at 30 June 2020 and 31 December 2019, there was no need to make provisions for construction in progress of the Group.

#### (3). Provision for impairment of construction in progress made during the period

Applicable  Not applicable

Other explanations

Applicable  Not applicable

#### Construction materials

Applicable  Not applicable

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

### 23. Productive biological assets

#### **(1). Productive biological assets measured under cost method**

Applicable  Not applicable

#### **(2). Productive biological assets measured at fair value**

Applicable  Not applicable

Other explanations

Applicable  Not applicable

### 24. Oil & gas assets

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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

### 25. Right-of-use assets

Applicable    Not applicable

For the six months ended 30 June 2020

Unit: Yuan   Currency: RMB

Item	Buildings	Means of transportation vehicles	Total
I. Original book value			
1. Opening balance	236,870,638.45	2,024,535.35	238,895,173.80
2. Increase during the period	45,593,579.72	–	45,593,579.72
3. Decrease during the current period	6,371,665.81	45,946.65	6,417,612.46
4. Closing balance	276,092,552.36	1,978,588.70	278,071,141.06
II. Accumulated depreciation			
1. Opening balance	79,511,525.30	956,108.65	80,467,633.95
2. Increase during the period	39,915,736.16	26,049.77	39,941,785.93
3. Decrease during the current period	3,027,913.97	9,641.80	3,037,555.77
4. Closing balance	116,399,347.49	972,516.62	117,371,864.11
III. Carrying amount			
1. Closing carrying amount	159,693,204.87	1,006,072.08	160,699,276.95
2. Opening carrying amount	157,359,113.15	1,068,426.70	158,427,539.85

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

### 25. Right-of-use assets (Continued)

2019

Unit: Yuan Currency: RMB

Item	Buildings	Means of transportation vehicles	Total
I. Original book value			
Closing balance of last year	–	–	–
Add: changes in accounting policies	119,534,605.43	1,987,105.37	121,521,710.80
1. Opening balance	119,534,605.43	1,987,105.37	121,521,710.80
2. Increase during the period	117,336,033.02	37,429.98	117,373,463.00
3. Closing balance	<u>236,870,638.45</u>	<u>2,024,535.35</u>	<u>238,895,173.80</u>
II. Accumulated depreciation			
1. Opening balance	–	–	–
2. Increase during the period	79,511,525.30	956,108.65	80,467,633.95
3. Closing balance	<u>79,511,525.30</u>	<u>956,108.65</u>	<u>80,467,633.95</u>
III. Carrying amount			
1. Closing carrying amount	<u>157,359,113.15</u>	<u>1,068,426.70</u>	<u>158,427,539.85</u>
2. Opening carrying amount	<u>119,534,605.43</u>	<u>1,987,105.37</u>	<u>121,521,710.80</u>

# NOTES TO FINANCIAL STATEMENTS

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

### 26. Intangible assets

#### (1). Information about intangible assets

√ Applicable    □ Not applicable

*For the six months ended 30 June 2020*

Unit: Yuan    Currency: RMB

Item	Land use rights	Patents	Software	Contracts (not completed)	Customer relationship	Total
I. Original book value						
1. Opening balance	2,460,811,798.92	435,973,623.12	312,220,509.63	169,921,119.24	244,325,834.78	3,623,252,885.69
2. Increase during the period	2,424,176.17	-	5,727,389.17	-	-	8,151,565.34
(1) Additions	-	-	5,727,389.17	-	-	5,727,389.17
(2) Transferred from construction in progress	2,424,176.17	-	-	-	-	2,424,176.17
3. Closing balance	2,463,235,975.09	435,973,623.12	317,947,898.80	169,921,119.24	244,325,834.78	3,631,404,451.03
II. Accumulated amortization						
1. Opening balance	344,949,858.92	296,515,686.09	258,987,766.47	169,921,119.24	136,069,658.20	1,206,444,088.92
2. Increase during the period	25,589,428.05	12,155,732.88	7,708,401.77	-	13,626,950.82	59,080,513.52
(1) Provision	25,589,428.05	12,155,732.88	7,708,401.77	-	13,626,950.82	59,080,513.52
3. Closing balance	370,539,286.97	308,671,418.97	266,696,168.24	169,921,119.24	149,696,609.02	1,265,524,602.44
III. Book value						
1. Closing book value	<u>2,092,696,688.12</u>	<u>127,302,204.15</u>	<u>51,251,730.56</u>	<u>-</u>	<u>94,629,225.76</u>	<u>2,365,879,848.59</u>
2. Opening book value	<u>2,115,861,940.00</u>	<u>139,457,937.03</u>	<u>53,232,743.16</u>	<u>-</u>	<u>108,256,176.58</u>	<u>2,416,808,796.77</u>



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

### 26. Intangible assets (Continued)

#### (1). Information about intangible assets (Continued)

##### 2019

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	6,592,902.23	2,830,186.06	40,434,061.79	-	-	49,857,150.08
(1) Additions	6,592,902.23	1,071,536.98	40,434,061.79	-	-	48,098,501.00
(2) Internal research and development	-	1,758,649.08	-	-	-	1,758,649.08
3. Decrease during the period	-	9,859.43	3,032,115.02	-	-	3,041,974.45
(1) Disposal	-	-	391,135.29	-	-	391,135.29
(2) Disposal of subsidiaries	-	-	1,093,904.73	-	-	1,093,904.73
(3) Other transfer-to/out	-	9,859.43	1,547,075.00	-	-	1,556,934.43
4. Closing balance	<u>2,460,811,798.92</u>	<u>435,973,623.12</u>	<u>312,220,509.63</u>	<u>169,921,119.24</u>	<u>244,325,834.78</u>	<u>3,623,252,885.69</u>
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	51,043,726.55	23,767,948.50	36,244,366.12	-	27,253,901.64	138,309,942.81
(1) Provision	51,043,726.55	23,767,948.50	36,244,366.12	-	27,253,901.64	138,309,942.81
3. Decrease during the period	-	6,216.92	1,597,392.48	-	-	1,603,609.40
(1) Disposal	-	-	391,135.29	-	-	391,135.29
(2) Disposal of subsidiaries	-	-	1,090,226.57	-	-	1,090,226.57
(3) Other transfer-to/out	-	6,216.92	116,030.62	-	-	122,247.54
4. Closing balance	<u>344,949,858.92</u>	<u>296,515,686.09</u>	<u>258,987,766.47</u>	<u>169,921,119.24</u>	<u>136,069,658.20</u>	<u>1,206,444,088.92</u>
III. Book value						
1. Closing book value	<u>2,115,861,940.00</u>	<u>139,457,937.03</u>	<u>53,232,743.16</u>	<u>-</u>	<u>108,256,176.58</u>	<u>2,416,808,796.77</u>
2. Opening 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>

As at 30 June 2020 and 31 December 2019, the Group had no intangible assets with title restriction.

At the end of the period, the intangible assets derived from internal research and development of the Company accounted for 3.03% of the balance amount of intangible assets (31 December 2019: 3.41%)

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 2020.

# NOTES TO FINANCIAL STATEMENTS

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

### 26. Intangible assets (Continued)

#### (2). Information about land use rights for which a certificate of title has not been obtained

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

### 27. Development expenditure

Applicable  Not applicable

#### For the six months ended 30 June 2020

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
		Internal development expenditure	Transferred to profit or loss for the period	
Development expenditure	<u>47,507,051.83</u>	<u>221,744,750.99</u>	<u>133,912,694.29</u>	<u>135,339,108.53</u>

#### 2019

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period		Closing balance
		Internal development expenditure	Recognised as intangible assets	Transferred to profit or loss for the period	
Development expenditure	<u>30,019,437.59</u>	<u>61,980,160.37</u>	<u>1,758,649.08</u>	<u>42,733,897.05</u>	<u>47,507,051.83</u>

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

### 28. Goodwill

#### (1). Original carrying amount of goodwill

√ Applicable    □ Not applicable

*For the six months ended 30 June 2020*

Unit: Yuan    Currency: RMB

Name of investee or matters resulting in goodwill	Opening balance	Increase for the period Arising from business combination	Decrease for	Closing balance
			the period Disposal	
CRSC CASCO Signal Co., Ltd. (卡斯柯 信號有限公司) (“CRSC CASCO”)	201,027,354.70	–	–	201,027,354.70
Changsha Architectural Design Institute Co., Ltd (長沙市建築設計院 有限責任公司) (“Changsha Design Institute”)	37,429,932.37	–	–	37,429,932.37
Zhengzhou Zhongyuan Railway Engineering Co., Ltd. (鄭州中原鐵 道工程有限責任公司) (“Zhengzhou Zhongyuan”)	30,525,980.16	–	–	30,525,980.16
CRSC (Zhengzhou) Zhong’an Engineering Co., Ltd. (中國鐵路通 信信號(鄭州)中安工程有限責任公司) (“Zhengzhou Zhong’an”)	27,673,509.65	–	–	27,673,509.65
CRSC Wanquan Signal Equipment Company Ltd. (通號萬全信號設備有 限責任公司) (“CRSC Wanquan”)	3,865,524.80	–	–	3,865,524.80
CRSC Guizhou Construction Co., Ltd (通號建設集團貴州工程有限責任公司) (“Guizhou Construction”)	3,802,223.24	–	–	3,802,223.24
Shanghai Deuta Electronic & Electrical Equipment Co., Ltd. (上海德意達 電子電器設備有限責任公司) (“Shanghai Deuta”)	669,345.89	–	–	669,345.89
Others	330,257.77	–	–	330,257.77
<b>Total</b>	<b>305,324,128.58</b>	<b>–</b>	<b>–</b>	<b>305,324,128.58</b>

# NOTES TO FINANCIAL STATEMENTS

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

### 28. Goodwill (Continued)

#### (1). Original carrying amount of goodwill (Continued)

2019

Name of investee or matters resulting in goodwill	Opening balance	Increase during the period Arising from business combination	Decrease during the period Disposal	Unit: Yuan Currency: RMB	
				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	<u>305,324,128.58</u>	<u>-</u>	<u>-</u>	<u>305,324,128.58</u>	

#### (2). Provision for impairment of goodwill

Applicable  Not applicable

#### (3). Information about the asset group or combination of asset groups to which the goodwill belongs

Applicable  Not applicable

#### (4). Explain the process of goodwill impairment test, key parameters (e.g. forecast period growth rate, stable period growth rate, profit rate, discount rate, forecast period, etc. in case of present value of expected future cash flow, if applicable) and the recognition method of goodwill impairment loss

Applicable  Not applicable

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

### 28. Goodwill (Continued)

#### (5). Impact of goodwill impairment test

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

### 29. Long-term prepaid expenses

Applicable  Not applicable

For the six months ended 30 June 2020

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Transferred from construction in progress	Amortization amount for the period	Closing balance
Costs of improvements to fixed assets under operating leases	56,221,830.76	15,236,854.10	441,500.90	19,602,358.51	52,297,827.25
Total	<u>56,221,830.76</u>	<u>15,236,854.10</u>	<u>441,500.90</u>	<u>19,602,358.51</u>	<u>52,297,827.25</u>

2019

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Transferred from construction in progress	Amortization amount for the period	Closing balance
Costs of improvements to fixed assets under operating leases	41,748,151.25	37,237,038.92	4,483,301.71	27,246,661.12	56,221,830.76
Total	<u>41,748,151.25</u>	<u>37,237,038.92</u>	<u>4,483,301.71</u>	<u>27,246,661.12</u>	<u>56,221,830.76</u>

# NOTES TO FINANCIAL STATEMENTS

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

### 30. 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	944,264,972.59	195,427,065.11	920,850,782.92	192,664,670.60
Unrealized profit in intra-group transactions	309,431,949.36	77,357,987.34	356,759,192.18	89,189,798.03
Deferred income	122,553,437.55	24,886,969.68	140,543,597.77	24,449,200.36
Estimated liabilities	75,033,816.76	12,254,710.68	77,143,802.01	12,548,661.36
Unpaid employee benefits payable	41,588,785.82	9,477,908.92	40,668,594.04	8,609,387.78
Other	15,772,054.75	3,302,172.40	19,845,073.91	3,913,231.92
<b>Total</b>	<b>1,508,645,016.83</b>	<b>322,706,814.13</b>	<b>1,555,811,042.83</b>	<b>331,374,950.05</b>

#### (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	141,168,586.74	35,292,146.68	163,018,099.40	40,754,524.85
Depreciation of fixed assets	70,334,070.17	10,550,110.52	49,476,712.54	7,421,506.88
<b>Total</b>	<b>211,502,656.91</b>	<b>45,842,257.20</b>	<b>212,494,811.94</b>	<b>48,176,031.73</b>

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

### 30. Deferred tax assets/liabilities (Continued)

#### (3). *Deferred tax assets or liabilities stated on a net basis after offset*

Applicable  Not applicable

#### (4). *Breakdown of unrecognised deferred tax assets*

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	27,310,210.44	26,278,334.06
Deductible loss	378,546,268.06	317,478,949.16
Total	405,856,478.50	343,757,283.22

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.

#### (5). *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 amount	Opening amount	Remarks
2020	13,160,440.49	13,160,440.49	
2021	97,492,106.90	97,492,106.90	
2022	100,101,936.46	103,115,295.05	
2023	67,749,443.80	82,380,951.08	
2024	13,098,485.21	21,330,155.64	
2025	86,943,855.20	–	
Total	378,546,268.06	317,478,949.16	/

Other explanation:

Applicable  Not applicable

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

### 31. Other non-current assets

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
Project quality deposit	268,892,496.68	1,075,574.67	267,816,922.01	196,030,744.12	953,149.98	195,077,594.14
Prepayment for fixed assets	314,070,572.51	-	314,070,572.51	326,107,400.00	-	326,107,400.00
Less: Non-current assets due within one year	-19,169,951.59	-95,591.43	-19,074,360.16	-19,118,289.09	-95,591.43	-19,022,697.66
Total	<u>563,793,117.60</u>	<u>979,983.24</u>	<u>562,813,134.36</u>	<u>503,019,855.03</u>	<u>857,558.55</u>	<u>502,162,296.48</u>

Changes in impairment provision for long-term project quality deposit receivables:

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Opening balance	<b>953,149.98</b>	552,915.43
Provision for the period	<b>678,449.61</b>	942,945.23
Reversal for the period	<b>556,024.92</b>	542,710.68
Closing balance	<u><b>1,075,574.67</b></u>	<u>953,149.98</u>



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

### 32. Short-term borrowings

#### (1). Classification of short-term borrowings

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Secured borrowings	41,574,502.14	67,084,139.66
Guaranteed borrowings	–	10,000,000.00
Credit loans	682,073,680.94	160,982,030.73
Total	723,648,183.08	238,066,170.39

Description of short-term borrowing classification:

Note 1: As at 30 June 2020, the book value of bank acceptances and commercial acceptances secured by the Group was RMB4,400,000.00 and RMB37,174,502.14, respectively, which were made for obtaining short-term borrowings of RMB41,574,502.14. (As at 31 December 2019, bank acceptances and commercial acceptances secured by the Group was RMB5,824,991.90 and RMB61,259,147.76, respectively, which were made to obtain short-term borrowings of RMB67,084,139.66).

As at 30 June 2020, the annual interest rate on the above borrowings ranged from 2.50% to 4.80% (As at 31 December 2019, the annual interest rate on the above borrowings ranged from 4.35% to 5.21%).

#### (2). Information about overdue but unpaid short-term borrowings

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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

### 33. Financial liabilities held for trading

Applicable  Not applicable

### 34. Derivative financial liabilities

Applicable  Not applicable

### 35. Bills payable

Applicable  Not applicable

Unit: Yuan Currency: RMB

Type of bills	Closing balance	Opening balance
Commercial acceptances	482,618,683.96	567,040,551.95
Bank acceptances	665,057,116.03	711,154,214.40
Total	<u>1,147,675,799.99</u>	<u>1,278,194,766.35</u>

As at 30 June 2020 and 31 December 2019, the Group had no unpaid overdue bills payable.

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

### 36. Accounts payable

#### (1). Breakdown of accounts payable

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Within 1 year	30,040,821,894.20	31,408,960,382.42
1-2 years	5,414,911,966.29	5,314,143,581.59
2-3 years	2,716,367,005.60	2,027,145,128.81
Over 3 years	1,621,530,424.49	1,193,000,882.30
Total	<u>39,793,631,290.58</u>	<u>39,943,249,975.12</u>

#### (2). Major accounts payable aged over one year

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Reason for unsettlement or carrying forward
Aggregate closing balance of top five accounts payable	441,118,671.86	Project payment or materials payment, not settled
Total	<u>441,118,671.86</u>	/

Other explanation:

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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

### 37. Advance receipts

(1). *Breakdown of advance receipts*

Applicable  Not applicable

(2). *Major advance receipts aged over one year*

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

### 38. Contract liabilities

(1). *Information about contract liabilities*

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Advance receipts	2,428,100,981.83	2,030,173,889.89
Incomplete project, settled	4,713,670,954.86	5,147,063,927.02
Total	<u>7,141,771,936.69</u>	<u>7,177,237,816.91</u>

(2). *Amount of and reason for significant change in carrying amount within the Reporting Period*

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

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

### 39. Employee benefits payable

#### (1). Breakdown of employee benefits payable

√ Applicable    □ Not applicable

#### Six months ended 30 June 2020

Unit: Yuan    Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Short-term benefits	508,911,354.82	1,873,865,871.68	1,843,971,553.26	538,805,673.24
II. Post-employment benefits (defined contribution plan)	25,178,087.48	178,609,022.99	178,067,902.26	25,719,208.21
III. Dismissal benefits	50,396.79	3,703,439.15	3,703,439.15	50,396.79
IV. Other benefits due within one year	53,209,000.00	20,672,000.00	20,672,000.00	53,209,000.00
<b>Total</b>	<b>587,348,839.09</b>	<b>2,076,850,333.82</b>	<b>2,046,414,894.67</b>	<b>617,784,278.24</b>

#### 2019

Unit: Yuan    Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Short-term benefits	430,553,999.00	4,502,551,312.26	4,424,193,956.44	508,911,354.82
II. Post-employment benefits (defined contribution plan)	25,753,611.93	591,330,221.87	591,905,746.32	25,178,087.48
III. Dismissal benefits	24,936.79	3,245,943.00	3,220,483.00	50,396.79
IV. Other benefits due within one year	57,037,000.00	50,133,000.00	53,961,000.00	53,209,000.00
<b>Total</b>	<b>513,369,547.72</b>	<b>5,147,260,477.13</b>	<b>5,073,281,185.76</b>	<b>587,348,839.09</b>

# NOTES TO FINANCIAL STATEMENTS

30 June 2020  
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## VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 39. Employee benefits payable (Continued)

#### (2). Breakdown of short-term benefits

√ Applicable    □ Not applicable

#### Six months ended 30 June 2020

Unit: Yuan    Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Wages, bonuses, allowances and subsidies	126,227,908.50	1,406,594,264.06	1,388,537,214.60	144,284,957.96
II. Employee welfare benefits	186,930,166.84	68,119,143.05	68,241,243.05	186,808,066.84
III. Social insurance premiums	56,448,781.27	111,225,744.15	117,714,828.36	49,959,697.06
Including: medical insurance premiums	54,814,788.75	102,800,184.07	109,327,831.18	48,287,141.64
Industrial injury insurance premiums	625,117.75	3,428,179.41	3,320,162.69	733,134.47
Maternity insurance premiums	1,008,874.77	4,997,380.67	5,066,834.49	939,420.95
VI. Housing provident fund	992,638.99	161,567,003.76	154,997,812.71	7,561,830.04
V. Labor union funds and staff education funds	138,116,520.67	36,318,727.03	24,372,051.10	150,063,196.60
VI. Other short-term remunerations	195,338.55	90,040,989.63	90,108,403.44	127,924.74
Total	<u>508,911,354.82</u>	<u>1,873,865,871.68</u>	<u>1,843,971,553.26</u>	<u>538,805,673.24</u>

#### 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	3,239,357,595.77	3,209,612,439.53	126,227,908.50
II. Employee welfare benefits	150,178,698.19	287,417,236.87	250,665,768.22	186,930,166.84
III. Social insurance premiums	46,700,764.40	349,606,659.34	339,858,642.47	56,448,781.27
Including: medical insurance premiums	44,618,290.05	317,777,340.55	307,580,841.85	54,814,788.75
Industrial injury insurance premiums	1,224,547.20	13,447,691.30	14,047,120.75	625,117.75
Maternity insurance premiums	857,927.15	18,381,627.49	18,230,679.87	1,008,874.77
VI. Housing provident fund	2,614,536.84	305,336,471.71	306,958,369.56	992,638.99
V. Labor union funds and staff education funds	134,131,806.52	108,051,852.29	104,067,138.14	138,116,520.67
VI. Other short-term remunerations	445,440.79	212,781,496.28	213,031,598.52	195,338.55
Total	<u>430,553,999.00</u>	<u>4,502,551,312.26</u>	<u>4,424,193,956.44</u>	<u>508,911,354.82</u>

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

### 39. Employee benefits payable (Continued)

#### (3). Breakdown of defined contribution plan

Applicable    Not applicable

*For the six months ended 30 June 2020*

Unit: Yuan   Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance	14,912,018.30	103,760,156.54	103,210,637.62	15,461,537.22
2. Unemployment insurance	771,114.99	3,797,893.04	3,866,965.18	702,042.85
3. Enterprise annuity payment	9,494,954.19	71,050,973.41	70,990,299.46	9,555,628.14
<b>Total</b>	<b>25,178,087.48</b>	<b>178,609,022.99</b>	<b>178,067,902.26</b>	<b>25,719,208.21</b>

*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	443,713,658.62	447,875,069.64	14,912,018.30
2. Unemployment insurance	649,663.64	16,959,492.13	16,838,040.78	771,114.99
3. Enterprise annuity payment	6,030,518.97	130,657,071.12	127,192,635.90	9,494,954.19
<b>Total</b>	<b>25,753,611.93</b>	<b>591,330,221.87</b>	<b>591,905,746.32</b>	<b>25,178,087.48</b>

Other explanation:

Applicable    Not applicable

# NOTES TO FINANCIAL STATEMENTS

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

### 40. Taxes payable

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Value-added tax	352,058,188.76	392,787,322.99
Enterprise income tax	237,366,963.47	426,702,488.42
City construction and maintenance tax	14,048,324.89	13,083,911.62
Educational surcharge	9,995,140.63	9,753,488.04
Individual income tax	8,866,829.29	67,813,206.44
Land use tax and property tax	4,281,219.89	3,384,509.36
Other	1,589,069.69	2,771,926.35
Total	<u>628,205,736.62</u>	<u>916,296,853.22</u>

### 41. Other payables

#### *Presentation of item*

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Dividends payable	2,162,330,609.54	34,391,330.43
Other payables	1,150,073,901.45	1,085,778,267.17
Total	<u>3,312,404,510.99</u>	<u>1,120,169,597.60</u>

#### *Interest payable*

Applicable  Not applicable



# NOTES TO FINANCIAL STATEMENTS

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

### 41. Other payables (Continued)

#### *Dividends payable*

√ Applicable    □ Not applicable

Unit: Yuan    Currency: RMB

Item	Closing balance	Opening balance
Dividends of ordinary shares	2,117,963,800.00	—
Dividends of minority shareholders of subsidiaries	44,366,809.54	34,391,330.43
Total	<u>2,162,330,609.54</u>	<u>34,391,330.43</u>

# NOTES TO FINANCIAL STATEMENTS

30 June 2020  
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## VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 41. 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	517,039,492.01	459,889,003.51
Deposits and margins	415,896,243.71	367,034,023.87
Acquisition of fixed assets	184,274,817.11	219,495,027.90
Public facility maintenance funds	11,987,970.03	14,522,807.26
Other	20,875,378.59	24,837,404.63
Total	<u>1,150,073,901.45</u>	<u>1,085,778,267.17</u>

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

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Reasons for unsettlement or carrying forward
Top five other major accounts payable aged over one year	86,433,789.98	Project payment, providing water, electricity, heating, and property management services and construction deposit, not settled or not returned
Total	<u>86,433,789.98</u>	/

Other explanation:

Applicable  Not applicable

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

### 41. Other payables (Continued)

#### *Other payables (Continued)*

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

Aging of other payables:

Aging	Closing balance	Opening balance
Within 1 year	876,724,987.77	847,335,342.26
1-2 years	154,974,938.51	103,632,368.41
2-3 years	28,137,051.81	34,345,406.29
Over 3 years	90,236,923.36	100,465,150.21
Total	<u>1,150,073,901.45</u>	<u>1,085,778,267.17</u>

### 42. Liabilities held for sale

Applicable  Not applicable

### 43. Non-current liabilities due within one year

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Long-term payables due within one year	48,367,733.68	30,665,104.29
Lease liabilities due within one year	72,013,488.65	72,575,043.71
Long-term borrowings due within one year	121,519,092.80	154,346,670.00
Total	<u>241,900,315.13</u>	<u>257,586,818.00</u>

# NOTES TO FINANCIAL STATEMENTS

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

### 44. Other current liabilities

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Estimated liabilities	19,308,273.11	18,664,590.73
Output VAT to be transferred	198,357,213.25	221,877,239.00
Total	217,665,486.36	240,541,829.73

Increase or decrease in short-term bonds payable:

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

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

### 45. Long-term borrowings

#### (1). Classification of long-term borrowings

Applicable  Not applicable

		Unit: Yuan Currency: RMB	
Item	Notes	Closing balance	Opening balance
Pledged borrowings	Note 1	1,948,059,499.26	1,664,299,760.80
Mortgage borrowings		—	—
Guaranteed borrowings	Note 2	224,000,000.00	231,000,000.00
Credit borrowings		99,000,000.00	200,145,450.00
Less: Long-term borrowings due within one year		<u>-121,519,092.80</u>	<u>-154,346,670.00</u>
Total		<u><b>2,149,540,406.46</b></u>	<u>1,941,098,540.80</u>

Other explanations, including interest rate range:

Applicable  Not applicable

Note 1: As at 30 June 2020, the Group's long-term receivables formed by pledges of franchise rights and income rights, and all incomes thereunder accounted for RMB3,717,847,591.63 (31 December 2019: RMB3,586,890,185.27), which were used to obtain long-term loans of RMB1,948,059,499.26 (31 December 2019: RMB1,664,299,760.80).

Note 2: As at 30 June 2020, the Group's guaranteed loans amounted to RMB224,000,000.00, which was borrowed by Yibin Tonghao Hongshun Project Management Co., Ltd. (宜賓通號鴻順項目管理有限責任公司), a subsidiary of the Company. The loan was guaranteed by CRSC Construction Group Guizhou Engineering Co., Ltd. The loan existed as at 31 December 2019.

As at 30 June 2020, the long-term borrowing balance due within one to five years was RMB688,676,371.20, and the long-term borrowing balance due over five years was RMB1,460,864,035.26 (as at 31 December 2019, the long-term borrowing balance due within one to five years was RMB275,950,000.00, and the long-term borrowing balance due over five years was RMB1,665,148,540.80).

The above borrowings are bank borrowings made at variable annual interest rates ranging from 3.30% to 5.39%.

# NOTES TO FINANCIAL STATEMENTS

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

### 46. Bonds payable

#### (1). *Bonds payable*

Applicable     Not applicable

#### (2). *Increase or decrease in bonds payable (excluding preferred shares, perpetual bonds and other financial instruments classified as financial liabilities)*

Applicable     Not applicable

#### (3). *Explanation about the conditions and timing of conversion of convertible corporate bonds*

Applicable     Not applicable

#### (4). *Explanation about other financial instruments classified as financial liabilities*

Basic information on preferred shares, perpetual bonds and other financial instruments that are outstanding at the end of the period

Applicable     Not applicable

Statement on changes in preferred shares, perpetual bonds and other financial instruments that are outstanding at the end of the period

Applicable     Not applicable

Explanation about basis for classifying other financial instruments as financial liabilities

Applicable     Not applicable

Other explanation:

Applicable     Not applicable

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

### 47. Lease liabilities

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Lease liabilities	152,401,046.36	147,949,221.53
Less: lease liabilities due within one year	-72,013,488.65	-72,575,043.71
Total	80,387,557.71	75,374,177.82

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Opening balance for the period/year	147,949,221.53	114,677,184.12
Increase for the period/year	45,593,579.72	120,247,153.58
Interest expense	5,704,198.56	8,841,977.74
Decrease for the period/year – modification of lease	-3,050,153.96	–
Decrease for the period/year – lease payments	-43,795,799.49	-95,817,093.91
Closing balance for the period/year	152,401,046.36	147,949,221.53

### 48. Long-term payables

#### *Presentation of item*

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Long-term payables	84,613,065.38	74,981,014.21
Total	84,613,065.38	74,981,014.21

# NOTES TO FINANCIAL STATEMENTS

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

### 48. Long-term payables (Continued)

#### *Long-term payables*

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Construction quality guarantee deposits	132,980,799.06	105,646,118.50
Less: long-term payables due within one year	<u>-48,367,733.68</u>	<u>-30,665,104.29</u>
Total	<u>84,613,065.38</u>	<u>74,981,014.21</u>

#### *Special payables*

Applicable  Not applicable

### 49. Long-term employee remunerations payable

Applicable  Not applicable

#### (1) *Statement on long-term employee remunerations payable*

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
I. Post-employment benefits (net liabilities under defined benefit plans)	697,267,000.00	683,080,000.00
II. Dismissal benefits	27,361,000.00	30,375,000.00
Less: remunerations payable within one year	<u>-53,209,000.00</u>	<u>-53,209,000.00</u>
Total	<u>671,419,000.00</u>	<u>660,246,000.00</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.



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

### 49. Long-term employee remunerations payable (Continued)

#### (1) Statement on long-term employee remunerations payable (Continued)

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 payables in each year/period are calculated by the independent actuary, Towers Watson Management Consulting, using the rolling method or the projected unit credit method.

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

	30 June 2020	31 December 2019
Discount rate	3.00%	3.25%
Mortality rate	<b>Average mortality rate of residents in Mainland China</b>	Average mortality rate of residents in Mainland China
Average life expectancy	17	17
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:

	For the six months ended 30 June 2020	2019
Historical service costs included in management expenses	-	-
Actuarial loss included in management expenses	328,000.00	675,000.00
Net interests included in management expenses	11,174,000.00	23,924,000.00
	<b>11,502,000.00</b>	<b>24,599,000.00</b>

Relevant plans recognised in other comprehensive income are as follows:

	For the six months ended 30 June 2020	2019
Actuarial loss due to changes in financial assumptions	20,286,000.00	19,950,000.00
Actuarial loss due to empirical differences	57,000.00	8,746,000.00
	<b>20,343,000.00</b>	<b>28,696,000.00</b>

# NOTES TO FINANCIAL STATEMENTS

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

### 49. Long-term employee remunerations payable (Continued)

#### (2) Changes in defined benefit plans

Present value of obligations under defined benefit plans:

Applicable    Not applicable

Unit: Yuan   Currency: RMB

Item	Amount for the current period	Amount for the last period
I. Opening balance	713,455,000.00	714,121,000.00
II. The defined benefit cost included in the current profit and loss	11,502,000.00	24,599,000.00
1. Current service costs	–	–
2. Past service costs	–	–
3. Settlement gains (losses indicated by “-”)	-328,000.00	-675,000.00
4. Net interests	11,174,000.00	23,924,000.00
III. The defined benefits cost included in other comprehensive income	20,343,000.00	28,696,000.00
1. Actuarial losses (gains indicated by “-”)	20,343,000.00	28,696,000.00
IV. Other changes	20,672,000.00	53,961,000.00
1. Consideration paid at settlement		
2. Benefits paid	20,672,000.00	53,961,000.00
V. Closing balance	<u>724,628,000.00</u>	<u>713,455,000.00</u>

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

### 49. Long-term employee remunerations payable (Continued)

#### (2) *Changes in defined benefit plans (Continued)*

Plan assets:

Applicable  Not applicable

Net liabilities (net assets) under defined benefit plans

Applicable  Not applicable

Explanation about 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

Other explanation:

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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

### 50. Provisions

√ Applicable    □ Not applicable

Unit: Yuan    Currency: RMB

	For the six months ended 30 June 2020	For the six months ended 30 June 2020	For the six months ended 30 June 2020
	Product quality guarantee deposits	Pending onerous contracts and others	Total
Opening balance	79,538,007.83	12,651,022.35	92,189,030.18
Increase for the period	13,950,262.01	–	13,950,262.01
Reversal for the period	-29,516.11	-21,243.83	-50,759.94
Use for the period	-16,080,507.30	-1,871.05	-16,082,378.35
Closing balance	77,378,246.43	12,627,907.47	90,006,153.90
Including: provisions due within one year	-19,308,273.11	–	-19,308,273.11
	<b>58,069,973.32</b>	<b>12,627,907.47</b>	<b>70,697,880.79</b>
	2019	2019	2019
	Product quality guarantee deposits	Pending onerous contracts and others	Total
Opening balance for the year	88,154,716.16	11,893,451.33	100,048,167.49
Increase for the year	54,644,227.25	757,571.02	55,401,798.27
Reversal for the year	-21,998,150.89	–	-21,998,150.89
Use for the year	-41,262,784.69	–	-41,262,784.69
Closing balance for the year	79,538,007.83	12,651,022.35	92,189,030.18
Including: provisions due within one year	-18,664,590.73	–	-18,664,590.73
	<b>60,873,417.10</b>	<b>12,651,022.35</b>	<b>73,524,439.45</b>

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 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 under the above method shall be included into the profit or loss for the period.

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

### 51. Deferred income

#### *Deferred income*

√ Applicable     Not applicable

#### *For the six months ended 30 June 2020*

Unit: Yuan    Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Government grants related to assets	74,951,361.26	1,037,357.00	904,479.51	75,084,238.75
Government grants related to income	80,869,491.66	6,713,843.37	22,602,530.48	64,980,804.55
<b>Total</b>	<b>155,820,852.92</b>	<b>7,751,200.37</b>	<b>23,507,009.99</b>	<b>140,065,043.30</b>

2019

Unit: Yuan    Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Government grants related to assets	79,013,543.46	8,528,909.81	12,591,092.01	74,951,361.26
Government grants related to income	72,357,334.94	62,892,594.88	54,380,438.16	80,869,491.66
<b>Total</b>	<b>151,370,878.40</b>	<b>71,421,504.69</b>	<b>66,971,530.17</b>	<b>155,820,852.92</b>

Projects related to government grants:

√ Applicable     Not applicable

# NOTES TO FINANCIAL STATEMENTS

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

### 51. Deferred income (Continued)

#### *Deferred income (Continued)*

*For the six months ended 30 June 2020*

Unit: Yuan Currency: RMB

Liability item	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	69,439,838.83	–	-904,479.51	–	68,535,359.32	Assets
Industrial development fund	15,200,000.00	–	–	-15,200,000.00	–	Income
Research grants	65,669,491.66	6,713,843.37	–	-7,402,530.48	64,980,804.55	Income
Other	5,511,522.43	1,037,357.00	–	–	6,548,879.43	Assets

2019

Unit: Yuan Currency: RMB

Liability item	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	8,528,909.81	-4,153,370.15	–	69,439,838.83	Assets
Industrial development fund	18,963,867.00	15,200,000.00	–	-18,963,867.00	15,200,000.00	Income
Research grants	53,393,467.94	47,692,594.88	–	-35,416,571.16	65,669,491.66	Income
Other	13,949,244.29	–	–	-8,437,721.86	5,511,522.43	Assets

Other explanation:

Applicable  Not applicable

### 52. Other non-current liabilities

Applicable  Not applicable

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

### 53. Share capital

Applicable  Not applicable

Unit: Yuan Currency: RMB

	Opening balance	New shares	Changes for the period (+, -)			Subtotal	Closing balance
			Bonus shares	provident fund into shares	Other		
CRSC Group	6,604,426,424.00	-	-	-	-	-	6,604,426,424.00
China National Machinery Industry Corporation (中國機械工業集團有限公司)	63,507,192.00	-	-	-	-	-	63,507,192.00
China Chengtong Holdings Group Limited (中國誠通控股集團有限公司)	63,507,192.00	-	-	-	-	-	63,507,192.00
China Guoxin Holding Co., Ltd. (中國國新控股有限責任公司)	63,507,192.00	-	-	-	-	-	63,507,192.00
CICC Jiacheng Investment Management Co., Ltd. (中金佳成投資管理有限公司)	26,070,000.00	-	-	-	-	-	26,070,000.00
National Council for Social Security Fund (全國社保基金理事會)	178,982,000.00	-	-	-	-	-	178,982,000.00
Overseas-listed H shares	1,789,819,000.00	-	-	-	-	-	1,789,819,000.00
Domestic-listed A shares	1,800,000,000.00	-	-	-	-	-	1,800,000,000.00
Total number of shares	<u>10,589,819,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,589,819,000.00</u>

Other explanation:

According to the Reply of China Securities Regulatory Commission on Approving the Registration of Initial Public Offering of Shares of China Railway Signal & Communication Corporation Limited (Zheng Jian Xu Ke [2019] No. 1135), as of 16 July 2019, the Company has issued 1,800,000,000 ordinary shares with a par value of RMB1 on the SSE Star Market at an issuance price of RMB5.85 per share. The total amount of capital raised before deduction of the issuance fee was RMB10,530,000,000.00. These ordinary shares were listed on the SSE Star Market on 22 July 2019.

### 54. Other equity instruments

#### (1) Basic information on preferred shares, perpetual bonds and other financial instruments that are outstanding at the end of the period

Applicable  Not applicable

On 3 August 2018, Bridge Trust Co., Ltd. (百瑞信託有限責任公司) 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% per 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

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

### 54. Other equity instruments (Continued)

#### (2) Statement on changes in preferred shares, perpetual bonds and other financial instruments that are outstanding at the end of the period

Applicable  Not applicable

Unit: Yuan Currency: RMB

Outstanding financial instruments	Beginning of the period		Increase for the period		Decrease for the period		End of the period	
	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>

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 2020
37,830,442,470.38
2,800,000,000.00
95,363,333.33
-

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

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

### 55. Capital reserve

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Share capital premium	15,538,873,267.94	–	–	15,538,873,267.94
Fiscal appropriation	8,670,000.00	–	–	8,670,000.00
Acquisition of minority interest of subsidiaries	9,510,776.86	–	–	9,510,776.86
Adjustment on long-term equity under interest method	680,972.47	314,624.19	–	995,596.66
Other	406,663,539.95	–	–	406,663,539.95
<b>Total</b>	<b>15,964,398,557.22</b>	<b>314,624.19</b>	<b>–</b>	<b>15,964,713,181.41</b>

### 56. Treasury stock

Applicable  Not applicable

### 57. Other comprehensive income

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Amount for the period					Amount attributable to the parent 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: Income tax expense				
I. Other comprehensive income not to be reclassified into profit or loss	-273,904,000.00	-20,334,000.00	–	–	–	-20,334,000.00	–	-294,238,000.00	
Including: Changes of the re-measurement of defined benefit plans	-273,904,000.00	-20,334,000.00	–	–	–	-20,334,000.00	–	-294,238,000.00	
II. Other comprehensive income to be reclassified into profit or loss	1,038,414.88	10,252,023.38	–	–	–	10,252,023.38	–	11,290,438.26	
Hedging reserve arising from cash flows	939,724.27	7,625,525.97	–	–	–	7,625,525.97	–	8,565,250.24	
Differences on translation of foreign currency financial statements	98,690.61	33,952.72	–	–	–	33,952.72	–	132,643.33	
Provision for impairment on receivables for financing	–	2,592,544.69	–	–	–	2,592,544.69	–	2,592,544.69	
<b>Total other comprehensive income</b>	<b>-272,865,585.12</b>	<b>-10,081,976.62</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>-10,081,976.62</b>	<b>–</b>	<b>-282,947,561.74</b>	

# NOTES TO FINANCIAL STATEMENTS

30 June 2020  
RMB

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

### 58. Special reserve

Applicable  Not applicable

*For the six months ended 30 June 2020*

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Production safety expenses	412,165,921.09	102,540,583.20	143,536,432.41	371,170,071.88
Total	<u>412,165,921.09</u>	<u>102,540,583.20</u>	<u>143,536,432.41</u>	<u>371,170,071.88</u>

**2019**

Item	Opening balance for the year	Appropriation for the year	Utilization for the year	Closing balance for the year
Production safety expenses	372,846,705.67	423,300,667.73	383,981,452.31	412,165,921.09
Total	<u>372,846,705.67</u>	<u>423,300,667.73</u>	<u>383,981,452.31</u>	<u>412,165,921.09</u>

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

### 59. Surplus reserve

√ Applicable    □ Not applicable

*For the six months ended 30 June 2020*

Unit: Yuan    Currency: RMB

Item	Opening balance	Increase for the period	Closing balance
Statutory surplus reserve	1,342,479,759.71	–	1,342,479,759.71
Total	1,342,479,759.71	–	1,342,479,759.71

**2019**

Unit: Yuan    Currency: RMB

	Opening balance for the year	Increase for the year	Closing balance for the year
Statutory surplus reserve	1,104,399,533.39	238,080,226.32	1,342,479,759.71
Total	1,104,399,533.39	238,080,226.32	1,342,479,759.71

According to the Company Law and the Articles of Association of the Company, the Company shall withdraw statutory surplus reserve fund at 10% of its net profit. If the accumulative amount of the statutory surplus reserve is more than 50% of the Company's registered capital, the statutory surplus reserve fund shall no longer be withdrawn.

After the Company withdraws the statutory surplus reserve fund, it can withdraw discretionary surplus reserve fund. Upon approval, the discretionary surplus reserve fund can be used to make up for losses of the preceding year or increase share capital.

# NOTES TO FINANCIAL STATEMENTS

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

### 60. Retained earnings

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Current period	Last year
Retained earnings at the end of last period before adjustment	10,283,609,709.60	8,680,338,212.67
Total amount of retained earnings at the beginning of the adjustment period (increase +, decrease -)	-	-
Retained earnings at the beginning of the period after adjustment	10,283,609,709.60	8,680,338,212.67
Add: Net profits attributable to owners of the parent during the current period	1,774,925,442.85	3,815,874,901.39
Less: Appropriation to statutory surplus reserve	-	238,080,226.32
Cash dividends payable	2,117,963,800.00	1,757,963,800.00
Dividends paid to other equity holders	95,363,333.33	190,205,555.55
Appropriation to employee reward and welfare fund	-	22,400,628.00
Other	-	3,953,194.59
Retained earnings at the end of the period	<u>9,845,208,019.12</u>	<u>10,283,609,709.60</u>

In accordance with the resolution at the 2020 annual general meeting of Company, on 12 June 2020, the Company declared a special dividend for the remaining distributable profits as of 31 December 2019, and distributed cash dividend of RMB0.20 per share (including tax), with total tax-inclusive amount of RMB2,117,963,800.00.

### 61. Revenue and costs of sales

#### (1). Revenue and costs of sales

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period		Amount for the last period	
	Revenue	Cost	Revenue	Cost
Principal operations	14,541,258,301.08	10,995,374,231.10	20,376,099,390.17	15,651,408,713.26
Other operations	79,520,550.24	54,712,430.55	135,478,452.69	80,202,115.86
Total	<u>14,620,778,851.32</u>	<u>11,050,086,661.65</u>	<u>20,511,577,842.86</u>	<u>15,731,610,829.12</u>

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

### 61. Revenue and costs of sales (Continued)

#### (1). Revenue and costs of sales (Continued)

Revenue is presented as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Rail transportation control system		
Equipment manufacturing	2,608,926,446.66	3,385,397,431.66
System implementation	4,574,889,019.61	6,770,907,131.16
Design and integration	3,760,451,930.20	5,168,020,493.59
Construction contracting	3,651,435,573.91	5,163,142,158.63
Other	25,075,880.94	24,110,627.82
	<u>14,620,778,851.32</u>	<u>20,511,577,842.86</u>

Revenue is presented as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Rail transportation control system		
Equipment manufacturing	1,446,029,919.79	1,845,211,413.51
System implementation	3,999,971,500.09	5,987,814,137.11
Design and integration	2,317,489,566.25	3,357,947,387.89
Construction contracting	3,273,799,499.85	4,530,014,353.33
Other	12,796,175.67	10,623,537.28
	<u>11,050,086,661.65</u>	<u>15,731,610,829.12</u>

# NOTES TO FINANCIAL STATEMENTS

30 June 2020  
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## VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 61. Revenue and costs of sales (Continued)

#### (2). Revenue from contracts

Applicable  Not applicable

*For the six months ended 30 June 2020*

Unit: Yuan Currency: RMB

Classification	Rail transportation control system	Construction contracting	Other	Total
By region of operation				
China	10,810,713,711.28	3,651,435,573.91	25,075,880.94	14,487,225,166.13
Other countries and regions	133,553,685.19	–	–	133,553,685.19
Total	<u>10,944,267,396.47</u>	<u>3,651,435,573.91</u>	<u>25,075,880.94</u>	<u>14,620,778,851.32</u>

**2019**

Unit: Yuan Currency: RMB

Classification	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>

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

### 61. Revenue and costs of sales (Continued)

#### (3). Details of performance obligation

√ Applicable    □ Not applicable

#### For the six months ended 30 June 2020

Unit: Yuan    Currency: RMB

Classification of contract	Rail transportation control system	Construction contracting	Others	Total
Time of revenue recognition				
Revenue recognized at a certain point of time	1,449,154,045.38	–	25,075,880.94	1,474,229,926.32
Revenue recognized within a certain period of time	9,495,113,351.09	3,651,435,573.91	–	13,146,548,925.00
	<u>10,944,267,396.47</u>	<u>3,651,435,573.91</u>	<u>25,075,880.94</u>	<u>14,620,778,851.32</u>

#### For the six months ended 30 June 2019

Unit: Yuan    Currency: RMB

Classification of contract	Rail transportation control system	Construction contracting	Others	Total
Time of revenue recognition				
Revenue recognized at a certain point of time	2,215,401,215.24	–	24,110,627.82	2,239,511,843.06
Revenue recognized within a certain period of time	13,108,923,841.17	5,163,142,158.63	–	18,272,065,999.80
	<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>

# NOTES TO FINANCIAL STATEMENTS

30 June 2020  
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## VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 61. Revenue and costs of sales (Continued)

#### (3). Details of performance obligation (Continued)

The revenue recognized in the current year and included in the book value of contract liabilities at the beginning of the year is as follow:

	For the six months ended 30 June 2020
Rail transportation control system	
Equipment manufacturing	92,130,274.78
System implementation	325,124,007.17
Design and integration	1,495,757,083.01
Construction contracting	380,050,343.74
Others	2,007,460.55
	<hr/>
	2,295,069,169.25

#### (4). Explanation about allocation to the remaining performance obligations

Applicable     Not applicable

Other explanation:

Typically, the construction contracts or service rendering contracts provided by the Group as a whole constitutes a single performance obligation and is a performance obligation performed within a certain period of time. As of 30 June 2020, some of the Group's construction contracts or service rendering contract are still in the process of performance. The transaction price allocated to the outstanding (or partially outstanding) performance obligations is related to the performance progress of the corresponding construction contract or service rendering contract, and will be recognized as revenue on the basis of the performance progress in the future performance period of the corresponding construction contract or service rendering contract.



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

### 62. Taxes and surcharges

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the last period
Urban maintenance and construction tax	31,867,644.75	46,179,409.37
Educational surcharge	23,606,247.77	32,144,498.78
Property tax	27,371,977.62	25,767,945.67
Stamp duty	8,323,656.88	10,958,205.00
Urban land use tax	6,145,077.40	6,771,703.66
Others	3,533,096.06	15,482,123.34
Total	<u>100,847,700.48</u>	<u>137,303,885.82</u>

For tax determination basis, please refer to Note VI. Taxation.

### 63. Selling and distribution expenses

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the last period
Employee benefits	180,543,742.75	183,177,489.67
Sales service expenses	40,720,409.31	46,926,461.96
Transportation expenses	29,312,407.76	51,777,299.15
Bidding and tendering expenses	18,177,184.54	25,652,125.10
Quality guarantee deposits	11,829,961.65	23,278,475.17
Rental expenses	6,367,027.53	9,197,090.71
Advertising expenses	166,969.49	7,591,096.68
Others	16,964,335.22	22,096,301.75
Total	<u>304,082,038.25</u>	<u>369,696,340.19</u>

# NOTES TO FINANCIAL STATEMENTS

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

### 64. General and administrative expenses

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the last period
Employee benefits	515,503,123.20	583,701,027.07
Depreciation and amortization expenses	118,522,287.66	129,556,814.86
Production safety expenses	45,075,605.12	185,369,811.70
Office and rental expenses	25,567,406.95	57,328,780.05
Travel costs and business entertainment expenses	18,989,330.13	40,518,175.22
Others	73,483,657.52	91,462,625.14
Total	<u>797,141,410.58</u>	<u>1,087,937,234.04</u>

### 65. Research and development expenses

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the last period
Labor expenses	356,263,183.22	372,083,609.31
Materials expenses	35,584,631.46	36,909,300.63
Depreciation and amortization expenses	25,811,452.21	17,998,773.74
Testing and processing expenses	23,039,722.46	40,008,149.29
General and administrative expenses	14,372,679.79	54,232,028.96
Travel costs	8,832,449.90	13,849,853.05
Others	46,267,342.45	46,069,726.10
Total	<u>510,171,461.49</u>	<u>581,151,441.08</u>

# NOTES TO FINANCIAL STATEMENTS

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

### 66. Financial costs

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the last period
Interest expense	25,027,798.72	93,335,784.66
Less: interest income	-286,378,402.62	-108,107,819.27
Exchange (gains)/losses	-22,795,970.96	2,284,051.62
Financial institutions commissions	19,100,716.18	14,184,714.30
Others	-1,286,564.41	-3,330,946.51
Total	<u>-266,332,423.09</u>	<u>-1,634,215.20</u>

### 67. 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		
Special Fund of Changsha High-tech Zone for Industrial Development	15,200,000.00	-
Refund of taxes (refund of software value-added tax, immediate levy and refund)	16,960,878.34	52,007,206.08
Other research grants	79,174,193.40	34,155,835.08
Total	<u>111,335,071.74</u>	<u>86,163,041.16</u>

# NOTES TO FINANCIAL STATEMENTS

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

### 68. 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	25,868,541.66	26,417,004.30
Investment income from disposal of long-term equity investments	–	225,084,245.39
Investment (loss)/income from futures transactions	-603,633.65	52,499.99
Investment income from disposal of other equity instruments	–	6,400.00
Others	–	79,455,160.88
<b>Total</b>	<b>25,264,908.01</b>	<b>331,015,310.56</b>

### 69. Gains on net exposure hedges

Applicable  Not applicable

### 70. Gains on changes in fair value

Applicable  Not applicable

### 71. Credit impairment losses

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Reversal/(losses) from bad debts of other receivables	24,381,142.87	-28,249,805.03
Losses from bad debts of accounts receivables	-43,725,465.82	-104,687,642.72
Impairment losses for notes receivable	-2,592,544.69	–
Losses from bad debts of long-term receivables	-1,273,752.68	-3,304,196.94
Reversal/(losses) of impairment of contract assets	3,262,138.97	-13,876,467.79
Losses from bad debts of retention money in other non-current assets	-122,424.69	-15,263.19
<b>Total</b>	<b>-20,070,906.04</b>	<b>-150,133,375.67</b>

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

### 72. Losses from impairment of assets

Applicable  Not applicable

### 73. Gains from disposal of assets

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Gains/(losses) from disposal of fixed assets	483,141.55	-1,356,544.68
Total	<u>483,141.55</u>	<u>-1,356,544.68</u>

Other explanations:

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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

### 74. Non-operating income

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period	Amount included in current non- recurring profit or loss
Government grants	904,479.51	904,479.51	904,479.51
Compensation payments	2,203,210.99	2,117,881.14	2,203,210.99
Accounts payable	2,763,984.48	2,385,311.71	2,763,984.48
Others	1,790,554.45	6,863,513.99	1,790,554.45
Total	<u>7,662,229.43</u>	<u>12,271,186.35</u>	<u>7,662,229.43</u>

Government grants recognized through profit and loss for the period

Applicable  Not applicable

Unit: Yuan Currency: RMB

Granting item	Amount for the current period	Amount for the previous period	Related to assets/ income
Demolition grants	<u>904,479.51</u>	<u>904,479.51</u>	Related to assets

Other explanations:

Applicable  Not applicable

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

### 75. Non-operating expenses

√ Applicable    □ Not applicable

Unit: Yuan    Currency: RMB

Item	Amount for the current period	Amount for the previous period	Amount included in current non-recurring profit or loss
External donations	697,481.40	68,400.00	697,481.40
Losses from damage and scrap of non-current assets	384,913.13	212,140.17	384,913.13
Lawsuits compensation	65,000.00	2,098,410.14	65,000.00
Others	608,268.93	7,735,453.99	608,268.93
Total	<u>1,755,663.46</u>	<u>10,114,404.30</u>	<u>1,755,663.46</u>

### 76. Income tax expenses

#### (1) Table for income tax expenses

√ Applicable    □ Not applicable

Unit: Yuan    Currency: RMB

Item	Amount for the current period	Amount for the previous period
Current income tax expenses	281,509,496.64	475,510,748.19
Deferred income tax expenses	6,334,361.39	-39,567,147.97
Total	<u>287,843,858.03</u>	<u>435,943,600.22</u>

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

### 76. Income tax expenses (Continued)

#### (2) Adjustment process for accounting profit and income tax

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Total profit	2,247,700,783.19	2,873,357,541.23
Income tax at the statutory/applicable income tax rate	561,925,195.80	718,339,385.31
Effect of different tax rates for subsidiaries	-196,824,626.84	-241,536,875.16
Share of profits and losses of joint ventures and associates	-6,467,135.42	-6,604,251.08
Effect of adjustments in respect of income tax of previous periods	-69,151,987.77	-6,251,945.49
Effect of non-taxable income	-13,148,880.91	-14,795,728.37
Effect of non-deductible cost, expenses and loss	17,520,960.14	32,263,639.55
Effect of utilization of deductible losses in deferred income tax assets not recognized in previous period	-6,791,178.15	-32,226,936.10
Effect of deductible temporary differences or deductible losses in deferred income tax assets not recognized in the current period	22,315,976.97	5,221,534.08
Tax effect of additional deductions	-21,494,375.53	-20,428,447.19
Others	-40,090.26	1,963,224.67
Income tax expenses	<u>287,843,858.03</u>	<u>435,943,600.22</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.



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

### 77. Other comprehensive income

Applicable  Not applicable

The accumulated balance of other comprehensive losses attributable to the parent company in the consolidated balance sheet is as follows:

Unit: Yuan Currency: RMB

	1 January 2020	Increase/decrease	30 June 2020
Changes in re-measurement of defined benefit plan	-273,904,000.00	-20,334,000.00	-294,238,000.00
Differences on translation of foreign currency financial statements	98,690.61	33,952.72	132,643.33
Hedging reserve arising from cash flows	939,724.27	7,625,525.97	8,565,250.24
Provision for impairment of receivables financing	-	2,592,544.69	2,592,544.69
<b>Total</b>	<b>-272,865,585.12</b>	<b>-10,081,976.62</b>	<b>-282,947,561.74</b>

	1 January 2019	Increase/decrease	30 June 2019
Changes in re-measurement of defined benefit plan	-245,208,000.00	-4,000.00	-245,212,000.00
Differences on translation of foreign currency financial statements	47,833.68	17,704.82	65,538.50
Hedging reserve arising from cash flows	-3,311,500.50	184,676.65	-3,126,823.85
<b>Total</b>	<b>-248,471,666.82</b>	<b>198,381.47</b>	<b>-248,273,285.35</b>

# NOTES TO FINANCIAL STATEMENTS

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

### 77. Other comprehensive income (Continued)

The amount for the current period of other comprehensive income/(losses) in the consolidated income statement is as follows:

#### *For the six months ended 30 June 2020*

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	-20,334,000.00	-	-20,334,000.00	-
Other comprehensive losses to be reclassified to profit or loss:				
Differences on translation of foreign currency financial statements	33,952.72	-	33,952.72	-
Hedging reserve arising from cash flows	7,625,525.97	-	7,625,525.97	-
Provision for impairment of receivables financing	2,592,544.69	-	2,592,544.69	-
<b>Total</b>	<b>-10,081,976.62</b>	<b>-</b>	<b>-10,081,976.62</b>	<b>-</b>

#### *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	-
Hedging reserve arising from cash flows	184,676.65	-	184,676.65	-
<b>Total</b>	<b>198,381.47</b>	<b>-</b>	<b>198,381.47</b>	<b>-</b>

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

### 78. 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 current period	Amount for the previous period
Income from other businesses	79,520,550.24	135,478,452.69
Government grants	79,872,863.29	34,128,834.56
Interest income	147,152,269.24	53,989,770.12
Others	3,643,765.44	11,366,706.84
Total	<u>310,189,448.21</u>	<u>234,963,764.21</u>

#### (2). Other cash paid related to operating activities

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Research and development expenses	128,096,826.06	209,067,831.77
Safety production expenses	45,075,605.12	185,369,811.70
Travel and business hospitality expenses	27,821,780.03	86,868,271.30
Others	104,590,629.30	589,116,531.23
Total	<u>305,584,840.51</u>	<u>1,070,422,446.00</u>

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

### 78. Items in statement of cash flows (Continued)

#### (3). Other cash received related to investment activities

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Borrowed funds received from former subsidiaries	–	1,578,170,000.00
Interest income	139,226,133.38	54,118,049.15
Others	–	54,299,606.60
Total	<u>139,226,133.38</u>	<u>1,686,587,655.75</u>

#### (4). Other cash paid related to investment activities

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Futures margin	15,625,481.80	–
Cash paid for disposal of a subsidiary	–	67,227,316.24
Total	<u>15,625,481.80</u>	<u>67,227,316.24</u>

#### (5). Other cash received related to fund-raising activities

Applicable  Not applicable

#### (6). Cash paid related to fund-raising activities

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Rental expenses and others	189,508,187.70	34,163,499.92
Total	<u>189,508,187.70</u>	<u>34,163,499.92</u>

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

### 79. 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 current period	Amount for the previous period
<b>1. Adjustment of net profit to cash flow of operating activities:</b>		
Net profits	1,959,856,925.16	2,437,413,941.01
Add: Provision for impairment of assets	-	-
Credit impairment losses	20,070,906.04	150,133,375.67
Depreciation of fixed assets, oil and gas assets, productive biological assets	160,909,243.36	169,186,804.57
Amortization of right-of-use assets	39,941,785.93	27,168,391.13
Amortization of intangible assets	59,080,513.52	65,967,385.41
Amortization of long-term prepaid expenses	19,602,358.51	10,683,980.77
Depreciation and amortization of investment properties	6,437,067.45	6,437,068.43
Loss from disposal of fixed assets, intangible assets and other long-term assets (income as sign "-")	-483,141.55	1,356,544.68
Losses from damage and scrap of fixed assets (income as sign "-")	-	-
Losses due to changes in fair value (income as sign "-")	-	-
Financial costs (income as sign "-")	-136,464,979.49	67,895,111.41
Investment loss (income as sign "-")	-25,264,908.01	-331,015,310.56
Decrease in deferred income tax assets (increase as sign "-")	8,668,135.92	-40,134,838.92
Increase in deferred income tax liabilities (decrease as sign "-")	-2,333,774.53	567,690.96
Increase in special reserve (decrease as sign "-")	-39,435,089.16	63,761,394.74
Decrease in inventories (increase as sign "-")	-294,717,810.48	-84,630,640.12
Increase in contract assets (decrease as sign "-")	-1,168,277,493.01	-3,156,842,650.00
Increase in contract liabilities (decrease as sign "-")	-35,465,880.22	896,184,955.52
Decrease in operating receivables (increase as sign "-")	-1,301,821,337.31	-3,983,578,184.09
Increase in operating payables (decrease as sign "-")	-242,354,744.52	3,569,276,669.15
Others	-	-
Net cash flow generated from operating activities	<u>-972,052,222.39</u>	<u>-130,168,310.24</u>
<b>2. Major investment and financing activities not involving cash receipts and payments:</b>		
Discounted bills with maturity	-	87,986,312.99
Right-of-use assets acquired by committing lease liabilities	45,593,579.72	72,678,446.21
<b>3. Net change in cash and cash equivalents:</b>		
Ending Balance of Cash	17,551,724,018.92	8,832,720,124.40
Less: Opening balance of cash	17,854,952,684.12	10,808,205,777.53
Add: Ending balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	<u>-303,228,665.20</u>	<u>-1,975,485,653.13</u>

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

### 79. Supplementary information to the statement of cash flows (Continued)

**(2) Net cash paid to acquire subsidiaries during the period**

Applicable  Not applicable

**(3) Net cash received from disposal of subsidiaries during the period**

Applicable  Not applicable

**(4) Endorsement transfer of bills**

Unit: Yuan Currency: RMB

	for six months ended 30 June 2020	for six months ended 30 June 2019
Endorsement transfer of the bank acceptance bills received	<u>332,308,588.13</u>	<u>168,158,957.25</u>

**(5) Changes in liabilities arising from financing activities**

Unit: Yuan Currency: RMB

	Interest payable	Borrowings	Dividends payable	Lease liabilities
1 January 2019	8,000.00	2,293,864,800.08	19,800,372.35	114,677,184.12
Dividend distribution	-	-	1,984,055,163.47	-
Distribution to other stakeholders	-	-	94,842,222.22	-
Accrued interest	93,335,784.66	-	-	-
Changes in cash flow from financing activities	-93,343,784.66	883,848,885.51	-1,964,592,314.50	-34,135,447.97
Significant financing activities not involving cash	-	-87,986,312.99	-	75,705,864.30
30 June 2019	<u>-</u>	<u>3,089,727,372.60</u>	<u>134,105,443.54</u>	<u>156,247,600.45</u>
1 January 2020	-	2,333,511,381.19	34,391,330.43	147,949,221.53
Dividend distribution	-	-	2,130,302,790.12	-
Distribution to other stakeholders	-	-	95,363,333.33	-
Accrued interest	25,027,798.72	-	-	-
Changes in cash flow from financing activities	-25,027,798.72	661,196,301.15	-97,726,844.34	-43,795,799.49
Significant financing activities not involving cash	-	-	-	48,247,624.32
30 June 2020	<u>-</u>	<u>2,994,707,682.34</u>	<u>2,162,330,609.54</u>	<u>152,401,046.36</u>

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

### 79. Supplementary information to the statement of cash flows (Continued)

#### (6) Composition of cash and cash equivalents

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
I. Cash	17,551,724,018.92	17,854,952,684.12
Including: Cash on hand	1,729,999.76	1,441,606.54
Bank deposits available for payment	17,549,994,019.16	17,853,511,077.58
Other monetary funds available for payment	-	-
Funds deposited with the central bank that are available for payment	-	-
Deposit from other banks	-	-
Loans to other banks	-	-
II. Cash equivalents	-	-
Including: bond investment due within three months	-	-
III. Closing balance of cash and cash equivalents	17,551,724,018.92	17,854,952,684.12
Including: cash and cash equivalents with restriction on use by the parent or subsidiaries within the Group	-	-

Other explanations:

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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

### 80. Notes to items in statement of changes in owner's equity

Explanation of the name of "Others" item that adjusted the closing balance at the end of last year and the amount of adjustment, etc.:

Applicable  Not applicable

### 81. Assets with restricted ownership or right-of-use

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Ending book value	Reasons of restriction
Monetary funds	187,472,146.82	Acceptance bill deposits; guarantee letter deposits; other purposes
Receivables for financing	41,574,502.14	Note 1
Long-term receivables	<u>3,717,847,591.63</u>	Note 2
Total	<u><u>3,946,894,240.59</u></u>	/

Note 1: As at 30 June 2020, the book values of bank acceptance bills and commercial acceptance bills pledged by the Group were RMB4,400,000.00 and RMB37,174,502.14 respectively, which were used to obtain short-term borrowings of RMB41,574,502.14. As at 31 December 2019, the book values of bank acceptance bills and commercial acceptance bills pledged by the Group were RMB5,824,991.90 and RMB61,259,147.76 respectively, which were used to obtain short-term borrowings of RMB67,084,139.66. See Note VII. 32 for details.

Note 2: As at 30 June 2020, the Group's long-term receivables of RMB3,717,847,591.63 (31 December 2019: RMB3,586,890,185.27), which were formed by the earning rights of the franchise pledged and all proceeds thereunder it, were used to obtain long-term borrowings of RMB1,948,059,499.26 (31 December 2019: RMB1,664,299,760.80). See Notes VII.16 and 45 for details.



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

### 82. Foreign currency monetary items

#### (1). Foreign currency monetary items

Applicable  Not applicable

Unit: Yuan

Item	Ending balance of foreign currency	Exchange rate	Ending balance in RMB equivalent
Monetary funds	–	–	
Including: US Dollar	44,642,137.59	7.0795	316,044,013.09
Euro	128,437.44	7.9610	1,022,490.46
HK Dollar	1,139,873,870.92	0.9134	1,041,160,793.70
Indian Rupee	154,930,693.98	0.0930	14,408,554.54
Serbian Dinar	793,620,533.33	0.0672	53,331,299.84
Others	756,393,985.26	–	845,928.11
Total			<u>1,426,813,079.74</u>
Accounts payable	–	–	
Including: US Dollar	3,067,869.06	7.0795	21,718,979.01
Euro	4,460,969.54	7.9610	35,513,778.51
Others	570,733.32	0.7242	413,325.07
Total			<u>57,646,082.59</u>

#### (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

### 83. Hedging

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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

### 84. Government grants

#### 1. Basic information about government grants

Applicable  Not applicable

Unit: Yuan Currency: RMB

Type	Amount	Items reported	Amount included in current profit or loss
Demolition grants	68,535,359.32	Deferred income/non-operating income	904,479.51
Industrial development fund	–	Deferred income/other income	15,200,000.00
Research grants	64,980,804.55	Deferred income/other income/operating costs	7,402,530.48
Other grants	6,548,879.43	Deferred income	–

#### 2. Return of government grants

Applicable  Not applicable

Other explanation

### 85. 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

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Raw materials and spare parts consumed	6,681,862,163.21	10,728,694,336.94
Employee benefits	2,067,680,333.82	2,197,487,348.66
Subcontracting costs	2,437,198,206.21	3,177,607,160.93
Depreciation and amortization expenses	285,970,968.77	279,443,630.31
Research and development expenses	153,908,278.27	209,067,831.77
Others	1,034,861,621.69	1,178,095,535.82
Total	12,661,481,571.97	17,770,395,844.43

Note: The amount of employee benefits including the remuneration of the research and development personnel was RMB356,263,183.22 (for the six months ended 30 June 2019: RMB372,083,609.31).

## 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

### 4. Disposal of subsidiaries

Whether or not the loss of control occurs immediately after a single disposal of investment in the subsidiaries

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

Whether or not the investment in subsidiaries is disposed of step by step through multiple transactions and loss of control occurs in the current period

Applicable  Not applicable

### 5. Changes in scope of consolidation due to other reasons

Explanation of changes in scope of consolidation due to other reasons (e.g. incorporation of new subsidiaries, and liquidation of subsidiaries, etc.) and relevant information:

Applicable  Not applicable

### 6. Others

Applicable  Not applicable

# 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

Name of subsidiaries	Places of principal activities	Place of registration	Nature of business	Shareholding percentage of the Group (%)		Means 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
CRSC Research & Design Institute Group 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 combination not under common control
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 Holdings Company Limited (通號國際控股有限公司) ("CRSC International Holdings")	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 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 Company Ltd. (通號萬全信號設備有限公司) ("CRSC Wanquan")	Taizhou	Taizhou	Equipment manufacturing	70.00	-	Business combination not under common 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 combination not under common control
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 combination not under common control
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) ("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責任公司) ("CRSC Tengda")	Jishou	Jishou	Project management, operation and maintenance of engineering	90.00	-	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
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
CRSC Innovation Zhejiang Construction Investment Ltd. (通號創新浙江建設投資有限公司) ("Zhejiang Construction Investment") (Note 1)	Jinhua	Jinhua	General engineering contracting	100.00	-	Incorporation
CRSC (Beijing) Bid Ltd. (通號(北京)招標有限公司) ("Beijing Bid") (Note 2)	Beijing	Beijing	bidding agency	100.00	-	Incorporation

## IX. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interests in subsidiaries (Continued)

#### (1). Composition of enterprise group (Continued)

Note 1: On 31 March 2020, CRSC Innovation Zhejiang Construction Investment Ltd. (the former third-tier subsidiary of the Company, the former subsidiary of CRSC Innovation Investment Co., Ltd., "Zhejiang Construction Investment") absorbed and merged CRSC Communications Construction Co., Ltd. (the former second-tier subsidiary of the Company, "CRSC Communications"). Zhejiang Construction Investment is now a second-tier subsidiary of the Company;

Note 2: On 30 April 2020, CRSC Material Group Company Ltd., the former second-tier subsidiary of the Company, was transferred to CRSC Engineering Group Company Ltd. and became the third-tier subsidiary of the Company. At the same time, CRSC Material Group Company Ltd. stripped its subsidiary CRSC (Beijing) Bid Ltd. to the Company, and CRSC (Beijing) Bid Ltd. became the second-tier subsidiary of the Company;

Note 3: All the other companies above are limited liability companies.

#### (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 interest of non-controlling shareholders
CRSC CASCO	49	153,849,272.42	-	988,468,111.25

Explanations for 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

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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

√ Applicable    □ Not applicable

Unit: Yuan    Currency: RMB

Name of subsidiary	Closing balance		Non-current liabilities		Total liabilities		Opening balance		Current liabilities		Total liabilities	
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Total liabilities	Total assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Total assets	Total liabilities
CRSC CASCO	5,049,512,375.05	958,225,297.06	3,919,011,483.12	72,044,329.29	3,991,055,812.41	4,388,997,224.53	5,001,254,064.02	3,230,847,983.55	67,809,647.83	3,298,657,631.38		
Name of subsidiary	Amount for the current period		Total comprehensive income		Cash flows from operating activities		Amount for the previous period		Total comprehensive income		Cash flows from operating activities	
	Revenue	Net profit	Revenue	Net profit	Revenue	Net profit	Revenue	Net profit	Revenue	Net profit	Revenue	Net profit
CRSC CASCO	1,886,118,155.54	313,978,106.98	313,978,106.98	313,978,106.98	354,634,673.10	1,876,051,957.30	332,103,120.57	332,103,120.57	332,103,120.57	287,807,880.91		

## IX. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interests in subsidiaries (Continued)

**(4). Major restrictions on the use of assets of the Group and repayment of debts of the Group:**

Applicable  Not applicable

**(5). Financial support or other support provided for structured entities included in the scope of consolidated financial statements:**

Applicable  Not applicable

Other explanations:

Applicable  Not applicable

### 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

See Note VII. 17 for details.

**(1). Significant joint ventures or associates**

Applicable  Not applicable

**(2). Main financial information of significant joint ventures**

Applicable  Not applicable

**(3). Main financial information of significant associates**

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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## IX. INTERESTS IN OTHER ENTITIES (Continued)

### 3. Interests in the joint venture or associate (Continued)

#### (4). Summary of financial information of insignificant joint ventures and associates

Applicable  Not applicable

Unit: Yuan Currency: RMB

	Balance at the end of the period/ amount incurred in the period	Balance at the beginning of the period/ amount incurred in the previous period
Joint ventures:		
Total book value of investment	218,948,216.52	236,048,139.20
Total amount of the following items calculated on the basis of shareholding percentage		
– Net profit	8,062,577.32	23,628,094.30
– Other comprehensive income		
– Total comprehensive income	8,062,577.32	23,628,094.30
Associates:		
Total book value of investment	842,508,794.95	745,493,462.30
Total amount of the following items calculated on the basis of shareholding percentage		
– Net profit	17,805,964.34	27,184,967.13
– Other comprehensive income		
– Total comprehensive income	17,805,964.34	27,184,967.13



## IX. INTERESTS IN OTHER ENTITIES (Continued)

### 3. Interests in the joint venture or associate (Continued)

**(5). Explanation for the significant restrictions on the ability of joint ventures or associates to transfer funds to the Company**

Applicable  Not applicable

**(6). Excessive loss incurred by joint ventures or associates**

Applicable  Not applicable

Unit: Yuan Currency: RMB

Name of joint ventures or associates	Accumulated unrecognized losses for the previous period	Loss unrecognized at the period	Accumulated unrecognized losses as at the end of the period
CRSC Changxing (Zhejiang) Technology Co., Ltd.	755,699.97	-21,243.83	734,456.14

**(7). Unrecognised commitments related to investments in joint ventures**

Applicable  Not applicable

**(8). Contingent liabilities related to investments in joint ventures or associates**

Applicable  Not applicable

### 4. Significant joint operation

Applicable  Not applicable

### 5. Interests in structured entities not included in the scope of consolidated financial statements

Explanation about structured entities not included in the scope of consolidated financial statements:

Applicable  Not applicable

### 6. Others

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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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 2020

Financial assets

Unit: Yuan    Currency: RMB

	Measurement at amortized cost	Measurement at fair value through other comprehensive income	Total
Cash and bank balances	22,305,714,100.37	–	22,305,714,100.37
Receivables for financing	–	1,421,233,468.07	1,421,233,468.07
Accounts receivable	17,573,608,015.70	–	17,573,608,015.70
Other receivables	1,269,760,754.02	–	1,269,760,754.02
Debt investment	273,172,183.50	–	273,172,183.50
Other equity instrument investments	–	806,064,229.20	806,064,229.20
Long-term receivables	6,747,026,919.86	–	6,747,026,919.86
Financial assets included in other non-current assets	267,816,922.01	–	267,816,922.01
	<u>48,437,098,895.46</u>	<u>2,227,297,697.27</u>	<u>50,664,396,592.73</u>

Financial liability

Unit: Yuan    Currency: RMB

	Other financial liabilities
Short-term loans	723,648,183.08
Bills payable	1,147,675,799.99
Accounts payable	39,793,631,290.58
Other payables	3,312,404,510.99
Long-term loans	2,149,540,406.46
Non-current financial liabilities due within one year	241,900,315.13
Lease liability	80,387,557.71
Long-term payable	84,613,065.38
	<u>47,533,801,129.32</u>

# NOTES TO FINANCIAL STATEMENTS

30 June 2020

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## X. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

### 1. Category of financial instruments (Continued)

31 December 2019

Financial assets

Unit: Yuan Currency: RMB

	Measurement at amortized cost	Measurement at fair value through other comprehensive income	Total
Monetary funds	24,000,333,948.30	–	24,000,333,948.30
Receivables for financing	–	1,478,647,844.54	1,478,647,844.54
Accounts receivable	16,757,628,007.95	–	16,757,628,007.95
Other receivables	1,148,124,174.34	–	1,148,124,174.34
Debt investment	273,172,183.50	–	273,172,183.50
Investments in other equity instruments	–	806,064,229.20	806,064,229.20
Long-term receivables	6,422,130,017.28	–	6,422,130,017.28
Financial assets included in other non-current assets	195,077,594.14	–	195,077,594.14
	<u>48,796,465,925.51</u>	<u>2,284,712,073.74</u>	<u>51,081,177,999.25</u>

Financial liability

Unit: Yuan Currency: RMB

	Other financial liabilities
Short-term loans	238,066,170.39
Bills payable	1,278,194,766.35
Accounts payable	39,943,249,975.12
Other payables	1,120,169,597.60
Long-term loans	1,941,098,540.80
Non-current financial liabilities due within one year	257,586,818.00
Lease liability	75,374,177.82
Long-term payable	74,981,014.21
	<u>44,928,721,060.29</u>

# NOTES TO FINANCIAL STATEMENTS

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## 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 2020, the book value of bank acceptance bills and commercial acceptance bills that the Group has endorsed or discounted were RMB129,674,333.72 and RMB234,843,083.61 respectively (31 December 2019: RMB88,668,931.24 and RMB268,535,267.23). The Group believed 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. After endorsement, the Group no longer reserves the right to use it, including the right to sell, transfer or pledge it to other third parties. The aggregate carrying amount of the trade payables settled by the endorsed bills as at 30 June 2020 was RMB364,517,417.33 (31 December 2019: RMB357,204,198.47).

#### ***Transferred financial assets that are derecognized in their entirety in which continuing involvement exists***

As at 30 June 2020, the book value of bank acceptance bills that the Group has endorsed or discounted was RMB432,650,238.74 (31 December 2019: RMB541,594,787.67). As at 30 June 2020, 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.

## 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, receivables for financing 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.

# NOTES TO FINANCIAL STATEMENTS

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## 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.

The Group only deals with recognized and reputable third parties. According to the Group's policy, credit review is required for all customers who seek to carry out credit-based transactions. In addition, the Group continuously monitors the balance of accounts receivable to ensure that the Group is not exposed to significant bad debt risks. For transactions that are not settled in the functional currency of the relevant business entity, the Group does not provide credit-based transactions unless specifically approved by the credit control department of the Group.

Since the counterparties of monetary funds and bank acceptance bills receivable are banks with good reputation and high credit ratings, these financial instruments have low credit risk.

Financial assets of the Group include monetary funds, account receivable, 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.

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. Customers owing accounts receivables to the Group were widely engaged in different sectors and industries, therefore, there was no concentration of significant credit risks within the Group. The Group did not hold any collateral or other credit enhancement against the balance of accounts receivable.

#### *Criteria for judgment of significant increase in credit risk*

On each balance sheet date, the Group assessed whether or not the credit risk of relevant financial instruments has increased significantly since initial recognition. In determining whether or not the credit risk has increased significantly since the initial recognition, the Group considered that the reasonable and reliable information could be obtained without unnecessary extra costs or efforts, including qualitative and quantitative analysis based on the Group's historical data, external credit risk rating and forward-looking information. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the Group compared the risk of default of financial instruments as at the balance sheet date with the risk of default on the initial recognition date to determine the changes in the default risk of financial instruments during their lifetime.

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

### 3. Risk of financial instruments (Continued)

#### *Credit risk (Continued)*

#### *Criteria for judgment of significant increase in credit risk (Continued)*

The Group believed that the credit risk of financial instruments has increased significantly when one or more of the following quantitative and qualitative criteria or upper limit indicators are triggered:

- The quantitative criteria is satisfied if the probability of default for the remaining lifetime on the reporting date rises by more than a certain proportion compared with the probability of default at time of the initial recognition;
- Qualitative criteria mainly comprises material adverse changes in the debtor's business or financial position, and alert list of customers;
- The upper limit indicator is defined as the debtor's contract payment (including principal and interest) has been overdue for more than 30 days.

#### *Definition of assets with credit impairment*

In order to determine whether or not credit impairment has occurred, the Group adopted the definition criteria consistent with the internal credit risk management objectives for relevant financial instruments, while considering both quantitative and qualitative indicators. When the Group evaluated whether or not the debtor suffers from credit impairment, it mainly considered the following factors:

- the issuer or debtor is in material financial difficulties;
- the debtor violates the contract, such as default or overdue payment of interest or principal, etc.;
- the creditor gives concessions that it would not make under any other circumstance based on economic or contractual considerations related to the debtor's financial difficulties;
- the debtor is likely to go bankrupt or undergo other financial restructuring;
- financial difficulties of the issuer or debtor result in the disappearance of the active market of the financial asset;
- purchase or generate a financial asset at a substantial discount, which reflects the fact that credit impairment has occurred.

Credit impairment of financial assets might be caused by the combined action of multiple events, but not necessarily by separately identifiable events.

# NOTES TO FINANCIAL STATEMENTS

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## X. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

### 3. Risk of financial instruments (Continued)

#### *Credit risk (Continued)*

##### *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.

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 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.

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. 5, 8 and 10 for the risk exposure information of receivables, other receivables and contract assets.

Please see Notes VII. 5, 8, 10, 16 and 12 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

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## 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 2020

Unit: Yuan Currency: RMB

	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Short-term loans	723,648,183.08	-	-	-	723,648,183.08
Bills payable	1,147,675,799.99	-	-	-	1,147,675,799.99
Accounts payable	39,793,631,290.58	-	-	-	39,793,631,290.58
Other payables	3,312,404,510.99	-	-	-	3,312,404,510.99
Long-term loan (including maturity within 1 year)	121,519,092.80	227,519,092.80	565,157,278.40	1,356,864,035.26	2,271,059,499.26
Interest arising from long-term and short-term loans	126,263,644.69	109,563,589.41	321,489,188.86	844,970,459.72	1,402,286,882.68
Lease liabilities	65,326,239.26	56,073,617.18	23,510,989.22	25,933,946.66	170,844,792.32
Long-term payable (including maturity within 1 year)	48,367,733.68	84,613,065.38	-	-	132,980,799.06
	<u>45,338,836,495.07</u>	<u>477,769,364.77</u>	<u>910,157,456.48</u>	<u>2,227,768,441.64</u>	<u>48,954,531,757.96</u>

#### 31 December 2019

Unit: Yuan Currency: RMB

	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Short-term loans	238,066,170.39	-	-	-	238,066,170.39
Bills payable	1,278,194,766.35	-	-	-	1,278,194,766.35
Accounts payable	39,943,249,975.12	-	-	-	39,943,249,975.12
Other payables	1,120,169,597.60	-	-	-	1,120,169,597.60
Long-term loan (including maturity within 1 year)	154,346,670.00	275,950,000.00	-	1,665,148,540.80	2,095,445,210.80
Interest arising from long-term and short-term loans	108,544,156.59	93,777,802.89	266,404,697.86	725,258,952.87	1,193,985,610.21
Lease liabilities	91,408,580.64	50,482,151.23	11,567,207.85	15,987,031.73	169,444,971.45
Long-term payable (including maturity within 1 year)	30,665,104.29	74,981,014.21	-	-	105,646,118.50
	<u>42,964,645,020.98</u>	<u>495,190,968.33</u>	<u>277,971,905.71</u>	<u>2,406,394,525.40</u>	<u>46,144,202,420.42</u>

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## 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 2020, floating interest rate loans and fixed interest rate loans accounted for 78% and 22% 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 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 RMB9,993,074.56 for the six months ended 30 June 2020 (2019: RMB7,857,374.10), 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 2020 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 interest rates of demand deposit of bank 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 RMB7,281,361.00 for the six months ended 30 June 2020 (2019: RMB7,094,864.50), 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 2020 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.

## 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 2020 and 31 December 2019 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

	Increase/(decrease) in United States dollar exchange rate	Increase/(decrease) in net profit or loss	Increase/(decrease) in total shareholder's equity
<b>30 June 2020</b>			
Depreciation of RMB against United States dollar	5%	13,749,227.08	13,749,227.08
Appreciation of RMB against United States dollar	-5%	<u>-13,749,227.08</u>	<u>-13,749,227.08</u>
	Increase/(decrease) in Hong Kong dollar exchange rate	Increase/(decrease) in net profit or loss	Increase/(decrease) in total shareholder's equity
Depreciation of RMB against Hong Kong dollar	5%	45,391,410.79	45,391,410.79
Appreciation of RMB against Hong Kong dollar	-5%	<u>-45,391,410.79</u>	<u>-45,391,410.79</u>

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## X. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

### 3. Risk of financial instruments (Continued)

#### *Market risk (Continued)*

#### *Foreign currency risk (Continued)*

Unit: Yuan Currency: RMB			
31 December 2019	Increase/(decrease) in United States dollar exchange rate	Increase/(decrease) in net profit or loss	Increase/(decrease) in total shareholder's equity
Depreciation of RMB against United States dollar	5%	8,753,916.54	8,753,916.54
Appreciation of RMB against United States dollar	-5%	<u>-8,753,916.54</u>	<u>-8,753,916.54</u>
	Increase/(decrease) in Hong Kong dollar exchange rate	Increase/(decrease) in net profit or loss	Increase/(decrease) in total shareholder's equity
Depreciation of RMB against Hong Kong dollar	5%	41,953,712.63	41,953,712.63
Appreciation of RMB against Hong Kong dollar	-5%	<u>-41,953,712.63</u>	<u>-41,953,712.63</u>

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 30 June 2020 and 31 December 2019 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.

## 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 2020 and in 2019, 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, lease liabilities, 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 2020	31 December 2019
Short-term loan	723,648,183.08	238,066,170.39
Bills payable	1,147,675,799.99	1,278,194,766.35
Accounts payable	39,793,631,290.58	39,943,249,975.12
Other payables	3,312,404,510.99	1,120,169,597.60
Long-term loan	2,149,540,406.46	1,941,098,540.80
Lease liabilities	80,387,557.71	75,374,177.82
Long-term payable	84,613,065.38	74,981,014.21
Non-current financial liabilities due within one year	241,900,315.13	257,586,818.00
Less: cash and bank balances	22,305,714,100.37	24,000,333,948.30
Net debt	<u>25,228,087,028.95</u>	<u>20,928,387,111.99</u>
Equity attributable to Shareholders of the parent	40,630,442,470.38	41,119,607,362.50
Non-controlling interests	1,779,223,470.76	1,605,070,218.52
Capital after adjustment	<u>42,409,665,941.14</u>	<u>42,724,677,581.02</u>
Capital and net debt	<u>67,637,752,970.09</u>	<u>63,653,064,693.01</u>
Gearing ratio	<u>37%</u>	<u>33%</u>

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## XI. DISCLOSURE OF FAIR VALUE

### 1. Ending fair value of assets and liabilities measured at fair value

Applicable  Not applicable

30 June 2020

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	–	–	1,421,233,468.07	1,421,233,468.07
Other equity instrument investments	–	–	806,064,229.20	806,064,229.20
Total	–	–	2,227,297,697.27	2,227,297,697.27

31 December 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	–	–	1,478,647,844.54	1,478,647,844.54
Other equity instrument investments	–	–	806,064,229.20	806,064,229.20
Total	–	–	2,284,712,073.74	2,284,712,073.74

## XI. DISCLOSURE OF FAIR VALUE (Continued)

### 2. Assets and liabilities disclosed at fair value

Applicable  Not applicable

**30 June 2020**

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	–	6,934,176,550.00	–	6,934,176,550.00
Financial assets included in other non-current assets	–	255,672,479.25	–	255,672,479.25
Long-term and short-term loans	–	3,019,141,155.74	–	3,019,141,155.74
Long-term payables	–	83,275,333.69	–	83,275,333.69

**31 December 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	–	6,533,734,597.00	–	6,533,734,597.00
Financial assets included in other non-current assets	–	168,071,500.22	–	168,071,500.22
Long-term and short-term loans	–	2,356,113,853.48	–	2,356,113,853.48
Long-term payables	–	73,643,282.52	–	73,643,282.52

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## 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 2020	31 December 2019	30 June 2020	31 December 2019
Long-term receivables	6,747,026,919.86	6,422,130,017.28	6,934,176,550.00	6,533,734,597.00
Financial assets included in other non-current assets	267,816,922.01	176,054,896.48	255,672,479.25	168,071,500.22
Long-term and short-term loans	2,994,707,682.34	2,333,511,381.19	3,019,141,155.74	2,356,113,853.48
Long-term payables	84,613,065.38	74,981,014.21	83,275,333.69	73,643,282.52
Total	<u>10,094,164,589.59</u>	<u>9,006,677,309.16</u>	<u>10,292,265,518.68</u>	<u>9,131,563,233.22</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 2020 and 31 December 2019, 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 loans 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.



**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 2020, 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 2020, 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.

**5. Basis for determining market price of continuous and non-continuous Level-1 fair value measurement items**

Applicable  Not applicable

**6. Valuation techniques adopted and the qualitative and quantitative information of important parameters for continuous and non-continuous level-2 fair value measurement items**

Applicable  Not applicable

**7. Valuation techniques adopted and the qualitative and quantitative information of important parameters for continuous and non-continuous Level-3 fair value measurement items**

Applicable  Not applicable

**8. Information on adjustment between opening and closing book values and sensitivity analysis of unobservable parameters for continuous Level-3 fair value measurement items**

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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## XI. DISCLOSURE OF FAIR VALUE (Continued)

9. Reason for conversion for transfer between levels during the current period for continuous fair value measurement items, and policies for determination of time point of the conversion

Applicable  Not applicable

10. Changes in valuation techniques during the current period and reason for such change

Applicable  Not applicable

11. Fair value of financial assets and financial liabilities not measured at fair value

Applicable  Not applicable

12. Others

Applicable  Not applicable

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Parent of the Company

Applicable  Not applicable

Unit: 0,000 yuan Currency: RMB

Name of the parent	Place of registration	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	1,000,000	62.37	62.37

Explanation about the parent of the Company

None

The Company's ultimate holding company is CRSC Group

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 2. Subsidiaries of the Company

For details of the subsidiaries of the Company, refer to the Note

Applicable  Not applicable

For details of the subsidiaries of the Company, refer to the Note IX.1.

### 3. Details of the joint ventures and associates of the Company

For details of significant joint ventures or associates of the Company, see the Note

Applicable  Not applicable

For details of joint ventures or associates of the Company, refer to the Note VII.17.

Information for other joint ventures and associates which form balance through related party transaction during the current or previous periods

Applicable  Not applicable

### 4. Other related parties

Applicable  Not applicable

Name of other related parties	Relationship between other related parties and the Company
Tianjin Keyvia Electric Co., Ltd. (天津凱發電氣股份有限公司)	Associate of the Parent
Beijing CRSC Construction and Development Co., Ltd. (北京通號建設開發有限公司)	Joint venture of the Parent
Beijing CRSC Beifang Real Estate Co., Ltd. (北京通號北房置業有限公司)	Joint venture of the Parent
Gu'an Beixin Railway Signal Co., Ltd. (固安北信鐵路信號有限公司)	Associate of the subsidiary under control of the same parent
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 the subsidiary under control of the same parent
Tianshui Tonghao Electric Power Equipment Co., Ltd. (天水通號電力設備有限公司)	Associate of the subsidiary under control of the same parent
Shanghai Zhongrui Communication Equipment Co., Ltd. (上海中瑞特通訊設備有限公司)	Associate of the subsidiary under control of the same parent
China Railway Transportation Equipment Co., Ltd. (中國城軌交通設備有限公司)	subsidiary under control of the same parent
Beijing Erqi Communication Factory Co., Ltd. (北京二七通信工廠有限公司)	subsidiary under control of the same parent
Beijing Railways Signal & Communication Complete Equipment Company Ltd. (北京鐵路通信信號成套設備有限公司)	subsidiary under control of the same parent

# NOTES TO FINANCIAL STATEMENTS

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## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 4. Other related parties (Continued)

<b>Name of other related parties</b>	<b>Relationship between other related parties and the Company</b>
Shanghai Xinlicheng Communication Technology Service Co., Ltd. (上海信立城通信技術服務有限公司)	Subsidiary under control of the same parent
Xi'an Weixun Monitoring Equipment Co., Ltd. (西安唯迅監控設備有限公司)	Subsidiary under control of the same parent
Beijing Beixin Fengyuan Railway Electronic Equipment Co., Ltd. (北京北信豐元鐵路電子設備有限公司)	Subsidiary under control of the same parent
CRSC Real Estate Co., Ltd. (通號置業有限公司)	Subsidiary under control of the same parent
CRSC Foshan Real Estate Co., Ltd. (通號佛山置業有限公司)	Subsidiary under control of the same parent
CRSC Guizhou Real Estate Co., Ltd. (通號貴州置業有限公司)	Subsidiary under control of the same parent
Alstom Investment (Shanghai) Co., Ltd.	Minority shareholder having material influence on the Group
Alstom (China) Investment Co., Ltd.	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. (SAINTOUEN)	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 (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 Transport India	Related party of a minority shareholder having material influence on the Group
ALSTOM Transport Singapore Pte Ltd	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 Spain Co., Ltd. (阿爾斯通交通西班牙有限公司)	Related party of a minority shareholder having material influence on the Group
ALSTOM Ferroviaria S.p.A	Related party of a minority shareholder having material influence on the Group

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related party transactions

#### (1). Related party transactions of purchasing or selling goods and rendering or receiving services

Statement on procurement of goods/receipt of labour services

√ Applicable    □ Not applicable

Related parties	Contents of related party transactions	Unit: Yuan    Currency: RMB	
		Amount for the current period	Amount for the last period
SSCX	Procurement of goods	31,752,774.69	15,813,844.52
ALSTOM Transport S.A. (Note 1)	Procurement of goods	36,139,096.06	22,245,989.58
Beijing Beixin Fengyuan Railway Electronic Equipment Co., Ltd. (Note 1)	Procurement of goods	15,162,164.32	34,833,320.00
Gu'an Beixin Railway Signal Co., Ltd.	Procurement of goods	10,400,101.17	14,500,606.95
Xi'an Tongxin Railway Equipment Manufacturing Co., Ltd.	Procurement of goods	8,615,983.27	5,595,607.58
Alstom Signaling Inc. (Note 1)	Procurement of goods	5,622,805.00	1,470,729.45
Xi'an Weixun Monitoring Equipment Co., Ltd. (Note 1)	Procurement of goods	1,018,655.75	71,847.21
Alstom Investment (Shanghai) Co., Ltd. (Note 1)	Procurement of goods	703,072.59	1,924,137.93
Changxing Technology	Procurement of goods	–	945,212.41
Beijing Erqi Communication Factory Co., Ltd. (Note 1)	Procurement of goods	–	941,354.46
Schaltbau	Procurement of goods	358,955.54	322,993.11
ALSTOM Transport S.A. (Note 1)	Receiving technology transfer services	92,284,338.69	75,764,083.72
Alstom Investment (Shanghai) Co., Ltd. (Note 1)	Receiving technology transfer services	2,019,387.54	790,150.76
ALSTOM Aix en Provence (Note 1)	Receiving technology transfer services	1,239,509.02	–
Beijing Railways Signal & Communication Complete Equipment Company Ltd. (Note 1)	Receipt of labour service	1,049,466.78	44,160.00
Shanghai Xinlicheng Communication Technology Service Co., Ltd. (Note 1)	Receipt of labour service	328,214.00	259,805.66
ALSTOM Transport S.A. (Note 1)	Receipt of labour service	–	38,970.00

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## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related party transactions (Continued)

#### (1). Related party transactions of purchasing or selling goods and rendering or receiving services (Continued)

Statement on sales of goods/provision of labour services

Applicable  Not applicable

		Unit: Yuan	Currency: RMB
Related parties	Contents of related party transactions	Amount for the current period	Amount for the last period
SSCX	Sale of goods	35,108,223.75	21,269,165.64
Tianshui Tram.	Sale of goods	19,026,548.67	57,079,646.01
ALSTOM Transport S.A. (Note 1)	Sale of goods	17,039,528.16	7,094,086.99
Xi'an Tongxin Railway Equipment Manufacturing Co., Ltd.	Sale of goods	3,406,962.11	1,998,901.04
ALSTOM Transport India (Note 1)	Sale of goods	2,417,073.00	-
ALSTOM Transport Singapore Pte Ltd (Note 1)	Sale of goods	2,740,652.00	-
CRSC Group (Note 1)	Sale of goods	1,264,957.26	26,412,160.00
ALSTOM Ferroviaria S.p.A (Note 1)	Sale of goods	1,261,400.00	-
Beijing Beixin Fengyuan Railway Electronic Equipment Co., Ltd. (Note 1)	Sale of goods	-	2,336,515.06
Xi'an Weixun Monitoring Equipment Co., Ltd. (Note 1)	Sale of goods	-	1,295.11
SSCX	Providing technology transfer	230,843.45	104,260.66
Tianshui Tram	Provision of labour service	13,410,758.98	53,741,259.84
SSCX	Provision of labour service	465,655.66	1,086,518.80
Siping Pipeline	Provision of labour service	-	364,003.56
Beijing Beixin Fengyuan Railway Electronic Equipment Co., Ltd. (Note 1)	Provision of labour service	-	71,222.42
		-	71,222.42

Explanation about connected transactions of purchasing or selling goods and rendering or receiving 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.

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related party transactions (Continued)

#### **(2). Connected entrusted management/contracting and entrusted management/outsourcing**

Statement on entrusted management/contracting by the Company:

Applicable     Not applicable

Description of connected custody/contracting

Applicable     Not applicable

Statement on entrusted management/outsourcing by the Company:

Applicable     Not applicable

Description of connected management/outsourcing

Applicable     Not applicable

# NOTES TO FINANCIAL STATEMENTS

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## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related party transactions (Continued)

#### (3). 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
Schaltbau	Fixed assets	2,433,302.75	–
CRSC Private Equity Fund	Fixed assets	1,294,495.12	1,298,723.94
Xi'an Tongxin Railway Equipment Manufacturing Co., Ltd.	Fixed assets	754,919.27	–
Xi'an Weixun Monitoring Equipment Co., Ltd. (Note 1)	Fixed assets	235,710.55	274,249.50
Beijing Railways Signal & Communication Complete Equipment Company Ltd. (Note 1)	Fixed assets	–	2,651,492.73

The Company as lessee:

Applicable  Not applicable

Explanation of leases with related parties

Applicable  Not applicable

Note 1: Related party transactions in connection with the above items also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

Note 2: The prices of the house rental between the Group and related parties were determined by both parties through negotiation with referring to market prices.



## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related party transactions (Continued)

#### (4). *Related guarantee*

The Company as a guarantor

Applicable  Not applicable

The Company as a secured parties

Applicable  Not applicable

Description of related guarantee

Applicable  Not applicable

#### (5). *Capital lending to/borrowing from related parties*

Applicable  Not applicable

#### (6). *Asset transfer and debt restructuring of related parties*

Applicable  Not applicable

#### (7). *Emolument of key management*

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the last period
Emolument of key management	<u>2,668,409.20</u>	<u>3,035,473.80</u>

Key management comprise executive directors, supervisors, independent non-executive directors and senior management.

#### (8). *Other connected transactions*

Applicable  Not applicable

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## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 6. Amounts due from/to related parties

#### (1). Receivable

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Related parties	Closing balance		Opening balance	
		Gross carrying amount	Provision for bad debt	Gross carrying amount	Provision for bad debt
Accounts receivable	CRSC Group	2,026,495.10	-	546,495.10	-
Accounts receivable	Siping Pipeline	45,252,171.94	-	40,039,914.76	-
Accounts receivable	SSCX	20,810,802.83	-	23,191,169.78	-
Accounts receivable	Tianshui Tonghao Electric Power Equipment Co., Ltd.	-	-	43,067.00	-
Accounts receivable	CRSC Real Estate Co., Ltd.	97,559,528.47	-	113,849,054.63	-
Accounts receivable	CRSC Foshan Real Estate Co., Ltd.	201,324,347.11	-	106,619,072.09	-
Accounts receivable	Tianshui Tram	97,811,443.64	-	93,297,405.19	-
Accounts receivable	ALSTOM Transport S.A.	2,880,183.00	-	-	-
Accounts receivable	ALSTOM Ferroviaria S.p.A	1,261,400.00	-	-	-
Accounts receivable	ALSTOM Transport Singapore Pte Ltd	547,825.00	-	-	-
Accounts receivable	ALSTOM Transport India	404,570.00	-	-	-
Prepayments	ALSTOM Transport S.A.	3,202,056.00	-	3,202,056.00	-
Prepayments	Beijing Railways Signal & Communication Complete Equipment Company Ltd.	444,438.21	-	211,962.09	-
Prepayments	Schaltbau	-	-	156,060.16	-
Prepayments	ALSTOM (Villeurbanne)	1,088,790.30	-	1,985,889.50	-
Prepayments	Beijing Beixin Fengyuan Railway Electronic Equipment Co., Ltd.	4,290.00	-	-	-
Other receivables	CRSC Group	-	-	2,361,800.00	-
Other receivables	Xi'an Tongxin Railway Equipment Manufacturing Co., Ltd.	19,160.92	-	489,630.15	-
Other receivables	CRSC Foshan Real Estate Co., Ltd.	18,524.91	-	-	-
Other receivables	China Tietong Railway Operation Co., Ltd.	96,217.56	-	-	-
Other receivables	SSCX	194,283.17	-	266,515.00	-
Other receivables	Tianshui Tram	-	-	2,315,154.61	-
Other receivables	Beijing Railways Signal & Communication Complete Equipment Company Ltd.	516,490.94	-	12,100.00	-
Other receivables	CRSC Real Estate Co., Ltd.	371,759.76	-	174,000.00	-
Other receivables	CRSC Changxing Technology	1,656,200.00	-	-	-

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 6. Amounts due from/to related parties (Continued)

#### (2). Payable

√ Applicable    □ Not applicable

Unit: Yuan    Currency: RMB

Item	Related parties	Closing book balance	Opening book balance
Accounts payable	Beijing Beixin Fengyuan Railway Electronic Equipment Co., Ltd.	149,123,542.79	139,513,155.14
Accounts payable	ALSTOM Transport S.A.	188,676,721.41	149,039,509.65
Accounts payable	Gu'an Beixin Railway Signal Co., Ltd.	14,929,869.20	5,172,842.02
Accounts payable	SSCX	24,847,201.62	32,265,363.35
Accounts payable	ALSTOM Aix en Provence	–	1,957,396.03
Accounts payable	Zhongxin Diantong Co., Ltd.	50,500.50	50,500.50
Accounts payable	Xi'an Weixun Monitoring Equipment Co., Ltd.	44,584.00	112,190.00
Accounts payable	Schaltbau	401,135.77	567,969.93
Accounts payable	Beijing Erqi Communication Factory Co., Ltd.	64,905.28	282,681.67
Accounts payable	Alstom Investment (Shanghai) Co., Ltd.	1,855,477.63	–
Accounts payable	Alstom Signaling Inc.	66,843,497.09	66,651,637.76
Accounts payable	ALSTOM (Villeurbanne)	–	9,919,803.78
Notes payable	Beijing Beixin Fengyuan Railway Electronic Equipment Co., Ltd.	1,100,000.00	300,000.00
Contract liabilities	Xi'an Weixun Monitoring Equipment Co., Ltd.	–	1,530,252.51
Contract liabilities	SSCX	100,704.00	–
Other payables	CRSC Group	585,591.37	7,500.00
Other payables	Xi'an Tongxin Railway Equipment Manufacturing Co., Ltd.	300,000.00	300,000.00
Other payables	Beijing Railways Signal & Communication Complete Equipment Company Ltd.	600,511.81	792,339.37
Other payables	Xi'an Weixun Monitoring Equipment Co., Ltd.	–	338,373.00
Other payables	CRSC Real Estate Co., Ltd.	1,005,434.15	–
Other payables	CRSC Guizhou Real Estate	50,000.00	–

As of 30 June 2020, the Group's receivables from and payables to related parties were interest-free, unsecured and have no fixed repayment period.

# NOTES TO FINANCIAL STATEMENTS

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## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 7. Commitment of related parties

Applicable  Not applicable

The following are the significant outstanding contracts in connection with related parties of the Group at the balance sheet date:

Sell goods to related parties

Unit: Yuan Currency: RMB

	<b>Six months ended 30 June 2020</b>	31 December 2019
SSCX	26,070.01	5,878,049.51
Gu'an Beixin Railway Signal Co., Ltd.	1,799,768.50	1,799,768.50
ALSTOM Transport S.A.	49,602,891.46	62,876,403.00
Tianshui Tram	21,500,000.00	43,000,000.00
ALSTOM Transport India	19,018,979.00	20,732,025.00
Alstom Transport Spain Co., Ltd.	12,633,215.25	15,267,803.00
Total	<b>104,580,924.22</b>	<b>149,554,049.01</b>

Purchasing goods from/receiving technology transfer services from related parties

Unit: Yuan Currency: RMB

	<b>Six months ended 30 June 2020</b>	31 December 2019
ALSTOM Transport S.A.	214,932,833.05	208,585,399.60
Alstom Signaling Inc.	5,710,530.00	1,561,266.00
Beijing Beixin Fengyuan Railway Electronic Equipment Co., Ltd.	4,240,643.11	2,354,815.84
ALSTOM Aix en Provence	851,766.40	4,455,472.00
SSCX	10,913,581.20	24,284,841.45
Gu'an Beixin Railway Signal Co., Ltd.	662,923.01	828,468.14
Alstom Investment (Shanghai) Co., Ltd.	-	1,401,270.71
Schaltbau	-	669,744.16
Total	<b>237,312,276.77</b>	<b>244,141,277.90</b>

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 7. Commitment of related parties (Continued)

Providing labour service for related parties

Unit: Yuan Currency: RMB

	<b>For the six months ended 30 June 2020</b>	31 December 2019
Siping Pipeline	<b>205,361,702.63</b>	205,361,702.63
Tianshui Tram	<b>28,018,048.48</b>	41,428,807.46
Total	<b>233,379,751.11</b>	246,790,510.09

### 8. Others

Applicable  Not applicable

## XIII. SHARE-BASED PAYMENT

### 1. Overview of share-based payment

Applicable  Not applicable

### 2. Information about equity-settled share-based payment

Applicable  Not applicable

### 3. Information about cash-settled share-based payment

Applicable  Not applicable

### 4. Information about modification and termination of share-based payment

Applicable  Not applicable

### 5. Others

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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## XIV. COMMITMENTS AND CONTINGENCIES

### 1. Significant commitments

Applicable  Not applicable

Significant external commitments, nature and amount existing as at the balance sheet date

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Contracted, but not provided for Capital commitment	4,698,492.63	6,366,618.00
Investment commitment	165,895,000.00	255,946,600.00
Total	170,593,492.63	262,313,218.00

### 2. Contingencies

#### (1). Important contingencies existing as at the balance sheet date

Applicable  Not applicable

#### (2). The Company has no disclosable important contingencies, and shall also give an explanation:

Applicable  Not applicable

### 3. Others

Applicable  Not applicable

## XV. EVENTS AFTER THE BALANCE SHEET DATE

### 1. Important non-adjusting matters

Applicable  Not applicable

### 2. Information about profit distribution

Applicable  Not applicable

## XV. EVENTS AFTER THE BALANCE SHEET DATE (Continued)

### 3. Sales return

Applicable  Not applicable

### 4. Explanation about other events after the balance sheet date

Applicable  Not applicable

The Group had no events after the balance sheet date that are required to be disclosed.

## XVI. OTHER IMPORTANT EVENTS

### 1. Early correction of accounting error

#### (1). *Retrospective restatement*

Applicable  Not applicable

#### (2). *Prospective application*

Applicable  Not applicable

### 2. Debt restructuring

Applicable  Not applicable

### 3. Asset replacement

#### (1). *Exchange of non-monetary assets*

Applicable  Not applicable

#### (2). *Other asset replacement*

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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## XVI. OTHER IMPORTANT EVENTS (Continued)

### 4. Annuity plan

Applicable  Not applicable

### 5. Discontinuing operations

Applicable  Not applicable

### 6. Segment information

#### **(1). Basis for determining and accounting policies of reporting segments**

Applicable  Not applicable

For management purposes, the Group is divided into business units based on products and services. The Group has the following 3 reporting segments:

- (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 mainly includes contracting of municipal engineering and other engineering construction services;
- (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



## XVI. OTHER IMPORTANT EVENTS (Continued)

### 6. Segment information (Continued)

#### (2). Financial information of reporting segment (Continued)

For the six months ended 30 June 2020

Unit: Yuan Currency: RMB

Item	Rail transportation control system	Construction Contracting	Others	Adjustments and eliminations	Total
Revenue from external transactions	10,944,267,396.47	3,651,435,573.91	25,075,880.94	-	14,620,778,851.32
Revenue from inter-segment transactions	10,998,127.15	29,690,583.03	11,496,264.96	-52,184,975.14	-
	10,955,265,523.62	3,681,126,156.94	36,572,145.90	-52,184,975.14	14,620,778,851.32
Investment income from joint ventures and associates	22,170,156.46	3,698,385.20	-	-	25,868,541.66
Losses from impairment of credit	90,063,618.09	-69,996,496.82	3,784.77	-	20,070,906.04
Depreciation and amortization expenses	268,298,406.74	17,418,131.93	254,430.10	-	285,970,968.77
Total profit					2,247,700,783.19
Income tax expenses					287,843,858.03
Net profit					1,959,856,925.16
Total assets	71,044,884,765.85	29,369,698,614.28	189,401,941.98	-1,127,066,632.45	99,476,918,689.66
Total liabilities	35,641,896,381.45	22,478,740,218.05	72,438,333.00	-1,125,822,183.98	57,067,252,748.52
Other disclosures:					
Long-term equity investments in joint ventures and associates	1,052,483,921.40	8,973,090.07	-	-	1,061,457,011.47
Capital expenditures (Note)	827,119,052.94	7,262,938.98	-	-	834,381,991.92

# NOTES TO FINANCIAL STATEMENTS

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## XVI. OTHER IMPORTANT EVENTS (Continued)

### 6. 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	Other	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 transactions	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	<u>57,915,429,074.40</u>	<u>28,794,792,779.59</u>	<u>175,188,959.68</u>	<u>-2,205,175,657.66</u>	<u>84,680,235,156.01</u>
Total liabilities	<u>33,922,096,674.59</u>	<u>21,827,201,598.98</u>	<u>65,416,558.33</u>	<u>-1,816,344,486.77</u>	<u>53,998,370,345.13</u>
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 (Note)	<u>179,182,962.55</u>	<u>17,166,409.61</u>	<u>755,214.20</u>	<u>-</u>	<u>197,104,586.36</u>

Note: Capital expenditure consists of additions to investment properties, fixed assets, construction in progress, right-of-use assets, intangible assets, development expenditure and the increase in long-term prepaid expenses in the period/year.

#### (3). If the Company has no reporting segment or cannot disclose the total assets and total liabilities of each reporting segment, the reasons shall be stated

Applicable  Not applicable

## XVI. OTHER IMPORTANT EVENTS (Continued)

### 6. Segment information (Continued)

#### (4). Other explanation

Applicable  Not applicable

#### Geographic information

##### (a) Revenue from external customers

Unit: Yuan Currency: RMB

	<b>For the six months ended 30 June 2020</b>	For the six months ended 30 June 2019
China	<b>14,487,225,166.13</b>	20,373,816,231.67
Other countries or regions	<b>133,553,685.19</b>	137,761,611.19
	<b><u>14,620,778,851.32</u></b>	<u>20,511,577,842.86</u>

Revenue from external customers is based on the locations of the customers.

##### (b) Total non-current assets

Unit: Yuan Currency: RMB

	<b>30 June 2020</b>	31 December 2019
China	<b><u>9,860,004,728.86</u></b>	<u>9,175,565,493.65</u>

Non-current assets are analyzed by geographic locations where the assets (excluding financial assets and deferred tax assets) are located.

#### Key customer information

For the six months ended 30 June 2020, the revenue without single customer of the Group reached or exceeded 10% of the Group's revenue.

# NOTES TO FINANCIAL STATEMENTS

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## XVI. OTHER IMPORTANT EVENTS (Continued)

### 7. Other important transactions and events that have impact on investors' decision-making

Applicable  Not applicable

### 8. Others

Applicable  Not applicable

#### (1) As lessor

Significant operating leases

Unit: Yuan Currency: RMB

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Rental income	<u>24,440,003.25</u>	<u>18,396,812.80</u>

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

	30 June 2020	31 December 2019
Less than 1 year (including 1 year)	27,443,420.27	30,735,877.92
2 to 5 years (including 5 years)	77,782,195.79	77,782,195.79
Over 5 years	35,561,380.61	45,284,155.08
	<u>140,786,996.67</u>	<u>153,802,228.79</u>

## XVI. OTHER IMPORTANT EVENTS (Continued)

### 8. Others (Continued)

#### (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:

Unit: Yuan Currency: RMB

	<b>For the six months ended 30 June 2020</b>	For the six months ended 30 June 2019
Interest expense of lease liabilities	5,704,198.56	3,703,465.69
Short-term lease expenses subject to simplified treatment and included in current profits and losses	27,145,615.09	30,820,806.01
Total cash outflow related to lease	<u>43,795,799.49</u>	<u>34,135,447.97</u>

## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT

### 1. Accounts receivable

#### (1). *Disclosure by aging*

√ Applicable    □ Not applicable

Unit: Yuan Currency: RMB

<b>Aging</b>	<b>Closing book balance</b>	Opening book balance
Within 1 year	1,539,517,073.11	1,553,899,510.86
1 to 2 years	338,546,331.79	486,523,013.96
2 to 3 years	242,292,176.07	115,432,430.35
Over 3 years	117,181,286.72	101,806,851.76
Less: Provision for bad debt of accounts receivable	<u>-75,643,680.09</u>	<u>-66,495,016.08</u>
Total	<u>2,161,893,187.60</u>	<u>2,191,166,790.85</u>

# NOTES TO FINANCIAL STATEMENTS

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## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 1. Accounts receivable (Continued)

#### (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		Book value	Gross carrying amount		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Provision withdrawal proportion (%)		Amount	Proportion (%)	Amount	Provision withdrawal proportion (%)	
Single provision for bad debt	518,251,648.88	23.16	4,746,898.40	0.92	513,504,750.48	499,568,139.70	22.13	4,754,209.42	0.95	494,813,930.28
Provision withdrawn for bad debt on a combination basis	1,719,285,218.81	76.84	70,896,781.69	4.12	1,648,388,437.12	1,758,093,667.23	77.87	61,740,806.66	3.51	1,696,352,860.57
Total	<u>2,237,536,867.69</u>	<u>/</u>	<u>75,643,680.09</u>	<u>/</u>	<u>2,161,893,187.60</u>	<u>2,257,661,806.93</u>	<u>/</u>	<u>66,495,016.08</u>	<u>/</u>	<u>2,191,166,790.85</u>

Single provision for bad debt:

Applicable  Not applicable

Unit: Yuan Currency: RMB

Name	Gross carrying amount	Provision for bad debt	Closing balance Provision withdrawal proportion (%)	Reason for provision
Beijing Metro Construction Administration Corporation Ltd. (北京市轨道交通建设管理有限公司)	2,385,172.77	1,908,138.22	80.00	The Company has made provision for some bad debts based on the aging of the accounts and the business conditions of the other party.
Others	515,866,476.11	2,838,760.18	0.55	
Total	<u>518,251,648.88</u>	<u>4,746,898.40</u>	<u>0.92</u>	

Descriptions of single provision for bad debt:

Applicable  Not applicable

Provision withdrawn for bad debt on a combination basis:

Applicable  Not applicable

Items under combination-based withdrawal: Aging combination

## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 1. Accounts receivable (Continued)

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

30 June 2020

Unit: Yuan Currency: RMB

Name	Closing balance		Provision withdrawal proportion (%)
	Accounts receivable	Provision for bad debt	
Within 1 year	1,084,870,824.19	5,424,354.12	0.50
1 to 2 years	315,911,707.01	15,795,585.35	5.00
2 to 3 years	240,933,096.54	24,093,309.65	10.00
Over 3 years	77,569,591.07	25,583,532.57	32.98
<b>Total</b>	<b>1,719,285,218.81</b>	<b>70,896,781.69</b>	<b>4.12</b>

31 December 2019

Unit: Yuan Currency: RMB

Name	Closing balance		Provision withdrawal proportion (%)
	Accounts receivable	Provision for bad debt	
Within 1 year	1,135,218,616.10	5,676,093.08	0.50
1 to 2 years	448,096,033.81	22,404,801.69	5.00
2 to 3 years	113,650,309.82	11,365,030.98	10.00
Over 3 years	61,128,707.50	22,294,880.91	36.47
<b>Total</b>	<b>1,758,093,667.23</b>	<b>61,740,806.66</b>	<b>3.51</b>

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

Applicable  Not applicable

If provisions for bad debts are made as per the general model of ECL, please make disclosure with reference to other receivables:

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 1. Accounts receivable (Continued)

#### (3). Provision for bad debts

Applicable  Not applicable

For the six months ended 30 June 2020

Unit: Yuan Currency: RMB

Category	Opening balance	Provision	Increase/decrease during the period			Closing balance
			Recovery or reversal	Write-off or cancellation	Other changes	
Accounts receivable	66,495,016.08	9,559,778.40	411,114.39	-	-	75,643,680.09
Total	66,495,016.08	9,559,778.40	411,114.39	-	-	75,643,680.09

2019

Unit: Yuan Currency: RMB

Category	Opening balance	Provision	Increase/decrease during the period			Closing balance
			Recovery or reversal	Write-off or cancellation	Other changes	
Accounts receivable	51,406,057.57	16,311,693.50	1,222,734.99	-	-	66,495,016.08
Total	51,406,057.57	16,311,693.50	1,222,734.99	-	-	66,495,016.08

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

Applicable  Not applicable



## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (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

As at 30 June 2020, top five debtors with the largest balance of accounts receivables are as follows:

Unit: Yuan Currency: RMB

Name of entity	Gross Carrying amount	Provision for bad debt	Percentage of total accounts receivable (%)
Aggregation of the top five borrowers with the largest closing balance of accounts receivables	931,457,494.57	8,962,555.42	41.62
Total	<u>931,457,494.57</u>	<u>8,962,555.42</u>	<u>41.62</u>

As at 31 December 2019, top five debtors with the largest balance of accounts receivables are as follows:

Unit: Yuan Currency: RMB

Name of entity	Gross Carrying amount	Provision for bad debts	Percentage of total accounts receivable (%)
Aggregation of the top five borrowers with the largest closing balance of accounts receivables for the previous year	926,065,284.22	6,846,809.48	41.01
Total	<u>926,065,284.22</u>	<u>6,846,809.48</u>	<u>41.01</u>

#### (6). Accounts receivable derecognized due to the transfer of financial assets

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 1. Accounts receivable (Continued)

#### (7). Amount of assets or liabilities resulting from accounts receivable transfer and continuing involvement

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

### 2. Other receivables

#### Presentation of item

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Dividends receivable	1,727,150,430.31	249,665,430.31
Other receivables	7,021,171,212.68	6,188,357,909.54
Total	<u>8,748,321,642.99</u>	<u>6,438,023,339.85</u>

Other explanation:

Applicable  Not applicable

#### Interests receivable

##### (1). Classification of interests receivable

Applicable  Not applicable

##### (2). Significant overdue interest

Applicable  Not applicable

##### (3). Provision for bad debts

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 2. Other receivables (Continued)

#### (4). Dividends receivable

Applicable  Not applicable

Unit: Yuan Currency: RMB

Items (or invested entities)	Closing balance	Opening balance
CRSCD	589,084,500.00	119,484,500.00
CRSC Beijing Industry Group	239,739,000.00	—
CRSC Xi'an Industry Group	295,492,000.00	—
CRSCE	154,927,000.00	—
CRSCS	131,177,000.00	—
CRSCC	59,017,000.00	—
Urban Rail Transit	17,968,000.00	—
CRSC International	92,000.00	—
CRSC Wanquan	3,616,930.31	3,616,930.31
CRSC Construction	201,412,000.00	126,564,000.00
CRSC Huatai	7,641,000.00	—
CRSC (Beijing) Bid	3,772,000.00	—
CRSC Inspection	98,000.00	—
CRSC Cables	23,114,000.00	—
<b>Total</b>	<b>1,727,150,430.31</b>	<b>249,665,430.31</b>

#### (5). Significant dividends receivable with an age over 1 year

Applicable  Not applicable

#### (6). Provision for bad debts

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 2. Other receivables (Continued)

#### (7). Disclosure by aging

Applicable  Not applicable

Unit: Yuan Currency: RMB

Aging	Closing book balance	Opening book balance
Within 1 year	6,722,311,314.09	5,882,140,591.13
1 to 2 years	72,077,758.48	121,139,068.33
2 to 3 years	43,481,036.29	1,340,768.63
Over 3 years	183,917,801.62	184,304,325.78
Less: Provision for bad debts of other receivables	-616,697.80	-566,844.33
Total	<u>7,021,171,212.68</u>	<u>6,188,357,909.54</u>

#### (8). Classification by nature of accounts

Applicable  Not applicable

#### (9). Provision for bad debts

Applicable  Not applicable

The changes of provision for bad debts of other receivables under the 12-months ECL and Lifetime ECL respectively are as follows:

For the six months ended 30 June 2020

Unit: Yuan Currency: RMB

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	12-months ECL	Lifetime ECL (non-credit impaired)	Lifetime ECL (credit impaired)	
Balance as at 1 January 2020	404,051.00	162,793.33	-	566,844.33
Balance due for the period as at 1 January 2020				
- Transferred to stage 2	-	-	-	-
- Transferred to stage 3	-	-	-	-
- Reversed to stage 2	-	-	-	-
- Reversed to stage 1	-	-	-	-
Provision for the period	-	49,853.47	-	49,853.47
Reversal for the period	-	-	-	-
Write-off for the period	-	-	-	-
Cancellation for the period	-	-	-	-
Other changes	-	-	-	-
Balance as at 30 June 2020	<u>404,051.00</u>	<u>212,646.80</u>	<u>-</u>	<u>616,697.80</u>

## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 2. Other receivables (Continued)

#### (9). Provision for bad debts (Continued)

2019

	Unit: Yuan    Currency: RMB			
	Stage 1	Stage 2	Stage 3	
	12-months ECL	Lifetime ECL (non-credit impaired)	Lifetime ECL (credit impaired)	Total
Provision for bad debt				
Amount as at 1 January 2019	420,451.00	69,160.92	–	489,611.92
Amounts due for the period as at 1 January 2019				
– Transferred to stage 2	–	–	–	–
– Transferred to stage 3	–	–	–	–
– Reversed to stage 2	–	–	–	–
– Reversed to stage 1	–	–	–	–
Provision for the period	–	93,632.41	–	93,632.41
Reversal for the period	-16,400.00	–	–	-16,400.00
Write-off for the period	–	–	–	–
Cancellation for the period	–	–	–	–
Other changes	–	–	–	–
Amount as at 31 December 2019	<u>404,051.00</u>	<u>162,793.33</u>	<u>–</u>	<u>566,844.33</u>

# NOTES TO FINANCIAL STATEMENTS

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## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 2. Other receivables (Continued)

#### (9). 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:

#### For the six months ended 30 June 2020

Unit: Yuan Currency: RMB

Book Value	Stage 1	Stage 2	Stage 3	Total
	12-months ECL	Lifetime ECL (non-credit impaired)	Lifetime ECL (credit impaired)	
Amount as at 1 January 2020	6,188,654,816.55	269,937.32	-	6,188,924,753.87
Amounts due for the period as at 1 January 2020				
- Transferred to stage 2	-	-	-	-
- Transferred to stage 3	-	-	-	-
- Reversed to stage 2	-	-	-	-
- Reversed to stage 1	-	-	-	-
Provision for the period	4,471,396,255.93	-	-	4,471,396,255.93
Reversal for the period	-3,638,533,099.32	-	-	-3,638,533,099.32
Write-off for the period	-	-	-	-
Cancellation for the period	-	-	-	-
Other changes	-	-	-	-
Amount as at 30 June 2020	<u>7,021,517,973.16</u>	<u>269,937.32</u>	<u>-</u>	<u>7,021,787,910.48</u>

## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 2. Other receivables (Continued)

#### (9). Provision for bad debts (Continued)

2019

	Unit: Yuan Currency: RMB			Total
	Stage 1	Stage 2	Stage 3	
Book Value	12-months ECL	Lifetime ECL (non-credit impaired)	Lifetime ECL (credit impaired)	
Amount as at 1 January 2019	7,887,398,834.65	269,937.32	–	7,887,668,771.97
Amounts due for the period as at 1 January 2019				
– Transferred to stage 2	–	–	–	–
– Transferred to stage 3	–	–	–	–
– Reversed to stage 2	–	–	–	–
– Reversed to stage 1	–	–	–	–
Provision for the period	7,057,535,527.57	–	–	7,057,535,527.57
Reversal for the period	-8,756,279,545.67	–	–	-8,756,279,545.67
Write-off for the period	–	–	–	–
Cancellation for the period	–	–	–	–
Other changes	–	–	–	–
Amount as at 31 December 2019	<u>6,188,654,816.55</u>	<u>269,937.32</u>	<u>–</u>	<u>6,188,924,753.87</u>

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

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## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 2. Other receivables (Continued)

#### (10). Provision for bad debt

Applicable  Not applicable

For the six months ended 30 June 2020

Unit: Yuan Currency: RMB

Category	Opening balance	Increase/decrease during the period			Closing balance
		Provision	Recovery or reversal	Write-off or cancellation	
Other receivables	566,844.33	49,853.47	—	—	616,697.80
Total	566,844.33	49,853.47	—	—	616,697.80

2019

Unit: Yuan Currency: RMB

Category	Opening balance	Increase/decrease during the period			Closing balance
		Provision	Recovery or reversal	Write-off or cancellation	
Other receivables	489,611.92	93,632.41	16,400.00	—	566,844.33
Total	489,611.92	93,632.41	16,400.00	—	566,844.33

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

Applicable  Not applicable

#### (11). The situation of the write-off of other receivables for the period

Applicable  Not applicable

Description of the write-off of other receivables:

Applicable  Not applicable



## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 2. Other receivables (Continued)

(12). Top five receivables by closing balance collection of the borrowers

√ Applicable    □ Not applicable

As at 30 June 2020, top five debtors with the largest balance of accounts receivables are as follows:

Unit: Yuan    Currency: RMB

Name of entity	Nature of receivable	Closing balance	Proportion of total closing balance of other receivables (%)	Closing balance of provision for bad debts
Aggregation of the top five borrowers with the largest closing balance of other receivables	Internal borrowing	4,886,322,083.34	69.59	-
Total	/	4,886,322,083.34	69.59	-

As at 31 December 2019, top five debtors with the largest balance of accounts receivables are as follows:

Unit: Yuan    Currency: RMB

Name of entity	Nature of receivable	Closing balance	Proportion of total closing balance of other receivables (%)	Closing balance of provision for bad debts
Aggregation of the top five borrowers with the largest closing balance of other receivables for the previous year	Internal borrowing	4,362,843,130.00	70.49	-
Total	/	4,362,843,130.00	70.49	-

# NOTES TO FINANCIAL STATEMENTS

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## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 2. Other receivables (Continued)

(13). Receivables involving government subsidies

Applicable  Not applicable

(14). Other receivables derecognized due to the transfer of financial assets

Applicable  Not applicable

(15). Amount of assets or liabilities resulting from transfer of other receivables and continuing involvement

Applicable  Not applicable

Other explanation:

Applicable  Not applicable

### 3. Long-term equity 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
Investment in subsidiaries	16,258,666,291.57	-	16,258,666,291.57	15,670,666,291.57	-	15,670,666,291.57
Investments in joint ventures and associates	804,197,684.85	-	804,197,684.85	720,398,541.41	-	720,398,541.41
Total	<u>17,062,863,976.42</u>	<u>-</u>	<u>17,062,863,976.42</u>	<u>16,391,064,832.98</u>	<u>-</u>	<u>16,391,064,832.98</u>

## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 3. Long-term equity investment (Continued)

#### (1) Investment in subsidiaries

√ Applicable    □ Not applicable

**For the six months ended 30 June 2020**

Unit: Yuan    Currency: RMB

Investee	Opening balance	Increase during the period	Decrease during the period	Closing balance	Provision for impairment during the period	Closing balance of provision for impairment
CRSCS (Note 1)	1,015,168,395.36	500,000,000.00	-	1,515,168,395.36	-	-
CRSCD	1,529,072,621.04	-	-	1,529,072,621.04	-	-
CRSCC (Note 3)	320,790,731.45	50,000,000.00	-	370,790,731.45	-	-
Urban Rail Transit	100,000,000.00	-	-	100,000,000.00	-	-
CRSC International	463,000,000.00	-	-	463,000,000.00	-	-
Innovation Investment (Note 4)	3,000,000,000.00	-	98,568,939.29	2,901,431,060.71	-	-
CRSC Communications (Note 4)	180,000,000.00	-	180,000,000.00	-	-	-
CRSCM (Note 5)	100,000,000.00	-	100,000,000.00	-	-	-
CRSCE (Note 5)	995,447,494.77	95,000,000.00	-	1,090,447,494.77	-	-
CRSC Cables	389,223,087.50	-	-	389,223,087.50	-	-
CRSC Inspection	88,600,178.96	-	-	88,600,178.96	-	-
CRSC Changsha Railway (Note 6)	1,153,750,000.00	225,720,000.00	-	1,379,470,000.00	-	-
CRSC Wanquan	119,950,600.00	-	-	119,950,600.00	-	-
CRSC CASCO	731,460,709.51	-	-	731,460,709.51	-	-
CRSC Beijing Industry Group	1,348,703,706.17	-	-	1,348,703,706.17	-	-
CRSC Xi'an Industry Group	1,516,853,488.70	-	-	1,516,853,488.70	-	-
Zhengzhou Zhongyuan	325,000,000.00	-	-	325,000,000.00	-	-
CRSC Railway Vehicles (Note 6)	225,720,000.00	-	225,720,000.00	-	-	-
CRSC Construction	1,000,344,078.11	-	-	1,000,344,078.11	-	-
Smart City Research & Design (Note 3)	50,000,000.00	-	50,000,000.00	-	-	-
CRSC 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	-	-
CRSC Jiangsu Smart (Note 2)	88,000,000.00	88,000,000.00	-	176,000,000.00	-	-
CRSC Investment Zhejiang (Note 4)	-	278,568,939.29	-	278,568,939.29	-	-
CRSC (Beijing) Bid (Note 5)	-	5,000,000.00	-	5,000,000.00	-	-
<b>Total</b>	<b>15,670,666,291.57</b>	<b>1,242,288,939.29</b>	<b>654,288,939.29</b>	<b>16,258,666,291.57</b>	<b>-</b>	<b>-</b>

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## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 3. Long-term equity investment (Continued)

#### (1) Investment in subsidiaries (Continued)

2019

Unit: Yuan Currency: RMB

Investee	Opening balance	Increase during the period	Decrease during the period	Closing balance	Provision for impairment during the period	Closing balance of provision for impairment
CRSCS	515,168,395.36	500,000,000.00	-	1,015,168,395.36	-	-
CRSCD	1,529,072,621.04	-	-	1,529,072,621.04	-	-
CRSCC	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	-	-
Innovation Investment	3,000,000,000.00	-	-	3,000,000,000.00	-	-
CRSC Communications	180,000,000.00	-	-	180,000,000.00	-	-
CRSCM	100,000,000.00	-	-	100,000,000.00	-	-
CRSCE	995,447,494.77	-	-	995,447,494.77	-	-
CRSC Cables	389,223,087.50	-	-	389,223,087.50	-	-
CRSC Inspection	88,600,178.96	-	-	88,600,178.96	-	-
CRSC Changsha Railway	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	163,200,000.00	-	731,460,709.51	-	-
CRSC Beijing Industry Group	1,348,703,706.17	-	-	1,348,703,706.17	-	-
CRSC Xi'an Industry Group	851,255,688.70	665,597,800.00	-	1,516,853,488.70	-	-
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	-	-
CRSC 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	-	-
CRSC Jiangsu Smart	-	88,000,000.00	-	88,000,000.00	-	-
Total	<u>14,253,868,491.57</u>	<u>1,416,797,800.00</u>	<u>-</u>	<u>15,670,666,291.57</u>	<u>-</u>	<u>-</u>

## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 3. Long-term equity investment (Continued)

#### (1) Investment in subsidiaries (Continued)

- Note 1: In May 2020, the Company increased its investment in CRSCS with an amount of RMB500 million, resulting in an ending shareholding ratio of 100%.
- Note 2: In June 2020, the Company increased its investment in CRSC Jiangsu Smart with an amount of RMB88 million, resulting in an ending shareholding ratio of 88%.
- Note 3: In April 2020, Smart City Research & Design (a former second-tier subsidiary of the Company) was transferred to CRSCC (a second-tier subsidiary of the Company), consequently, Smart City Research & Design became a third-tier subsidiary of the Company.
- Note 4: In May 2020, CRSC Investment Zhejiang (a former third-tier subsidiary of the Company) merged CRSC Communications (a former second-tier subsidiary of the Company), consequently, CRSC Investment Zhejiang is currently a second-tier subsidiary of the Company.
- Note 5: In April 2020, CRSC Material Group Company Ltd. (a former second-tier subsidiary of the Company) was transferred to CRSCE and became a third-tier subsidiary of the Company. Meanwhile, CRSCM divested its subsidiary CRSC (Beijing) Bid to the Company, consequently, CRSC (Beijing) Bid became a second-tier subsidiary of the Company.
- Note 6: In June 2020, CRSC Railway Vehicles (a former second-tier subsidiary of the Company) was transferred to CRSC Changsha Railway, consequently, CRSC Railway Vehicles became a third-tier subsidiary of the Company.

# NOTES TO FINANCIAL STATEMENTS

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## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 3. Long-term equity investment (Continued)

#### (2) Investments in joint ventures and associates

√ Applicable    □ Not applicable

For the six months ended 30 June 2020

Unit: Yuan    Currency: RMB

Investee	Increase/decrease during the period									Closing balance	Closing balance of provision for impairment
	Opening balance	Increase in investment	Decrease in investment	Investment gains/losses confirmed under equity method	Other comprehensive income adjustment	Other equity changes	Declared and paid cash dividends or profits	Provision for impairment	Others		
I. Joint venture											
Wenzhou-Hangzhou High-Speed											
Railway	76,503,772.49	-	-	-	-	-	-	-	-	76,503,772.49	-
Subtotal	76,503,772.49	-	-	-	-	-	-	-	-	76,503,772.49	-
II. Associates											
CSCEC Foshan	18,001,674.57	-	-	502,250.05	-	-	8,903,935.88	-	-	9,599,988.74	-
Siping Pipeline	134,715,266.36	90,048,680.00	-	-	-	-	-	-	-	224,763,946.36	-
Guangdong Utrust Financial											
Leasing	313,638,566.72	-	-	2,152,149.27	-	-	-	-	-	315,790,715.99	-
Tianshui Tram	177,539,261.27	-	-	-	-	-	-	-	-	177,539,261.27	-
Subtotal	643,894,768.92	90,048,680.00	-	2,654,399.32	-	-	8,903,935.88	-	-	727,693,912.36	-
Total	720,398,541.41	90,048,680.00	-	2,654,399.32	-	-	8,903,935.88	-	-	804,197,684.85	-

# NOTES TO FINANCIAL STATEMENTS

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## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 3. Long-term equity investment (Continued)

#### (2) Investments in joint ventures and associates (Continued)

2019

Unit: Yuan Currency: RMB

Investee	Increase/decrease during the period										
	Opening balance	Increase in investment	Decrease in investment	Investment gains/losses confirmed under equity method	Other comprehensive income adjustment	Other equity changes	Declared and paid cash dividends or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
I. Joint ventures											
Wenzhou-Hangzhou High-Speed											
Railway	-	76,500,000.00	-	3,772.49	-	-	-	-	-	76,503,772.49	-
Sichuan Development	56,733,823.16	-	56,733,823.16	-	-	-	-	-	-	-	-
Subtotal	56,733,823.16	76,500,000.00	56,733,823.16	3,772.49	-	-	-	-	-	76,503,772.49	-
II. Associates											
CSCEC Foshan	82,300,609.21	-	64,240,000.00	-58,934.64	-	-	-	-	-	18,001,674.57	-
Siping Pipeline	134,715,266.36	-	-	-	-	-	-	-	-	134,715,266.36	-
Airbus	20,248,799.36	-	19,746,169.95	-502,629.41	-	-	-	-	-	-	-
Guangdong Utrust Financial Leasing	302,243,054.50	-	-	11,395,512.22	-	-	-	-	-	313,638,566.72	-
Tianshui Tram	88,761,761.27	88,777,500.00	-	-	-	-	-	-	-	177,539,261.27	-
Subtotal	628,269,490.70	88,777,500.00	83,986,169.95	10,833,948.17	-	-	-	-	-	643,894,768.92	-
Total	685,003,313.86	165,277,500.00	140,719,993.11	10,837,720.66	-	-	-	-	-	720,398,541.41	-

Other explanation:

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 4. 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	1,278,908,513.52	1,206,608,310.40	2,227,560,868.86	2,060,854,991.48
Other operations	73,309,817.93	19,642,661.27	68,297,066.60	21,087,641.77
Total	<u>1,352,218,331.45</u>	<u>1,226,250,971.67</u>	<u>2,295,857,935.46</u>	<u>2,081,942,633.25</u>

Operating revenue is presented as follows:

Unit: Yuan    Currency: RMB

	Amount for the current period	Amount for the last period
System implementation	501,829,185.38	215,824,731.92
Design and integration	715,634,354.98	1,924,990,328.70
Construction contracting	62,018,946.91	93,178,401.89
Others	72,735,844.18	61,864,472.95
Total	<u>1,352,218,331.45</u>	<u>2,295,857,935.46</u>

Operating costs are listed as follows:

Unit: Yuan    Currency: RMB

	Amount for the current period	Amount for the last period
System implementation	489,842,500.50	195,168,493.51
Design and integration	661,487,919.18	1,788,333,971.94
Construction contracting	54,939,574.28	81,681,235.79
Others	19,980,977.71	16,758,932.01
Total	<u>1,226,250,971.67</u>	<u>2,081,942,633.25</u>



## XVII. NOTES TO MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE PARENT (Continued)

### 4. Revenue and costs (Continued)

#### (2). Revenue from contracts

Applicable  Not applicable

#### (3). Details of performance obligation

Applicable  Not applicable

#### (4). Explanation about allocation to the remaining performance obligations

Applicable  Not applicable

### 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 the cost method	1,477,485,000.00	1,904,607,880.00
Income from long-term equity investments under the equity method	2,654,399.32	1,161,009.68
Investment income from disposal of long-term equity investments	—	3,266,176.84
Investment income from capital borrowings (note)	117,920,707.49	145,480,637.92
<b>Total</b>	<b>1,598,060,106.81</b>	<b>2,054,515,704.44</b>

Note: The investment income from borrowings is the interest charged by the Company for providing capital for subsidiaries.

Other explanation:

### 6. Others

Applicable  Not applicable

# NOTES TO FINANCIAL STATEMENTS

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## XVIII. SUPPLEMENTARY INFORMATION

### 1. Breakdown of current non-recurring profit or loss

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount	Note
Gains or loss from disposal of non-current assets	483,141.55	
Tax refund or relief for which approval is not authorized or no formal approval is issued		
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)	37,946,235.33	
Capital occupation fee charged to non-financial enterprises included in current profits and losses		
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures		
Profit or loss from exchange of non-monetary assets		
Gain or loss on entrusted investments or asset under management		
Provision for impairment on assets due to force majeure events, such as natural disasters		
Gain or loss on debt restructuring		
Corporate restructuring costs, such as employee relocation expenses and integration costs		
Gain or loss on transactions with obviously unfair transaction price for amount which exceeds fair value		
Net gains or losses of subsidiaries for the current period from the beginning of the period to the date of combination arising from business combination under common control		
Gain or loss on other contingencies which are not related to the Company's normal operations		
Gain or loss on changes in fair value from held-for-trading financial assets, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, and investment income from disposal of financial assets for trading, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment, except for effective hedging transactions that are related to the Company's normal operation		
Reversal of the impairment provision for receivables and contract assets which are tested individually for impairment	1,059,007.91	
Gain or loss on external entrusted loans		
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement		
Effect of one-time adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss		
Entrusted fee income from entrusted operations		
Other non-operating income and expenses apart from the aforesaid items	5,002,086.46	
Other gain or loss items falling within the definition of extraordinary items		
Effect of income tax	-7,550,824.15	
Effect of minority interest	-2,443,108.46	
Total	<u>34,496,538.64</u>	

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

## XVIII. SUPPLEMENTARY INFORMATION (Continued)

### 2. Return on Net Assets and Earnings Per Share

√ Applicable    □ Not applicable

**For the six months ended 30 June 2020**

Profit for Reporting Period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profits attributable to ordinary shareholders of the Company	4.23	0.16	0.16
Net profits attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	4.15	0.16	0.16

**For the six months ended 30 June 2019**

Profit for Reporting Period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profits attributable to ordinary shareholders of the Company	7.62	0.25	0.25
Net profits attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	6.93	0.22	0.22

Earnings per share

	For the six months ended 30 June 2020 RMB/share	For the six months ended 30 June 2019 RMB/share
Basic earnings per share Continuous operation	0.16	0.25
Diluted earnings per share Continuous operation	0.16	0.25

The basic earnings per share is calculated by dividing the current net profit attributable to the ordinary shareholders of the Company by the weighted average number of outstanding ordinary shares.

# NOTES TO FINANCIAL STATEMENTS

30 June 2020  
RMB

## XVIII. SUPPLEMENTARY INFORMATION (Continued)

### 2. Return on Net Assets and Earnings Per Share (Continued)

The numerator of diluted earnings per share are determined on the basis of the current net profit attributable to the ordinary shareholders of the Company after adjusting the following factors: (1) interest on diluted potential ordinary shares recognized as expenses in the current period; (2) the income or expenses that will be generated during the conversion of diluted potential ordinary shares; and (3) the income tax impact related to the above adjustments.

The denominator of diluted earnings per share is equal to the sum of the following two items: (1) the weighted average of the issued ordinary shares of the parent in the basic earnings per share; and (2) the weighted average number of ordinary shares increased on the assumption that dilutive potential ordinary shares are converted into ordinary shares.

When calculating the weighted average of the number of ordinary shares increased by the conversion of diluted potential ordinary shares into issued ordinary shares, the diluted potential ordinary shares issued in the previous period are assumed to be converted at the beginning of the current period; and diluted potential ordinary shares issued in the current period are assumed to be converted on the issue date.

The basic earnings per share and diluted earnings per share are calculated as follows:

Unit: Yuan Currency: RMB

	<b>For the six months ended 30 June 2020</b>	For the six months ended 30 June 2019
Income		
Current net profits from continuous operation attributable to the ordinary shareholders of the Company	<b>1,774,925,442.85</b>	2,267,893,086.86
Less: dividend distribution with respect to other equity instruments in the year	<b>-95,363,333.33</b>	-94,842,222.22
Current net profits attributable to ordinary shareholders of the Company after adjustment	<b>1,679,562,109.52</b>	2,173,050,864.64
Attributable to:		
Continuous operation	<b>1,679,562,109.52</b>	2,173,050,864.64
Weighted average number of ordinary shares issued by the Company	<b><u>10,589,819,000.00</u></b>	<b><u>8,789,819,000.00</u></b>

### 3. Differences in accounting data under domestic and overseas accounting standards

Applicable  Not applicable

### 4. Other

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**