中国中车股份有限公司
CRRC CORPORATION LIMITED

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

Interim Report 2019

Driving Value
FOR YOU

IMPORTANT

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

II. This interim report has been considered and approved by the thirteenth meeting of the second session of the Board and all the Directors attended the meeting of the Board.

III. The interim report is unaudited.

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

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

VI. Disclaimer for forward-looking statements

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

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

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

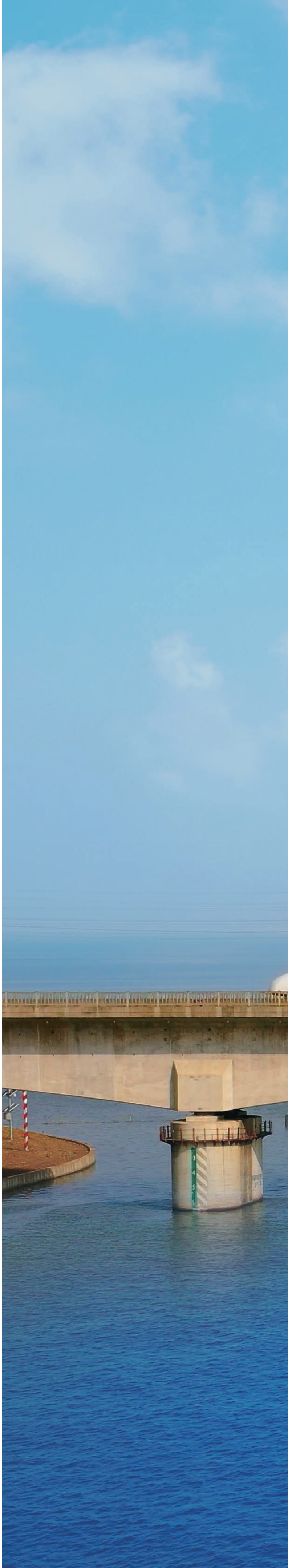
VIII. There was no provision of guarantee by the Company in favour of any external party in violation of the prescribed decision-making procedures.

IX. Major risk reminder

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

X. In accordance with the amendments to the articles of association of the Company passed at the 2018 annual general meeting of the Company, the financial statements of the Company shall be prepared in accordance with the accounting standards of the People's Republic of China. As such, the 2019 interim results of the Company have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and the relevant rules.

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



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COMPANY INFORMATION

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

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

3.	Registered address of the Company	No. 16, Central West Fourth Ring Road, Haidian District, Beijing
	Postal code of registered address of the Company	100036
	Business address of the Company	No. 16, Central West Fourth Ring Road, Haidian District, Beijing
	Postal code of business address of the Company	100036
	Company website	www.crrcgc.cc
	E-mail	crrc@crrcgc.cc
4.	Newspapers designated for A-share information disclosure by the Company	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
	Website designated by the CSRC for publication of A-share interim report	www.sse.com.cn
	Website designated by the Stock Exchange for publication of H-share interim report	www.hkex.com.hk
	Place where interim report of the Company is available for inspection	the Board Office at No. 16, Central West Fourth Ring Road, Haidian District, Beijing

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

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

7.	Independent auditors:	Deloitte Touche Tohmatsu Certified Public Accountants LLP Certified Public Accountants 30th Floor, Bund Center 222 Yan An Road East Shanghai the PRC
8.	Joint company secretary	Xie Jilong, TANG Tuong Hock

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

RESULTS HIGHLIGHTS

Operating income

From January to June 2019:

96,147,021

From January to June 2018:

After Adjustment	Before Adjustment
86,290,821	86,290,902

11.42%

Net profit attributable to shareholders of the company

From January to June 2019:

4,780,641

From January to June 2018:

After Adjustment	Before Adjustment
4,114,387	4,117,547

16.19%

Net profit attributable to shareholders of the Company after non-recurring gains and losses

From January to June 2019:

4,231,283

From January to June 2018:

After Adjustment	Before Adjustment
3,362,503	3,362,503

25.84%

Net cash flow from operating activities

From January to June 2019:

-13,390,166

From January to June 2018:

After Adjustment	Before Adjustment
-10,554,433	-10,541,846

Net assets attributable to shareholders of the Company

From January to June 2019:

128,930,200

From January to June 2018:

After Adjustment	Before Adjustment
128,457,695	128,457,695

0.37%

Total assets

From January to June 2019:

399,133,484

From January to June 2018:

After Adjustment	Before Adjustment
357,523,050	357,523,050

11.64%

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

From January to June 2019:

28,698,864,088

From January to June 2018:

After Adjustment	Before Adjustment
28,698,864,088	28,698,864,088

Basic earnings per share (RMB/share)

From January to June 2019:

0.17

From January to June 2018:

After Adjustment	Before Adjustment
0.14	0.14

21.43%

Diluted earnings per share (RMB/share)

From January to June 2019:

0.16

From January to June 2018:

After Adjustment	Before Adjustment
0.14	0.14

14.29%

Basic earnings per share after non-recurring gains and losses (RMB/share)

From January to June 2019:

0.15

From January to June 2018:

After Adjustment	Before Adjustment
0.12	0.12

25.00%

Weighted average return on net assets (%)

From January to June 2019:

3.65

From January to June 2018:

After Adjustment	Before Adjustment
3.39	3.39

Increase of 0.26 ppt

Weighted average return on net assets after non-recurring gains and losses (%)

From January to June 2019:

3.23

From January to June 2018:

After Adjustment	Before Adjustment
2.77	2.77

Increase of 0.46 ppt

Note: CRRC Qingdao Sifang Co., Ltd., a wholly-owned subsidiary of the Company, completed the acquisition of 51% equity interest in Qingdao CNR Hitachi Rail Communication Signal Co., Ltd., controlled by CRRC Group, the controlling shareholder of the Company, in December 2018, which constituted a business combination under common control. As such, comparative figures for the same period last year were restated in accordance with the Accounting Standards for Business Enterprises.

REPORT OF DIRECTORS

A. BUSINESS OVERVIEW

I. Main business, operation model and industry situation of the Company during the reporting period

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

(I) Main business of the Company

1. Railway equipment business

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

The Company targeted global market and stayed abreast of changes in the domestic and international railway transport market and trends in the development of technology with an aim to becoming a world-leading provider of systematic solutions for rail transportation equipment. The Company accelerated innovations in its technology, products and service models, and created a systematic, modular and standardized product platform and technology platform, with a view to continuously meeting the requirements for developing an advanced and widely-applicable railway system and for intelligent, environment-friendly and safe development. The Company continued to further its strategic cooperation with China State Railway Group Co., Ltd. to improve the quality and efficiency of development, accelerate its business integration and structure adjustment, promote the integration of manufacturing and maintenance of locomotives, reorganized its freight wagon business, developed its advanced refurbishment capacity, and promoted its service transformation. The Company implemented the strategy of strong transportation country, with the standard MUs "Fuxinghao" in long formation at a speed of 350 km/hour, and the power centralized MUs at a speed of 160 km/hour being put into mass operation, forming a systematic MUs "Fuxinghao". With new breakthroughs achieved in the research and production of new products, such as the express freight wagon at the speed of 160 km/hour, freezer wagon, box wagon and piggyback train, the status of the Company in the industry was further consolidated. The railway equipment business increased stably.

2. Urban rail transit vehicles and urban infrastructure business

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

Facing the global market, the Company expedited innovations in urban rail transportation equipment technology and products to increase its core competitiveness. The Company created a systematic, modular and standardized product platform and technology platform, constantly consolidated and expanded domestic and international markets with high quality products and services. The Company actively sought strategic cooperation opportunity, gave full play to its comprehensive competitiveness in equipment manufacturing, business portfolio and the integration of industry and finance, and expanded its general mechanical and electric contracting of urban rail vehicles. The Company carried out PPP business according to the industry norm, actively expanded its business of general contracting of urban infrastructure with a focus on the project management, and drove the development of urban rail vehicles and related business. The Company accelerated the integration of resources, promoted the combination of manufacturing and service, and made dedicated efforts in maintenance services. The Company developed rapidly in its urban rail transit vehicles and urban infrastructure business.

3. New industry business

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

In the general mechanical and electrical business, the Company strived to improve technology platform and the construction of industrial chain, promoted upgrade in core business technologies of rail transportation equipment with the focus on mastering core technologies, breaking through key technologies and increasing core competitiveness, and expedited the specialized and scale development of key systems and important spare parts in the industrial, transportation and energy fields. As to the new business, adhering to the principles of “relevance and multi-dimensions, high-end positioning and industry-leading position”, the Company focused on new energies, new materials, environmental governance, power unit and marine industry equipment, increased its presence in the niche market, strengthened exploration of new markets, and cultivate new drivers of growth to give full play to its core technical advantages. The Company’s new industry business has been growing stronger and further.

4. Modern service business

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

By adhering to “integration of industry and financing, promoting industry with financing”, the Company strengthened risk control, standardized the construction of financial service platform, investment and financing platform as well as financial lease platform, and accelerated the integrated development of the manufacturing industry and the service industry. The Company made continuous efforts in the industry and financing platform to increasingly highlight the function of the physical business. The Company developed modern logistics service. In addition, the Company expanded the scope of centralized procurement, expedited the development of the “CRRC Procurement (中車購)” e-commerce platform, sped up the establishment of the e-commerce bidding platform for recycled materials and accelerated the extensive application of intelligent logistics in CRRC’s industrial chain, thus achieving the healthy development of modern service business.

5. **International business**

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

(II) Operation model

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

1. **Production model:** as the value of the product of rolling stock manufacturing industry per unit is comparatively high, its production model is to "limit production to sales", meaning that the arrangement of production is based on purchase order contracts obtained from customers. Not only does this model avoid excess inventory of finished products, it also satisfies the need of consumers by arranging for production according to the particular order.

2. **Purchasing model:** a combination of centralized procurement and decentralized procurement is commonly used. For centralized procurement, it mainly adopts the "unified management, two-level concentration" management model in which purchase applications for bulk materials and key components are collected from all subsidiaries of the Company to form a centralized procurement plan for conduction of centralized supplier management assessment, purchase price management, procurement bidding management as well as centralized ordering and centralized settlement by the Company. For other materials, among others, the subsidiaries shall formulate procurement plans according to production requirements, and select appropriate suppliers and sign supply contracts through centralized organization of bidding and other methods to achieve centralized procurement. Whether it will be done by the Company or its subsidiaries, a centralized procurement shall be completed on the "CRRC Procurement" e-commerce procurement platform to realize open, transparent and traceable management of CRRC's procurement business to ensure timely supply of raw materials for production and reduce procurement costs.


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国际货运班列
Zhuzhou-Minsk
International Freight Block Train
CRRC

3. **Sales model:** take advantage of industry technologies to build and improve technology platforms and product platforms for a variety of rail transit equipment in response to user needs, and, for the purpose of providing safe, reliable and affordable products and services, actively participate in open tender or negotiated tender of users at home and aboard, sign supply contracts through bidding and rigorous business negotiations to form orders to guarantee quality and quantity and production on schedule and finally achieve sales.

4. **Distribution of the industrial chain:** the Company has a number of rolling stock equipment manufacturing bases and research bases at an international advanced level. The Company has formed a complete nationwide industrial chain and production system with the main machinery company as its core and supporting companies as its backbone, such as high-speed EMUs, locomotive traction, urban transit, passenger carriages and freight wagons.

5. **Distribution of the value chain:** the product value of the Company mainly lies in the value chain distribution system of the comprehensive rolling stock equipment with the production of high-speed EMUs, high-power locomotives, urban rail transit, passenger carriages and freight wagons as well as the manufacturing and repairing of related supporting products as core value and supplemented with financial products, financial-related products and financial lease products.

6. **Research and development model:** the Company has two-level research and development management model of "centralizing research and development of technology, jointly developing products and capability building and sharing" in place.

(III) Industry situation

The development of the rail transit industry is in an important period of strategic opportunities. The global market capacity is expected to grow, and the investment density and scale of the domestic rail transit industry remain stable. According to the "13th Five-Year Plan for the Development of Modern Comprehensive Transportation System", by 2020, the national railway mileage in operation will reach 150,000 km, including 30,000 km of high-speed railway. The national transportation structure adjustment will continue to advance. By 2020, the national railway transportation volume will reach 4.79 billion tons, representing an increase of 30% over 2017. The railway transportation reform continued to deepen, and the railway company and the railway bureaus were restructured. The new urbanization and urban agglomeration construction process has been accelerating, and urban rail transit has developed rapidly. By 2020, the urban rail transit mileage in operation will reach 6,000 km, nearly double the number in 2015. The proportion of "post-market" demand for rail transit equipment continues to increase. Focusing on green, safety, comfort, speed, intelligence and environmental protection and accelerating technological and product innovation, the rail transit equipment has a broad room for market development.

CRRC has consecutively ranked first in the world for years, in terms of sales volume of rolling stock equipment. CRRC actively implemented the strategy of strong transportation country, actively adapted to the ever-changing market environment, captured market opportunities, and accelerated structural reform, as well as transformation and upgrades, CRRC made well-targeted efforts in market expansion, international operation,

technical innovation and synergic development, etc., further consolidating its position in the rolling stock equipment industry.

II. Significant changes of the Company's major assets during the reporting period

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

III. Analysis of the core competitiveness during the reporting period

Concern and importance are attached to the rolling stock equipment industry by the leaders of the CPC and the state, high-speed train has become an important business card for the high-end equipment manufacturing industry of our country. With the strategic objective of "two builds, one develop (雙打造一培育) ", CRRC fully grasped opportunities and new challenges, adhered to innovation-driven operation, strengthened its transformation and upgrades and enhanced its operational management.

1. **Further improving technical innovation ability.** Focusing on key technologies related to rail transit vehicles, systems and spare parts, CRRC achieved great success in technology innovation. The MUs "Fuxinghao" in standard long formation at the speed of 350km/hour, power centralized MUs at the speed of 160 km/hour and 17 MUs in standard extra-long formation have been successively put into operation, marking a pedigree development of the MUs "Fuxinghao". The first high-speed maglev train for testing went off the production line. In particular, the MUs "Fuxinghao" at the speed of 350 km/hour ranked the first in China Industrial Awards. General Secretary Xi Jinping twice praised: "The MUs 'Fuxinghao' is running on the vast land of the country." And "The high-speed MUs 'Fuxinghao' took a crucial step from a pursuer to a leader." The innovation system of the Company continued to improve. With the Master Plan for Science and Technology System Reform being revised and issued, the active promotion of the construction of national high-speed train technological innovation center, the introduction of the Magnetic Technology Research Office of Thyssenkrupp into the national high-speed train technology innovation center, the accelerated construction of the Metrology testing center of the national high-speed train industry, and the successful establishment of two overseas technology research and development centers in Italy and Austria, the number of overseas research and development centers reaches 17, the ability of the Company to integrate and utilize overseas research and development resources was further enhanced.

2. **Optimizing the allocation of resources.** The Group optimized its business layout and resource allocation in accordance with core business, pillar business, supporting business, platform business and nurturing business; accelerated structural restructuring by promoting the integrated projects for manufacturing and refurbishing locomotives; furthered the reorganization of freight wagons business with the integration of urban rail vehicle business with mechanical and electrical business; and sped up the pace of innovation to establish a number of rolling stock equipment technology platforms and production facilities at an international advanced level and to develop and improve a complete nationwide industrial chain and production system with the main machinery company as its core and supporting companies as its backbone. The Group strengthened overseas resource

allocation and international cooperation. New breakthroughs have been made in the local manufacturing in overseas production bases such as the United States, South Africa and Malaysia, constantly expanding out cross-country operations. Gather resources to nurture and establish pillar business and supporting business, and to expand its industrial development. In regard to wind power equipment with mature and complete industrial chain, there are continual new breakthroughs in wind turbines. Its wind turbines and wind power blades ranked the first and the second in the country in terms of market share, respectively; the polymer composites has established its leadership in the industry with advanced technology; there are continual breakthroughs in its core technology for sewage treatment equipment in urban and rural areas with a stable growth in its general contracting of sewage treatment.

3. **Continually enhancing our international operation capability.** Seizing the opportunities arising from "One Belt One Road" and "going global" strategies, the Company has made efforts to implement its international operation strategy. All kinds of rail transit equipment have been exported to 105 countries and regions across the world. The Company achieved the transformation of export products from mid- and low-end to high-end, and export markets from traditional markets, such as Asia, Africa and Latin America, to high-end markets, such as Europe, America and Australia. With the expansion in its exported product portfolio "product + technology + service", the Company changed its overseas business model from a single product to a portfolio of "product, capital, technology, management and service". Continually implementing the "five-local model". The Company changed its concept from product "going global" to capacity "going inside" and brand "going high-end".

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

I. Discussion and analysis of operation

In the first half of 2019, the Company achieved operating income of RMB96,147 million, representing a year-on-year increase of 11.42%; net profit attributable to the shareholders of the Company was RMB4,781 million, representing a year-on-year increase of 16.19%.

(I) Analysis of main businesses

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

Unit: '000 Currency: RMB

Item	Amounts for the period	Amounts for the same period of the previous year (restated)	Percentage change (%)
Operating income	96,147,021	86,290,821	11.42
Operating costs	74,544,370	66,221,125	12.57
Selling expenses	3,016,082	2,512,788	20.03
Administrative expenses	5,990,813	6,021,778	-0.51
Financial expenses	313,346	768,609	-59.23
R&D expenses	4,388,411	4,027,948	8.95
Net cash flow from operating activities	-13,390,166	-10,554,433	–
Net cash flow from investment activities	-6,426,932	-1,804,317	–
Net cash flow from financing activities	9,641,238	-10,539,470	–

(1) Analysis of revenue and cost

Revenue increased by 11.42% as compared to the same period of the previous year, mainly due to the increase in the revenue from railway equipment and urban rail transit vehicles.

Operating costs increased by 12.57% as compared to the same period of the previous year, mainly due to the increase in revenue. Due to the difference in product structure, the increase in operating costs was greater than the increase in revenue.

Main businesses by industry, by products and by regions

Main businesses by industry

Unit: '000 Currency: RMB

By industry	Revenue	Operating costs	Gross profit margin (%)	Increase/ decrease in revenue from last year (%)	Increase/ decrease in operating costs from last year (%)	Increase/ decrease in gross profit margin from last year
Rail transportation products and their extent products	96,147,021	74,544,370	22.47	11.42	12.57	Decreased by 0.79 ppt

Main businesses by products

Unit: '000 Currency: RMB

By products	Revenue	Operating costs	Gross profit margin (%)	Increase/ decrease in revenue from last year (%)	Increase/ decrease in operating costs from last year (%)	Increase/ decrease in gross profit margin from last year
Railway equipment	53,881,633	41,024,607	23.86	20.25	22.64	Decreased by 1.48 ppt
Urban rail transit vehicles and urban infrastructure	17,820,468	14,836,194	16.75	37.67	39.89	Decreased by 1.32 ppt
New businesses	20,884,958	15,857,293	24.07	-0.54	1.15	Decreased by 1.27 ppt
Modern service	3,559,962	2,826,276	20.61	-52.79	-56.43	Increased by 6.63 ppt
Total	96,147,021	74,544,370	22.47	11.42	12.57	Decreased by 0.79 ppt

Main businesses by regions

Unit: '000 Currency: RMB

By regions	Revenue	Increase/ decrease in revenue as compared to the same period of the previous year (%)
Mainland China	86,966,165	11.28
Other countries or regions	9,180,856	12.79

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

Revenue from the railway equipment business increased by 20.25% as compared to the same period of the previous year, mainly due to the increase in major products such as MUs and passenger carriages. Operating costs increased by 22.64% as compared to the same period of the previous year, mainly due to the increase in revenue. Due to the difference in product structure, the increase in operating costs was greater than the increase in revenue.

Revenue from urban rail transit vehicles and urban infrastructure increased by 37.67% as compared to the same period of the previous year, mainly due to the increase in the revenue from urban rail transit vehicles and related projects. Operating costs increased by 39.89% as compared to the same period of the previous year, mainly due to the increase in operating costs being slightly higher than the increase in operating income arising from the relatively significant increase in urban rail transit vehicles projects.

Revenue from the new industry business decreased by 0.54% as compared to the same period of the previous year, which remained rather stable. Operating costs increased by 1.15% as compared to the same period of the previous year, mainly due to the increase in business volume with a relatively lower margin.

Revenue from the modern service business decreased by 52.79% as compared to the same period of the previous year, mainly due to the reduction of size of trade business during the period. Operating costs decreased by 56.43% as compared to the same period of the previous year, mainly due to the decrease in revenue.

The Company's revenue increased by 11.42% as compared to the same period of the previous year, and revenue from railway equipment business, urban rail transit vehicles and urban infrastructure business, new industry business and modern service business accounted for 56.04%, 18.53%, 21.72% and 3.71%, respectively, of total revenue. In particular, revenue generated by the locomotive business of the railway equipment business was RMB10,264 million; revenue generated by the passenger carriage business was RMB5,833 million; revenue generated by the MUs business was RMB30,302 million; revenue generated by the freight wagon business was RMB7,483 million. Revenue generated by urban rail transit vehicles of urban rail transit vehicles and urban infrastructure business was RMB16,394 million. During the reporting period, the Company entered into new contracts in the value of RMB130,200 million, including new overseas contracts in the value of RMB11,800 million.

(2) *Analysis of cost*

Unit: '000 Currency: RMB

Cost of main businesses by industry (restated)

By industry	Amount for the current period	Proportion in total cost for the current period (%)	Amount for the same period of the previous year	Proportion in total cost for the same period of the previous year (%)	Proportion of change of amount for the current period as compared to amount for the same period of the previous year (%)
Rail transportation products and their extent products	74,544,370	100.00	66,221,125	100.00	12.57

Cost of main businesses by item (restated)

By item	Amount for the current period	Proportion in total cost for the current period (%)	Amount for the same period of the previous year	Proportion in total cost for the same period of the previous year (%)	Proportion of change of amount for the current period as compared to amount for the same period of the previous year (%)
Direct materials	62,778,748	84.22	55,503,082	83.81	13.11
Direct labour costs	4,292,059	5.76	3,732,145	5.64	15.00
Manufacturing costs	4,795,115	6.43	4,603,587	6.95	4.16
Others	2,678,448	3.59	2,382,311	3.60	12.43
Total	74,544,370	100.00	66,221,125	100.00	12.57

(3) *Information on major customers and major suppliers*

Sales to five largest customers amounted to RMB58,586 million, representing 60.93% of total sales for the period, of which sales to related parties were RMB0, representing 0% of total sales for the period.

Procurement from five largest suppliers amounted to RMB5,422 million, representing 8.64% of total procurement for the period, of which procurement from related parties was RMB0, representing 0% of total procurement for the period.

The relatively high customers concentration is primarily attributable to China State Railway Group Co., Ltd. (including the railway bureaus and companies subordinate to it) being the largest customer of the Company, which accounted for 51.68% of the total sales of the Company for the period.

(4) Expenses

Selling expenses increased by 20.03% as compared to the same period of the previous year, mainly due to the increase in the provision for the product quality warranty made during the period.

Administrative expenses decreased by 0.51% as compared to the same period of the previous year, which remained rather stable.

Finance cost decreased by 59.23% as compared to the same period of the previous year, mainly due to the decrease in interest expenses and exchange loss.

(5) Research and development expenses

Research and development expenses were RMB4,492 million in total for the period, representing an increase of 9.18% as compared to the same period of the previous year, mainly due to the increased investment in research and development during the reporting period.

(6) Cash flows

Net cash flow from operating activities was a net outflow of RMB13,390 million, representing a decrease of RMB2,836 million over the same period of the previous year, mainly due to the year-on-year decrease in cash received from sales of goods and provision of services, which was greater than the year-on-year decrease in cash paid for purchase of goods and receipt of services.

Net cash flow from investing activities was a net outflow of RMB6,427 million, while net cash flow from investing activities for the same period of the previous year was a net outflow of RMB1,804 million, mainly due to the year-on-year increase in cash paid for investment, which resulted in a year-on-year increase of net cash outflow from investing activities of approximately RMB4,623 million.

Net cash flow from financing activities was a net inflow of RMB9,641 million, while net cash flow from financing activities for the same period of the previous year was a net outflow of RMB10,539 million. The change was mainly due to the increase in borrowings obtained and the increase in cash received from issue of bonds during the reporting period.

2. Others

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

(II) Explanation of significant changes in profit due to non-principal business

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

(III) Analysis of Assets and Liabilities

1. Assets and liabilities

Unit: '000 Currency: RMB

Item	Amount at the end of the period	Amount at the end of the period as a percentage of total assets (%)	Amount at the end of the previous period	Amount at the end of the previous period as a percentage of total assets (%)	Amount at the end of the period compared to amount at the end of the previous period (%)
Loans and advances to customers	1,194,203	0.30	–	–	–
Accounts receivable	90,274,430	22.62	64,205,603	17.96	40.60
Right-of-use assets	981,592	0.25	–	–	–
Short-term borrowings	13,529,868	3.39	8,634,101	2.41	56.70
Loans from central bank	476,720	0.12	–	–	–
Deposits from customers and other banks	1,792,851	0.45	2,795,282	0.78	–35.86
Loans and advances from customers	2,200,000	0.55	14,955	–	14,610.80
Taxes payable	1,162,071	0.29	3,529,455	0.99	–67.08
Other payables	14,786,943	3.70	9,860,396	2.76	49.96
Non-current liabilities due within one year	6,924,790	1.73	11,096,595	3.10	–37.60
Other current liabilities	14,992,145	3.76	6,155,925	1.72	143.54
Long-term borrowings	1,416,899	0.35	880,011	0.25	61.01
Lease liabilities	763,330	0.19	–	–	–

The increase in loans and advances to customers was mainly due to the increase in loans and advances to customers made by the Finance Company owned by the Company during the period.

Accounts receivable increased by 40.60%, mainly due to the increase in sales for the period, and that there was no centralized delivery of products during the period.

The increase in right-of-use assets during the period was mainly due to the new items arising from the adoption of new standards for lease during the period.

Short-term borrowings increased by 56.70%, mainly due to the increase in bank borrowings made by the Company to meet its daily and production needs during the period.

The increase in loans from central bank was mainly due to the increase in rediscount of bills from central bank made by the Finance Company owned by the Company during the period.

Deposits from customers and other banks decreased by 35.86%, mainly due to the significant decrease in the deposits taken by the Finance Company owned by the Company during the period.

The increase in loans and advances from customers increased by 14,610.80%, mainly due to the increase in loans and advances from customers of the Finance Company owned by the Company during the period.

Taxes payable decreased by 67.08%, mainly due to the payment of various taxes during the period.

Other payables increased by 49.96%, mainly due to the dividend declared but not yet paid during the period.

Non-current liabilities due within one year decreased by 37.60%, mainly due to the decrease in bonds payable due within one year as at the end of the period.

Other current liabilities increased by 143.54%, mainly due to the increase in super short-term financing bills arising from debt structure adjustment during the period.

Long-term borrowings increased by 61.01%, mainly due to the increase in long-term borrowings arising from debt structure adjustment during the period.

The increase in lease liabilities during the period was mainly due to the new items arising from the adoption of new standards for lease during the period.

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

For details, please refer to "71. Assets with restricted ownership or right-of-use" under "V. Notes to Consolidated Financial Statements" in "Financial Report".

(IV) Debt structure, liquidity and cash flow

1. Capital structure

As at 30 June 2019, the gearing ratio of the Company increased to 62.08% from 58.13% at the beginning of the year.

2. Significant capital expenses and capital commitments

(1) Significant capital expenses

From January to June 2019, the significant capital expenses of the Company are set out in the following table:

Item	January-June 2019 (RMB'000)
Fixed assets	560,302
Construction in progress	1,797,557
Intangible assets	160,930
Development expenses	15,271
Total	2,534,060

(2) Capital commitments

As at 30 June 2019, the Company had capital commitments of RMB4,587 million contracted for but not yet incurred, which would be mainly used for property, plant and equipment and land prepayment.

3. Particulars of contingent liabilities of the Company

Save as the guarantees provided by the Company as stated in the section headed "Significant Events", the Company had no other material contingent liabilities.

4. Particulars of pledge of assets of the Company

As at the end of the reporting period, the following assets of the Company with a total book value of RMB 5,282 million were pledged to obtain bank loans and other banking facilities. Such assets included bills receivable of RMB948 million, trade receivables of RMB53 million, receivables financing of RMB396 million, long-term receivables of RMB367 million, fixed assets and intangible assets of RMB17 million.

5. Borrowings, corporate bonds and notes

As at 30 June 2019, the Company had total borrowings, bonds and notes of approximately RMB37,853 million, as compared to the total amount of RMB24,584 million as at 31 December 2018.

As at 30 June 2019, out of the total borrowings, bonds and notes of the Company, RMB13,804 million was denominated in Renminbi, RMB 4,942 million was denominated in US dollar, and RMB975 million was denominated in Euro.

6. Cash flow

As at 30 June 2019, the Company had cash and cash equivalents of approximately RMB21,474 million, out of which RMB15,020 million was denominated in Renminbi, RMB2,218 million was denominated in US dollar, and RMB1,682 million was denominated in Euro.

(V) Analysis on investment

1. General analysis of external investment in equity

As at the end of the reporting period, the Company's long-term equity investment was RMB14.847 billion, representing an increase of RMB1.081 billion or 7.85% as compared to the beginning of the year, which was mainly attributable to the new investment in joint ventures and associates of RMB983 million made by the Company during the period. For details, please refer to Note V. 16 Long-term equity investment to the financial statements.

(1) Significant equity investment

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

(2) Significant non-equity investment

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

(3) Financial assets measured at fair value

Unit:'000 Currency: RMB

Item	Opening balance	Gains/losses from changes in fair value during the current period	Changes in fair value included in equity	Other changes (increase/ decrease) during the current period	Closing balance
1. Held-for-trading financial assets	7,246,736	44,197	–	-200,720	7,090,213
Including: derivative financial assets	2,515	16,265	–	–	18,780
Including: corporate wealth management products	6,352,380	22,784	–	-282,877	6,092,287
Including: equity instrument Investment	891,841	5,148	–	82,157	979,146
2. Other equity instrument investment	2,252,423	–	-60,374	33,328	2,225,377
Including: listed equity instrument investment	1,370,906	–	-60,374	-4,473	1,306,059
Including: non-listed equity instrument investment	881,517	–	–	37,801	919,318
3. Receivable financing	5,277,641	–	-53,297	772,897	5,997,241
Including: trade receivables	1,044,101	–	-22,665	45,674	1,067,110
Including: bills receivable	4,233,540	–	-30,632	727,223	4,930,131
4. Other non-current financial instruments	598,551	–	–	122	598,673
Including: preference share and other financial instrument investments	598,551	–	–	122	598,673
Subtotal of financial assets	15,375,351	44,197	-113,671	605,627	15,911,504

(VI) Material disposal of assets and equity interests

There was no significant assets and equity disposal during the reporting period.

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

Company name	Product and scope of main business	Registered capital	Total assets at the end of the period	Net assets at the end of the period attributable to the shareholders of the Company	Net profit from January to June 2019 attributable to the shareholders of the Company	Operating Income from January to June 2019	Operating Profit from January to June 2019
CRRC Sifang	R&D and manufacturing of multiple units, passenger carriages and urban rail transit vehicles; and repair services for multiple units and high-end passenger carriages etc.	4,071,272	59,091,655	14,730,065	1,305,507	21,516,474	1,501,664
CRRC Changchun	Design, manufacturing, repair, sale and lease of passenger carriages, multiple units, urban rail transit vehicles and the accessories thereof, as well as related technical services and technical consultancy etc.	5,807,947	61,819,340	18,572,343	1,197,588	15,516,762	1,352,131
CRRC Zhuzhou	R&D and manufacturing of electric locomotives, multiple units and urban rail transit vehicles etc.	4,858,336	35,982,210	9,015,969	576,476	9,157,792	674,352
CRRC Tangshan	Manufacturing of railway transportation equipment; sale and lease of railway vehicles, electric multiple units, diesel multiple units, maglev trains, special vehicles, test vehicles, urban rail transit vehicles and accessories thereof; and technical consulting services etc.	3,990,000	26,850,644	11,109,602	525,327	7,882,899	621,467
CRRC ZELRI	Research and manufacturing on electric drive and control technologies related to rail transit and relevant electrical equipment; and research and development and manufacturing of railway locomotives and accessories thereof etc.	8,340,710	54,333,833	17,142,754	469,742	12,211,311	1,124,202


(VIII) Structured entities controlled by the Company

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

(IX) Use of proceeds

1. A shares

As approved by the "Reply in Relation to the Approval of Non-public Issuance of Shares by CRRC Corporation Limited" (CSRC Permit No. [2016] No. 3203) issued by CSRC, the Company issued 1,410,105,755 RMB ordinary shares (A shares) to target subscribers by way of non-public issuance in January 2017 at issue price of RMB8.51 per share and the proceeds raised totaled RMB12.000 billion. After deducting the issuance costs amounted to RMB66 million, the net proceeds raised totaled RMB11.934 billion. As at 30 June 2019, the Company had utilized RMB10.427 billion of the proceeds raised from non-public issuance of A shares for purposes detailed as follows: (1) RMB5.934 billion was used to replenish working capital to satisfy the production and operation needs, and (2) RMB4.493 billion was used to repay interest-bearing liabilities, in line with the use of proceeds as disclosed previously. As at 30 June 2019, the balance of the proceeds raised amounted to RMB1.507 billion, which was temporarily used to replenish working capital and is expected to be used to repay interest-bearing liabilities of RMB1.507 billion by 2020, in line with the use of proceeds as disclosed previously.

2. H shares

As approved by the "Reply in relation to the Approval of China CNR Corporation Limited to Issue Overseas Listed Foreign Shares" (CSRC Permit No. [2014] 404) issued by CSRC, CNR issued through its public offering 1,939,724,000 (including over-allotment) overseas listed foreign shares (H shares) in May 2014 and the proceeds raised totaled HKD10.028 billion. As at 30 June 2019, the proceeds of H shares used by the Company in aggregate were approximately HKD10.060 billion, the actual use is as follows: to increase capital contribution of approximately HKD6.640 billion into subsidiaries, to replenish its working capital and repay bank loans of approximately HKD3.157 billion, to finance the product research and development expense of approximately HKD60 million and to pay issuance costs of approximately HKD203 million, which are in line with use of proceeds disclosed previously. As of 30 June 2019, interest of bank deposits received for the proceeds from issuance of H shares amounted to HKD115 million in total and proceeds not yet used by the Company raised through issuance of H shares, plus interests thereon accrued, amounted to HKD83 million, which is expected to be used to replenish the working capital of RMB83 million by 2020, in line with the use of proceeds as disclosed previously.

On 5 February 2016, the Company issued H Share convertible bonds in an aggregate amount of US$600 million. The net proceeds of such issuance were approximately US$595.80 million. On 5 February 2019, the holders of H Share Convertible Bonds redeemed the Convertible Bonds with an aggregate principal amount of US$240 million pursuant to the terms and conditions of the Convertible Bonds. As of 30 June 2019, the net proceeds were US$355.80 million. As at 30 June 2019, the Company used approximately US$355.80 million of such proceeds for the following purposes: (1) approximately US$92.62 million for the repayment of bank loans, (2) approximately US$56.00 million for equity investment, and (3) approximately US$207.18

million for the business operation needs of CRRC Hong Kong Capital Management Co., Limited, a wholly-owned subsidiary of the Company, which was in line with the use of proceeds disclosed previously. As at 30 June 2019, the Company received a deposit interest of approximately US$12.62 million in respect of the proceeds from the issuance of the H Share convertible bonds and the proceeds had been used up. Please refer to the section headed "Significant Events – IX. Information on the Convertible Corporate Bonds" for details of the Company's H Share convertible bonds.

II. Other events

Potential risks

1. Policy risks

Changes in the market access policies in the rail transportation equipment manufacturing business, urban rail transportation industry policies and industrial policies in emerging industries may lead to a number of uncertainties in the market environment and development space, bringing risks for strategies and operations of the Company.

Responding measures: timely collect information related to the industrial policy or industrial planning; conduct proper studies on policy and trend; positively deal with possible changes in policies and industrial plans. Strengthen internal management; improve operation and management standards of the Company; reduce operation costs; endeavour to improve the efficiency of operations and enhance ability to mitigate policy risks.

2. Market risks

(1) Domestic market risks: with significant change in China's railway market and the railway passenger and freight transportation reform, as well as product structure adjustment and optimization, the demand in market may face structural adjustments.

Responding measures: proactively communicate with major clients; timely grasp information relating to domestic economy, politics and the industry, etc.; conduct proper studies of market trends; optimize the industrial structure of the Company and expand new business models, etc. by transforming the development model, extending the industry chain and providing industrial value-added services and other means, so as to mitigate risks.

(2) International market risks: the international political and economic situations are extremely complex, with increased restrictions of trade protectionism and slow economic recovery, the international market in different regions and countries will manifest more uncertain factors beyond our control. Sino-US trade conflict may lead to increase in the Company's costs and difficulty in order acquisition and overseas operations.

Responding measures: make fine plans from the top; scientifically plan the medium to long-term development path for internationalization; improve the management system for international businesses and strengthen the research and exploration of worldwide corporate governance structure, multinational management control models and overseas companies' management; improve the competitiveness of the headquarter and enhance multinational operation capability. Proactively communicate with users to understand customer needs in depth; strengthen market research and give full play to the

Company's advantages in its products, costs and technology; leverage on global resources to provide systematic solutions and value-added services for clients. Expand its overseas business scale and promote the internationalization of CRRC rapidly and orderly with precise targets, thus achieving the full internationalization of CRRC.

3. Risks related to product quality

In the rail transportation market, a "trinity" safety guarantee mechanism covering related personnel, materials and technologies has been earnestly constructed by major clients to ensure railway safety, thus posed higher standards for the safety and reliability of rail transportation product quality. In view of the continuously extending product offerings of the Company and the further development in technological innovation, the launch of new products and application of new technologies bring greater challenges to product quality and safety.

Responding measures: firstly, the Company specially established the science and technology quality department to monitor quality risks; secondly, the Company established and improved the quality management system and monitored the certification and effective operation of this system; thirdly, the Company established the after-sales service management standard system to regulate our after-sales service management; fourthly, the Company strengthened suppliers' qualification management with a view to preventing potential product quality risk and controlling quality at source.

4. Risks related to industrial structure adjustment

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

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

5. Exchange rate risks

With the accelerating pace of internationalization of the Company, the Company's product exports, overseas investments, mergers and acquisitions and other activities continue to increase, resulting in various risks due to fluctuations in exchange rates, including foreign exchange trading risk arising from inconsistencies in the transaction date and settlement date in foreign currency-denominated trading activities, and the risk of changes in the value of overseas enterprises due to exchange rate fluctuations etc.

Responding measures: the Company is closely following the trend of fluctuations of exchange rates, to strengthen relevant personnel's awareness of risk prevention, establish an exchange rate risk prevention mechanism, adopt different currency transactions and so on, and use financial hedging instruments to deal with exchange rate risks.

SIGNIFICANT EVENTS

I. BRIEF INTRODUCTION TO GENERAL MEETINGS

Session of meeting	Convening date	Query index of the designated website where the resolutions were published	Disclosure date of the published resolutions
2018 annual general meeting of CRRC Corporation Limited	25 June 2019	www.sse.com.cn www.hkex.com.hk	26 June 2019

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

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

III. PERFORMANCE OF UNDERTAKINGS

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

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
Material assets reorganization related commitment	Resolution of same industry competitions	CRRC	Non-competition undertaking with Times New Material: on 5 August 2015, CRRC issued the Letter of Undertaking of Non-competition with Zhuzhou Times New Material Technology Co., Ltd. (《關於避免與株洲時代新材料科技股份有限公司同業競爭的承諾函》) in order to resolve the issue of competition between CRRC and Times New Material after the merger between CSR and CNR. The specific undertakings are as follows: the current operations of CRRC in fields such as air springs for rail vehicles and rubber-metal parts for rail vehicles compete with the operations of Times New Material, which is indirectly controlled by CRRC. In order to resolve such competition with Times New Material, in accordance with relevant laws and regulations, CRRC undertook that it will resolve such issue with Times New Material within five years from the date of this letter of undertaking in the manner approved by the regulatory authorities (including but not limited to asset restructuring, business integration etc.).	Undertakings dated 5 August 2015, term is 5 years commencing from the date of issuance of this letter of undertaking	Yes	Yes	-	-

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

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

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
	Resolution of connected transactions	CRRCG	Undertaking for regulating connected transactions with CRRC: in order to regulate connected transaction entered into between CNRG (which have completed the transformation and renamed as CRRCG) and CRRC after the merger between CNRG and CSRG, CNRG issued the Letter of Undertaking to Regulate the Connected Transactions of CRRC Corporation Limited (《關於規範與中國中車股份有限公司關聯交易的承諾函》) on 5 August 2015, pursuant to which CRRCG and other companies controlled by CRRCG will endeavor not to enter into or reduce the connected transactions with CRRC and other companies in which it holds a controlling interest. For connected transactions that are inevitable or reasonable, CRRCG will continue to perform the obligations under the connected transaction framework agreements entered into between CRRCG and CRRC, and will comply with the approval procedures and information disclosure obligations in accordance with the relevant laws and regulations as well as the provisions under the Articles of Association of CRRC. Prices of the connected transactions will be determined based on prices of the same or comparable transactions conducted with other independent third parties.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	–	–
Undertakings in relation to the initial public issuance	Others	CRRCG	Undertakings on property ownership issues: CSR (has completed restructuring and renamed as CRRC) disclosed in its prospectus that CSR has not yet obtained proper property ownership certificates for 326 properties with a total gross floor area of 282,019.03 square meters, representing 7.85% of the total gross floor area of the property in use of CSR. As for the property which CSR has not yet obtained property ownership certificates, CSRG has made written undertaking which was inherited by CRRCG after the merger. Pursuant to the undertaking: for properties that could not obtain complete property ownership certificates due to reasons such as incomplete procedures in planning and constructions and, which were included in the asset injection to CRRC by CRRCG, CRRCG undertook that such properties satisfy the usage requirements necessary for the production and operations of CRRC. Moreover, if there is any loss incurred to CRRC due to such properties, CRRCG shall under take all compensation liabilities and all economic losses that CRRC incurred.	Undertakings dated 18 August 2008, during the course of performance	No	Yes	–	–
	Others	CRRCG	Undertakings on the state-owned land use certificate without specifying the land use terms or termination date: CNR (the relevant matters were inherited by CRRC after the merger) disclosed in the prospectus that the land use terms or termination date were not specified in the state-owned land use certificate for part of the authorized lands acquired by CNR. As such, CNRG (has completed restructuring and renamed as CRRC) has made a written undertaking. Pursuant to the undertaking: CRRCG will compensate the relevant wholly-owned subsidiaries of CRRC for the loss caused as a result of the state-owned land use certificate not specifying the land use terms or termination date for the authorized land.	Undertakings dated 10 December 2009, during the course of performance	No	Yes	–	–

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
Undertakings in relation to the refinancing	Others	Directors, Senior Management of the Company	Undertaking to adopt measures of mitigating the potential dilution of return for the current period: the Directors and Senior Management of the Company have made the following undertakings on 27 May 2016: (1) not to transfer interests to other entities or individuals without consideration or with unfair consideration nor otherwise damage the Company's interests in any other ways; (2) to constrain expenses relating to the performance of their duties; (3) not to use the Company's assets for investments and consumption activities unrelated to the performance of their duties; (4) that the remuneration system formulated by the Board or the remuneration committee is in line with implementation of the remedial measures for the returns by the Company; (5) that the vesting conditions of share incentives to be formulated by the Company will be in line with the implementation of the remedial measures for returns by the Company if the Company were to make such share incentive plans in the future; (6) to perform the remedial measures for returns formulated by the Company as well as any commitment made by them for such remedial measures. The Directors and Senior Management will be liable for indemnifying the Company or the investors for their losses in the event of failure to perform the commitment.	Undertakings dated 27 May 2016, during the course of performance	No	Yes	–	–
	Others	CRRCG	Undertaking to adopt measures of mitigating the potential dilution of return for the current period: on 27 May 2016, CRRCG committed not to intervene in the operation and management activities of the Company or unlawfully infringe upon the Company's interests.	Undertakings dated 27 May 2016, during the course of performance	No	Yes	–	–

IV. APPOINTMENT AND REMOVAL OF AUDITORS

The Company considered and approved the Resolution in Relation to the Engagement of Audit Firms of CRRC Corporation Limited for 2019 at the 2018 annual general meeting held on 25 June 2019. It was resolved that Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu were appointed as the auditors in respect of the Company's financial reports for the year 2019; Deloitte Touche Tohmatsu CPA LLP were appointed as the auditors in respect of the Company's internal control system for the year 2019.

V. BANKRUPTCY AND REORGANIZATION

The Company was not involved in any bankruptcy or reorganization during the reporting period.

VI. MATERIAL LITIGATION AND ARBITRATION

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

VII. SHARE OPTION SCHEME OF THE COMPANY AND THEIR IMPACTS

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

VIII. SIGNIFICANT CONTRACTS AND THEIR IMPLEMENTATION

(I) Trusteeship, contracting and leasing matters

During the reporting period, the Company had no related trusteeship, contracting and leasing matters.

(II) Guarantees

Unit: '000 Currency: RMB

Guarantees provided by the Company to external parties (excluding guarantees provided by the Company in favour of its subsidiaries)

Guarantor	Relationship between the guarantor and the listed company	Guaranteed	Guaranteed Amount	Date of guarantee (Date of signing agreement)	Commencement Date	Maturity date	Guarantee Type	Whether the guarantee has been fulfilled	Guarantee overdued	Outstanding amount of guarantee overdue	Counter guarantee	Whether the guarantee is provided to a connected party or not	Connected relationship
CRRC Corporation Limited, China-Singapore Suzhou Industrial Park Municipal Public Works Construction Co., Ltd* (中新蘇州工業園區市政公用工程建設有限公司), a wholly-owned subsidiary of the Company, and CRRC China Merchants (Tianjin) Equity Investment Fund Management Co., Ltd.* (中車招銀(天津)股權投資基金管理有限公司), a non-wholly-owned subsidiary of the Company	CRRC Corporation Limited, its wholly owned subsidiary and holding subsidiary	Wuhu YundaRail Transport Construction and Operation Limited* (蕪湖市運達軌道交通建設運營有限公司)	5,818,593	27 April 2017	20 June 2017	20 June 2047	Joint and several liability guarantee	No	No	-	No	No	-

Total guarantee amount provided during the reporting period (excluding guarantees provided by the Company in favour of its subsidiaries)	-
Total guarantee balance at the end of the reporting period (A) (excluding guarantees provided by the Company in favour of its subsidiaries)	5,818,593
Guarantees provided by the Company in favour of its subsidiaries	
Total guarantee amount provided to the Company's subsidiaries during the reporting period	6,925,266
Total guarantee balance provided to the Company's subsidiaries at the end of the reporting period (B)	49,020,890
Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favour of its subsidiaries)	
Total guarantee amount (A+B)	54,839,483
Percentage of total guarantee amount to net assets of the Company (%)	42.53%
including:	
Provision of guarantee to shareholders, ultimate controller and their respective connected persons (C)	-
Amount of guarantees directly or indirectly provided in favour of parties with gearing ratio over 70% (D)	32,529,388
The total amount of guarantees provided which exceeds 50% of the net asset (E)	-
Total amount of the three above-stated guarantees (C+D+E)	32,529,388
Explanation on guarantees undue that might be involved in any joint and several liability	/
Explanation on guarantees	Percentage of total guarantee amount to net assets of the Company=Total guarantee amount/equity attributable to shareholders of the Company. As at 30 June 2019, total guarantee balance was RMB54.839 billion, representing 42.53% of the Company's net assets. Out of such guarantee balance, RMB19.071 billion and RMB29.950 billion were provided to the Company's wholly-owned subsidiaries and non-wholly-owned subsidiaries respectively. Guarantee balance of RMB5.819 billion was provided to Wuhu Yunda Rail Transport Construction and Operation Limited. As far as guarantee type is concerned, RMB3.652 billion was provided for bank acceptance bills, RMB4.213 billion was provided for loans and medium-term notes, and RMB46.974 billion was provided for letters of guarantee, letters of credit and credit facilities, etc. The Company did not provide any guarantees in favour of its controlling shareholders, ultimate controller and their related parties. As at the end of the reporting period, approval procedures have been complied with at the Board meetings and the general meetings as required by the Articles of Associations in respect of the guarantees provided by the Company in favour of its wholly-owned and non-wholly-owned subsidiaries with gearing ratio over 70%.

(III) Other material contracts

As of the date of this report, the Company signed several sales contracts. For details, please refer to the announcements dated 20 March 2019 and 15 July 2019 published by the Company on the websites of SSE and the Stock Exchange.

IX. INFORMATION ON THE CONVERTIBLE CORPORATE BONDS

On 5 February 2016, the Company issued H share convertible bonds in an aggregate principal amount of US$600,000,000 (the "Convertible Bonds" or "Bonds"). The Convertible Bonds are due on 5 February 2021 with a par value of US$250,000 each and are issued at 100% of its par value with zero coupon. The initial conversion price of the Convertible Bonds is HK$9.65 per H share, and the current adjusted conversion price as at 30 June 2019 is HK$9.15 per share. Proceeds from the issuance of the Bonds will be used to satisfy the production and international operation needs of the Company, including but not limited to adjusting its debt structure, increasing the capital contribution to its subsidiaries, replenishing working capital and project investments etc., and may be utilized at sole discretion of the Company both inside and outside of the PRC according to actual circumstances. For details of the actual use of proceeds from convertible bonds, please refer to the section headed "Report of Directors-B. Discussion and Analysis of the Board on the Operation of the Company during the Reporting Period-I. Discussion and Analysis of Operation – (IX) Use of proceeds".

On 5 February 2019, as required by the bondholders, the Company redeemed the Convertible Bonds with an aggregate principal amount of US$240,000,000 pursuant to the terms and conditions of the Convertible Bonds. Upon the completion of abovementioned redemption, the H Share Convertible Bonds of an aggregate principal amount of US$360,000,000 remained outstanding, representing 60% of the total principal amount of the Bonds originally issued. According to the adjusted conversion price of HK$9.15 per H share as of 30 June 2019, the maximum number of H Shares that the Company can issue will be 306,499,672 H Shares if the Bonds are fully converted. The Company distributed a cash dividend of RMB0.15 per share (tax inclusive) to all shareholders pursuant to the 2018 profit distribution plan considered and approved at the general meeting held on 25 June 2019. The conversion price of the Convertible Bonds was adjusted to HK$9.00 per H share from HK$9.15 per H share pursuant to the terms and conditions of the Bonds with effect from 9 July 2019. Based on the adjusted conversion price of HK$9.00 per H share, the maximum number of H shares issuable by the Company upon full conversion of the Convertible Bonds will be 311,608,000 H shares.

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

(I) Dilution impact of the Convertible Bonds on shares

As at 30 June 2019, the outstanding principal amount of the Convertible Bonds was US$360,000,000. Based on the adjusted conversion price of HK$9.15 per H share, the maximum number of H shares issuable by the Company upon full conversion of the Convertible Bonds will be 306,499,672 H shares. The following table sets out the shareholding structure of the Company upon full conversion of the Convertible Bonds with reference to the shareholding structure of the Company as at 30 June 2019 and assuming no further issuance of shares by the Company:

Name of shareholders	Numbers of shares	Percentage of issued share capital enlarged by the issuance of conversion shares
CRRCG and its associates *Note*	14,759,281,450 A shares	50.88%
Public shareholders:		
Subscribers of the Bonds	306,499,672 H Shares	1.06%
Other public shareholders	4,371,066,040 H Shares	15.07%
	9,568,516,598 A shares	32.99%
Issued share capital enlarged by the issuance of conversion shares	29,005,363,760 Shares	100.00%

Note: CRRCG holds 329,763,427 A Shares through CRRC Financial and Securities Investments Co., Ltd..

An analysis of the impact on the earnings per share if the Convertible Bonds were fully converted into shares of the Company as at 30 June 2019 is set out in Note XIII.3 to the financial statements of this report.

(II) Principal terms of Convertible Bonds

The principal terms of the Convertible Bonds are as follows:

1. Conversion right

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

The initial conversion price of the Convertible Bonds is HK$9.65 per share which is adjusted to HK$9.50 per H share since 28 June 2016 as a result of the distribution of 2015 cash dividend; further adjusted to HK$9.29 per H share since 30 June 2017 as a result of the distribution of 2016 cash dividend; and further adjusted to HK$9.15 per H share since 13 June 2018 as a result of the distribution of 2017 cash dividend. The Company distributed a cash dividend of RMB0.15 per share (tax inclusive) to all shareholders pursuant to the 2018 profit distribution plan considered and approved at the general meeting held on 25 June 2019. The conversion price of the Convertible Bonds was adjusted to HK$9.00 per H share from the 2018 adjusted conversion price of HK$9.15 per H share pursuant to the terms and conditions of the Bonds with effect from 9 July 2019. The number of shares that may be converted is determined by the principal amount of the Bonds divided by the conversion price of the Bonds at the time of conversion. The fixed exchange rate of US dollar against HK dollar is HK$7.7902 to US$1.00.

2. Redemption option of the issuer

(1) Redemption at maturity

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

(2) Conditional redemption

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

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

b. if the aggregate principal of the Convertible Bonds that have not been redeemed or converted is less than 10% of the aggregate principal originally issued prior to the date upon which such notice is given.

(3) **Redemption at the option of the bondholders**

The holders of the Convertible Bonds by giving a notice of not less than 30 nor more than 60 days before redemption option date (i.e. 5 February 2019), the issuer will have the right, at the option of the holders of the Convertible Bonds, require the Company to redeem all or some of that holders' Convertible Bonds at 100% of their outstanding principal amount on the redemption option date.

(III) Accounting for the Convertible Bonds

The Convertible Bonds are comprised of debt component and derivative component with redemption option, conversion option and put-back option.

The movements of the debt component and derivative component of the Convertible Bonds for the period are set out below:

Unit: '000 Currency: RMB

	Debt component	Derivative component	Total
1 January 2019	3,910,829	271,899	4,182,728
Amortization of premiums or discounts	32,669	–	32,669
Exchange gains or losses	-31,100	-4,468	-35,568
Redemption during the current period	-1,532,789	-106,302	-1,639,091
Gains or losses on changes in fair value	–	-124,173	-124,173
30 June 2019	2,379,609	36,956	2,416,565

(IV) Others

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

On 5 February 2019, the holders of H Share Convertible Bonds redeemed the convertible bonds with an aggregate principal amount of US$240,000,000 pursuant to the terms and conditions of the Convertible Bonds. Upon the completion of abovementioned redemption, the H Share Convertible Bonds of an aggregate principal amount of US$360,000,000 remained outstanding, representing 60% of the total principal amount of the Bonds originally issued. For details, please refer to the announcement dated 8 February 2019 published by the company on the SSE and the Stock Exchange.

X. CORPORATE GOVERNANCE

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

(I) Compliance with the Corporate Governance Code

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

(II) Securities transactions by Directors and Supervisors

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

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

The Audit and Risk Management Committee has reviewed the Company's unaudited interim condensed consolidated financial statements and the interim report for the six months ended 30 June 2019, and has agreed on their submission to the Board for consideration and approval.

XI. OTHER SIGNIFICANT EVENTS

(I) Particulars of debt financing instruments

1. On 18 April 2019, the Company issued 2019 First Tranche of 90-day Super Short-term Financing Bills in a total amount of RMB3 billion, which will be due and settled on 21 July 2019.

2. On 23 April 2019, the Company issued 2019 Second Tranche of 180-day Super Short-term Financing Bills in a total amount of RMB3 billion, which will be due and settled on 21 October 2019.

3. On 24 April 2019, the Company issued 2019 Third Tranche of 90-day Super Short-term Financing Bills in a total amount of RMB3 billion, which will be due and settled on 24 July 2019.

4. On 25 April 2019, the Company issued 2019 Fourth Tranche of 90-day Super Short-term Financing Bills in a total amount of RMB3 billion, which will be due and settled on 25 July 2019.

5. The medium-term notes issued by the Company in 2014 (14 CNR MTN002) in a total amount of RMB2 billion expired on 18 March 2019 and was redeemed on schedule.

6. On 26 June 2019, the Company completed the interest payment of priority notes under the asset-backed notes.

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

The Ministry of Finance issued the revised "Accounting Standards for Business Enterprises No. 21 – Leases" in 2018, which has been adopted by the Company since 1 January 2019. For details, please refer to "Note III. 30" of the "Financial Report" of this report.

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

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

CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Changes in shares

1. Changes in the shares

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

2. Public float

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

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

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

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

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

(II) Changes in restricted shares

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

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of shareholders as at the end of the reporting period (shareholder) *Note*	816,302

Note: As at the end of the reporting period, the Company had 813,627 holders of A shares and 2,675 registered holders of H shares.

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

Unit: share

Shareholdings of the top ten shareholders							
					Shares pledged or frozen		
Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Number of shares subject to trading moratorium held	Pledged or frozen	Number	Nature of shareholder
CRRCG	0	14,429,518,023	50.28	705,052,878	Nil	–	State-owned legal person
HKSCC NOMINEES LIMITED Note	140,681	4,360,121,239	15.19	–	Unknown	–	Overseas legal person
China Securities Finance Corporation Limited	0	858,958,326	2.99	–	Unknown	–	State-owned legal person
China Reform Investment Co., Ltd. (國新投資有限公司)	-8,794,400	364,355,330	1.27	–	Unknown	–	State-owned legal person
CRRC Financial and Securities Investment Co., Ltd.	0	329,763,427	1.15	–	Nil	–	State-owned legal person
Central Huijin Asset Management Ltd.	0	304,502,100	1.06	–	Unknown	–	State-owned legal person
Shanghai Xinghan Asset – Industrial Bank – China Industrial International Trust Limited	0	235,017,626	0.82	235,017,626	Unknown	–	State-owned legal person
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan	0	234,982,900	0.82	–	Unknown	–	Unknown
E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan	0	234,982,900	0.82	–	Unknown	–	Unknown
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities and Financial Assets Management Plan	0	234,982,900	0.82	–	Unknown	–	Unknown
Harvest Fund – Agricultural Bank of China – Harvest China Securities and Financial Assets Management Plan	0	234,982,900	0.82	–	Unknown	–	Unknown
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan	0	234,982,900	0.82	–	Unknown	–	Unknown
Zhong Ou Asset – Agricultural Bank of China – Zhongou China Securities and Financial Assets Management Plan	0	234,982,900	0.82	–	Unknown	–	Unknown
ChinaAMC – Agricultural Bank of China – ChinaAMC China Securities and Financial Assets Management Plan	0	234,982,900	0.82	–	Unknown	–	Unknown
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan	0	234,982,900	0.82	–	Unknown	–	Unknown
China Southern Asset Management – Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan	0	234,982,900	0.82	–	Unknown	–	Unknown
ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan	0	234,982,900	0.82	–	Unknown	–	Unknown

Name of shareholders	Shareholdings of the top ten shareholders not subject to trading moratorium Number of tradable shares held not subject to trading moratorium	Class and number of shares Class	Number
CRRCG	13,724,465,145	Ordinary shares denominated in RMB	13,724,465,145
HKSCC NOMINEES LIMITED Note	4,360,121,239	Overseas listed foreign shares	4,359,980,558
China Securities Finance Corporation Limited	858,958,326	Ordinary shares denominated in RMB	858,958,326
China Reform Investment Co., Ltd.	364,355,330	Ordinary shares denominated in RMB	373,149,730
CRRC Financial and Securities Investment Co., Ltd.	329,763,427	Ordinary shares denominated in RMB	329,763,427
Central Huijin Asset Management Ltd.	304,502,100	Ordinary shares denominated in RMB	304,502,100
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan	234,982,900	Ordinary shares denominated in RMB	234,982,900
E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan	234,982,900	Ordinary shares denominated in RMB	234,982,900
Dacheng Fund – Agricultural Bank of China — Dacheng China Securities and Financial Assets Management Plan	234,982,900	Ordinary shares denominated in RMB	234,982,900
Harvest Fund – Agricultural Bank of China – Harvest China Securities and Financial Assets Management Plan	234,982,900	Ordinary shares denominated in RMB	234,982,900
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan	234,982,900	Ordinary shares denominated in RMB	234,982,900
Zhong Ou Asset – Agricultural Bank of China – Zhongou China Securities and Financial Assets Management Plan	234,982,900	Ordinary shares denominated in RMB	234,982,900
China AMC – Agricultural Bank of China – China AMC China Securities and Financial Assets Management Plan	234,982,900	Ordinary shares denominated in RMB	234,982,900
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan	234,982,900	Ordinary shares denominated in RMB	234,982,900
China Southern Asset Management – Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan	234,982,900	Ordinary shares denominated in RMB	234,982,900
ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan	234,982,900	Ordinary shares denominated in RMB	234,982,900
Connections or parties acting in concert among the aforesaid shareholders	CRRC Financial and Securities Investment Co., Ltd. is a wholly-owned subsidiary of CRRCG. Save for the above, the Company is not aware of any connections among the other shareholders above, nor aware of any parties acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies.		

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

Shareholding of the top ten shareholders subject to trading moratorium and their respective terms of trading moratorium

Unit: share

No.	Name of shareholders subject to trading moratorium	Number of shares held subject to trading moratorium	Trading conditions of the shares subject to trading moratorium: Date of listing and trading	Trading conditions of the shares subject to trading moratorium: Additional listed and tradeable shares	Terms of trading moratorium
1	CRRCG	705,052,878	17 January 2020	705,052,878	36 months after the completion date of the Non-public Issuance
2	Shanghai Xinghan Asset – Industrial Bank – China Industrial International Trust Limited	235,017,626	17 January 2020	235,017,626	36 months after the completion date of the Non-public Issuance
3	China Development Bank Capital Corporation Ltd.	176,263,219	17 January 2020	176,263,219	36 months after the completion date of the Non-public Issuance
4	Shanghai Zhaoyin Equity Investment Fund Management Co., Ltd.	117,508,813	17 January 2020	117,508,813	36 months after the completion date of the Non-public Issuance
5	China Development Bank Jingcheng (Beijing) Investment Fund Co., Ltd.	117,508,813	17 January 2020	117,508,813	36 months after the completion date of the Non-public Issuance
6	China Development Bank Siyuan (Beijing) Investment Fund Co., Ltd.	58,754,406	17 January 2020	58,754,406	36 months after the completion date of the Non-public Issuance
Explanation on the connected or acting in concert relationship of the above shareholders		Both China Development Bank Jingcheng (Beijing) Investment Fund Co., Ltd. and China Development Bank Siyuan (Beijing) Investment Fund Co., Ltd. are corporate PE investment funds and are managed by China Development Bank Investment and Development Fund Management (Beijing) Co., Ltd., which is a wholly-owned subsidiary of China Development Bank Capital Corporation Limited.			

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

As at 30 June 2019, the persons set out in the table below had an interest or short position in the Company's shares as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Capacity	H shares or A shares	Nature of interest	Number of H shares or A shares held	Percentage of H shares or A shares held in the total issued H shares or total issued A shares (%)
CRRCG	Beneficial owner	A Shares	Long position	14,429,518,023	59.31
	Interest of corporation controlled by the substantial shareholder	A Shares	Long position	329,763,427	1.36
JPMorgan Chase & Co.	Interest of corporation controlled by the substantial shareholder, investment manager, person having a security interest in shares, approved lending agent	H Shares	Long position	321,182,891	7.35
	Interest of corporation controlled by the substantial shareholder	H Shares	Short position	45,482,639	1.04
	Approved lending agent	H Shares	Shares in lending pool	203,995,145	4.67
Citigroup Inc.	Interest of corporation controlled by the substantial shareholder, person having a security interest in shares, approved lending agent	H Shares	Long position	270,671,316	6.19
	Interest of corporation controlled by the substantial shareholder	H Shares	Short position	4,825,000	0.11
	Approved lending agent	H Shares	Shares in lending pool	248,766,328	5.69
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	260,291,451	5.95
	Interest of corporation controlled by the substantial shareholder	H Shares	Short position	3,783,000	0.09

Note: As at 30 June 2019, CRRCG holds 329,763,427 A shares through CRRC Financial and Securities Investment Co., Ltd.

Save as disclosed above, as far as the Directors are aware, as at 30 June 2019, no other person had interests and/or short positions in the shares or underlying shares (as the case may be) of the Company which were required to be recorded in the register pursuant to section 336 of Part XV of the SFO, or was otherwise a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

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

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

III. CHANGES IN THE CONTROLLING SHAREHOLDER OR THE ULTIMATE CONTROLLER

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN SHAREHOLDING

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

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

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

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

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

As at 30 June 2019, the following Directors and Supervisors had interests in the A shares of the Company and relevant details are set out as follows:

Name	Position	Capacity	Type of shares held	Number of shares held
Liu Hualong	Chairman, Executive Director	Beneficial owner	A shares	50,000
Sun Yongcai	President, Executive Director	Beneficial owner	A shares	111,650
Qiu Wei	Employee Representative Supervisor	Beneficial owner	A shares	30,000

Save as disclosed above, as at 30 June 2019, none of the Directors, Supervisors or chief executives of the Company had interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register maintained by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code by the Directors or Supervisors.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change
Chen Fangping	Supervisor	Resignation
Chen Zhenhan	Supervisor	Appointment

Note:

Mr. Chen Fangping, a Supervisor of the Company, has tendered a written resignation letter to the Supervisory Committee for resignation as a Supervisor of the Company due to his age. On 25 June 2019, the Company held the 2018 Annual General Meeting to elect Mr. Chen Zhenhan as the Supervisor of the second session of the Supervisory Committee, and his term of office shall end on the date of expiry of the term of office of the second session of the Supervisory Committee. The resignation of Mr. Chen Fangping took effect on the same date. For details, please refer to the announcements dated 29 April 2019 and 25 June 2019 published by the Company on the website of the Shanghai Stock Exchange and the website of the Stock Exchange.

RELEVANT INFORMATION OF CORPORATE BONDS

I. BASIC INFORMATION OF CORPORATE BONDS

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

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

The 2016 corporate bond of CRRC Corporation Limited (first tranche) was issued by CRRC on 30 August 2016 and will expire on 30 August 2021. The outstanding balance of the bond is RMB2,000 million and bears an interest rate of 2.95%. The interest on the bond will be paid annually and the principal will be repaid in one sum. The bond is listed and traded on the SSE.

Interests payment for corporate bonds

The Company disclosed the Announcement in relation to Interest Payment of 13 CSR 02 Corporate Bond of CRRC Corporation Limited (《中國中車股份有限公司關於13南車02公司債券的付息公告》) dated 11 April 2019 and paid the interest on 13 CSR 02 for the period from 22 April 2018 to 21 April 2019 on 22 April 2019. No interest payment was made for 16 CRRC 01 during the reporting period.

Description of other matters in relation to corporate bonds

The Company resold the "16 CRRC 01" corporate bonds and adjusted its interest rate according to the "Prospectus of the 2016 Corporate Bonds of CRRC Corporation Limited (First Tranche)". For details, please refer to the Announcement of CRRC Corporation Limited on the Resale of "16 CRRC 01" Corporate Bonds (《中國中車股份有限公司關於"16中車01"公司債券回售的公告》), the Announcement of CRRC Corporation Limited on the Coupon Rate Adjustment for "16 CRRC 01" Corporate Bonds (《中國中車股份有限公司關於"16中車01"公司債券票面利率調整的公告》) dated 11 July 2019 and any subsequent announcements.

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

Unit: '000 Currency: RMB

Key indicator	End of the reporting period	End of last year	Change between the reporting period and the same period last year (%)
Current ratio (%)	1.19	1.21	Decreased by 0.02 ppt
Quick ratio (%)	0.76	0.79	Decreased by 0.03 ppt
Gearing ratio (%)	62.08	58.13	Increased by 3.95 ppt
Loan repayment rate (%)	100.00	100.00	–
	Reporting period (January to June)	**Same period last year (restated)**	**Change between the reporting period and the same period last year (%)**
EBITDA interest coverage multiple	18.14	12.01	51.04
Interest coverage (%)	128.25	114.20	Increased by 14.05 ppt

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

The table below sets forth details on the amount of bank credit facilities, the utilized amount and the outstanding credit facilities of the Company as at 30 June 2019:

Unit: ’000 Currency: RMB

Name of Bank	Amount of credit facilities	Utilized Amount	Outstanding credit facilities
China Development Bank	22,500,000	–	22,500,000
The Export-Import Bank of China	18,000,000	–	18,000,000
Bank of China Limited	20,000,000	3,287,576	16,712,424
China Minsheng Bank Co., Ltd.	20,000,000	6,709,220	13,290,780
Bank of Communications Co., Ltd.	10,000,000	–	10,000,000
China Construction Bank Corporation	10,000,000	5,071,027	4,928,973
China Merchants Bank Co., Ltd. Beijing Branch	10,000,000	1,404,874	8,595,126
Industrial and Commercial Bank of China Limited	9,150,000	10	9,149,990
China Zheshang Bank Co., Ltd.	5,000,000	–	5,000,000
Bank of Beijing Co., Ltd. Beichen Road Sub-branch	7,500,000	–	7,500,000
China Everbright Bank Co., Ltd.	6,600,000	300,000	6,300,000
Agricultural Bank of China Limited	5,000,000	–	5,000,000
China CITIC Bank Corporation Limited	5,000,000	346,799	4,653,201
Postal Savings Bank of China Co., Ltd.	5,000,000	–	5,000,000
Huaxia Bank Co., Ltd. Beijing Branch	4,000,000	–	4,000,000
Beijing Rural Commercial Bank Co., Ltd.	3,500,000	–	3,500,000
Industrial Bank Co., Ltd. Beijing Branch	3,000,000	–	3,000,000
China Guangfa Bank Co., Ltd. Beijing Branch	3,000,000	–	3,000,000
Bank of Kunlun Co., Ltd.	1,000,000	–	1,000,000
Societe Generale (China) Co., Ltd.	100,000	55,890	44,110
Total	168,350,000	17,175,396	151,174,604

Unit: ’000 Currency: USD

Name of Bank	Amount of credit facilities	Utilized amount	Outstanding credit facilities
Standard Chartered Bank (China) Limited	30,000.00	8,350.00	21,650.00
DBS Bank (China) Limited	100,000.00	2,380.44	97,619.56
Citibank (China) Co Ltd	224,000.00	–	224,000.00
Total	354,000.00	10,730.44	343,269.56

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

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

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

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

THE CONSOLIDATED BALANCE SHEET

30 June 2019

The accompanying financial statements are English translations of the financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the balance sheet and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note V	30 June 2019	31 December 2018
Current Assets:			
Cash and bank balances	1	34,293,702	38,171,008
Placements with Banks and other financial institutions	2	1,194,203	–
Held-for-trading financial assets	3	7,090,213	7,246,736
Bills receivable	4	12,952,651	15,475,106
Accounts receivable	5	90,274,430	64,205,603
Receivables at fair value through other comprehensive income	6	5,997,241	5,277,641
Prepayments	7	10,221,573	9,198,553
Other receivables	8	3,211,661	3,029,887
Inventories	9	71,563,588	55,121,500
Contract assets	10	17,234,693	14,657,889
Assets classified as held for sale		5,666	6,354
Non-current assets due within one year	11	10,996,299	11,646,729
Other current assets	12	3,392,492	3,475,122
Total current Assets		268,428,412	227,512,128
Non-current Assets:			
Loans and advances to customers	13	1,874,753	1,880,911
Debt investments	14	1,680,458	1,622,252
Long-term receivables	15	8,635,611	7,809,013
Long-term equity investments	16	14,846,672	13,765,792
Investment in other equity instruments	17	2,225,377	2,252,423
Other non-current financial assets	18	598,673	598,551
Investment properties	19	1,050,280	1,248,530
Fixed assets	20	57,042,762	57,390,729
Construction in progress	21	7,752,554	8,098,213
Right-of-use assets	22	981,592	–
Intangible assets	23	16,455,045	16,650,104
Development expenditures	24	301,877	286,606
Goodwill	25	714,772	713,042
Long-term prepayments		214,875	223,691
Deferred tax assets	26	3,660,054	3,644,579
Other non-current assets	27	12,669,717	13,826,486
Total non-current Assets		130,705,072	130,010,922
TOTAL ASSETS		399,133,484	357,523,050

ITEM	Note V	30 June 2019	31 December 2018
Current Liabilities:			
Short-term borrowings	28	13,529,868	8,634,101
Borrowings from the central bank		476,720	–
Deposits from banks and other financial institutions	29	1,792,851	2,795,282
Placements from banks and other financial institutions	30	2,200,000	14,955
Bills payable	31	22,938,761	21,978,720
Accounts payable	32	119,913,866	99,189,987
Receipts in advance	33	30,891	24,337
Contract liabilities	34	24,745,071	22,335,899
Employee benefits payable	35	2,427,480	2,045,836
Tax payable	36	1,162,071	3,529,455
Other payables	37	14,786,943	9,860,396
Non-current liabilities due within one year	38	6,924,790	11,096,595
Other current liabilities	39	14,992,145	6,155,925
Total Current Liabilities		225,921,457	187,661,488
Non-current Liabilities:			
Long-term borrowings	40	1,416,899	880,011
Bonds payable	41	3,893,670	3,500,000
Lease liabilities	42	763,330	–
Long-term payables	43	198,906	279,178
Long-term employee benefits payable	44	3,513,202	3,599,049
Provisions	45	5,371,041	5,389,261
Deferred income	46	6,328,967	6,193,236
Deferred tax liabilities	26	146,771	158,546
Other non-current liabilities	47	225,991	177,654
Total Non-current Liabilities		21,858,777	20,176,935
TOTAL LIABILITIES		247,780,234	207,838,423
Shareholders' equity:			
Share capital	48	28,698,864	28,698,864
Capital reserve	49	40,614,459	40,628,708
Other comprehensive income	50	(839,938)	(866,748)
Special reserve	51	49,957	49,957
Surplus reserve	52	3,279,992	3,279,992
General risk reserve		551,265	551,265
Retained earnings	53	56,575,601	56,115,657
Total equity attributable to shareholders of the Company		128,930,200	128,457,695
Non-controlling interests		22,423,050	21,226,932
TOTAL SHAREHOLDERS' EQUITY		151,353,250	149,684,627
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		399,133,484	357,523,050

Legal Representative:	*Chief Accountant:*	*Person in Charge of the Accounting Department:*
Liu Hualong	**Zhan Yanjing**	**Wang Jian**

THE COMPANY'S BALANCE SHEET

30 June 2019

Prepared by: CRRC Corporation Limited RMB'000

ITEM	Note	30 June 2019	31 December 2018
Current Assets:			
Cash and bank balances	XIV,1	8,837,295	8,472,605
Held-for-trading financial assets		62,861	61,242
Accounts receivable		202,640	275,828
Prepayments		16,033	–
Other receivables	XIV,2	20,946,375	23,195,654
Non-current assets due within one year		1,941,472	880,192
Other current assets		6,670	–
Total current Assets		32,013,346	32,885,521
Non-current Assets:			
Long-term receivables		4,354,661	5,701,111
Long-term equity investments	XIV,3	102,546,333	100,154,514
Fixed assets		21,090	25,797
Construction in progress		39,818	40,752
Right-of-use assets		58,129	–
Intangible assets		105,626	109,148
Other non-current assets		–	2,430,000
Total non-current Assets		107,125,657	108,461,322
TOTAL ASSETS		139,139,003	141,346,843
Current Liabilities:			
Short-term borrowings		2,040,311	4,866,730
Accounts payable		166,236	231,686
Contract liabilities		42,518	42,518
Employee benefits payable		23,800	56,964
Tax payable		294	10,912
Other payables		21,448,274	23,138,870
Non-current liabilities due within one year		2,063,405	6,181,896
Other current liabilities	V, 39	12,053,343	3,000,000
Total current Liabilities		37,838,181	37,529,576
Non-current Liabilities:			
Bonds payable	V, 41	3,893,670	3,500,000
Lease liabilities		41,057	–
Long-term payables		239	241
Long-term employee benefits payable		2,170	2,090
Other non-current liabilities		36,956	–
Total Non-current Liabilities		3,974,092	3,502,331
TOTAL LIABILITIES		41,812,273	41,031,907
Shareholders' Equity:			
Share capital		28,698,864	28,698,864
Capital reserve		62,804,257	62,804,362
Other comprehensive income		69,206	(32,989)
Surplus reserve		3,279,992	3,279,992
Retained earning		2,474,411	5,564,707
TOTAL SHAREHOLDERS' EQUITY		97,326,730	100,314,936
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		139,139,003	141,346,843

Legal Representative: **Liu Hualong**

Chief Accountant: **Zhan Yanjing**

Person in Charge of the Accounting Department: **Wang Jian**

THE CONSOLIDATED INCOME STATEMENT

From January to June 2019

Prepared by: CRRC Corporation Limited RMB'000

ITEM	Note V	January-June 2019	January-June 2018 (Restated)
I. Total operating income	54	96,147,021	86,290,821
II. Total operating costs		88,983,545	80,364,751
Including: Operating costs	54	74,544,370	66,221,125
Taxes and levies	55	730,523	812,503
Selling expenses	56	3,016,082	2,512,788
Administrative expenses	57	5,990,813	6,021,778
Research and Development expenses	58	4,388,411	4,027,948
Financial expenses	59	313,346	768,609
Including: Interest expenses		470,313	767,120
Interest income		286,388	397,483
Add: Other income	60	356,207	273,924
Investment income	61	203,508	354,580
Including: Gains from investments in associates and joint ventures		149,310	175,829
Loss from derecognition of financial assets measured at amortised cost		(67,751)	(23,597)
Gains from changes in fair value	62	168,370	218,299
Impairment losses under expected credit loss model	63	(982,716)	(751,474)
Assets impairment losses	64	(239,896)	(235,539)
(Loss) Gains on disposal of assets	65	(14,893)	106,634
III. Operating profit		6,654,056	5,892,494
Add: Non-operating income	66	220,627	339,121
Less: Non-operating expenses	67	56,200	57,591
IV. Total profit		6,818,483	6,174,024
Less: Income tax expenses	68	1,253,839	1,239,796
V. Net profit		5,564,644	4,934,228
(I) Net profit classified by operating continuity			
1. Net profit from continuing operations		5,564,644	4,934,228
(II) Net profit classified by ownership ascription			
1. Net profit attributable to shareholders of the Company		4,780,641	4,114,387
2. Net profit attributable to non-controlling interests		784,003	819,841
VI. Other comprehensive income, net of income tax	50	11,611	(379,293)
Other comprehensive income attributable to shareholders of the Company, net of income tax		17,068	(356,278)
(I) Items that will not be reclassified to profit or loss		(65,022)	(327,314)
1. Changes in fair value of investment in other equity instruments		(65,022)	(327,314)
(II) Items that may be reclassified to profit or loss		82,090	(28,964)
1. Other comprehensive income that may be reclassified to profit or loss under equity method		102,195	(36,659)
2. Changes in fair value of other debt investments		9,162	5,585
3. Provision for credit impairments of other debt investments		11	(33,762)
4. Exchange differences on translating of financial statements in foreign currencies		(29,278)	35,872
Other comprehensive income attributable to non-controlling interests, net of income tax		(5,457)	(23,015)
VII. Total comprehensive income		5,576,255	4,554,935
Total comprehensive income attributable to owners of the Company		4,797,709	3,758,109
Total comprehensive income attributable to minority interests		778,546	796,826
VIII. Earnings per share			
(I) Basic earnings per share(RMB/per share)		0.17	0.14
(II) Diluted earnings per share(RMB/per share)		0.16	0.14

The business combination under common control incurred in December 2018. From January to June 2018, the net loss of the merged party was RMB6,196,000.

Legal Representative: **Liu Hualong** *Chief Accountant:* **Zhan Yanjing** *Person in Charge of the Accounting Department:* **Wang Jian**

THE COMPANY'S INCOME STATEMENT

From January to June 2019

Prepared by: CRRC Corporation Limited RMB'000

ITEM	Note XIV	January-June 2019	January-June 2018
I. Total operating income		1,622	3
Less: Taxes and levies		1,342	8,316
Selling expenses		1,859	2,654
Administrative expenses		93,850	89,175
Research and Development expenses		48,146	24,406
Financial expenses		(50,745)	(62,467)
Including: Interest expenses		384,622	692,936
Interest income		442,575	833,434
Add: Investment income	4	1,177,165	1,104,611
Including: Gains from investments in associates and joint ventures		7,377	3,243
Gains from derecognition of financial assets measured at amortised cost		–	–
Gains from changes in fair value		125,792	259,909
II. Operating profit		1,210,127	1,302,439
Add: Non-operating income		4,407	3,040
III. Total profit		1,214,534	1,305,479
Less: Income tax expenses		–	–
IV. Net profit		1,214,534	1,305,479
(I) Net profit from continuing operations		1,214,534	1,305,479
V. Other comprehensive income, net of tax		102,195	(36,659)
(I) Items that may be reclassified to profit or loss		102,195	(36,659)
1. Other comprehensive income that can be reclassified to profit or loss under equity method		102,195	(36,659)
VI. Total comprehensive income		1,316,729	1,268,820

Legal Representative:	*Chief Accountant:*	*Person in Charge of the Accounting Department:*
Liu Hualong	**Zhan Yanjing**	**Wang Jian**

THE CONSOLIDATED CASH FLOW STATEMENT

From January to June 2019

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note V	January-June 2019	January-June 2018
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		81,896,877	97,929,431
Net increase in placements with banks and other financial institutions		2,185,045	–
Receipts of tax refunds		655,327	539,169
Other cash receipts relating to operating activities	69	4,246,981	1,350,508
Sub-total of cash inflows from operating activities		88,984,230	99,819,108
Cash payments for goods purchased and services received		73,613,433	83,423,767
Net decrease in deposits from banks and other financial institutions		1,002,431	351,651
Net increase in placements from banks and other financial institutions		1,194,203	–
Cash payments to and on behalf of employees		13,606,216	13,187,496
Payments of various types of taxes		6,943,584	8,004,071
Other cash payments relating to operating activities	69	6,014,529	5,406,556
Sub-total of cash outflows from operating activities		102,374,396	110,373,541
Net Cash Flow used in Operating Activities	70	(13,390,166)	(10,554,433)
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		18,917,893	22,172,078
Cash receipts from investment income		365,327	207,631
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		94,550	298,686
Other cash receipts relating to investing activities		–	26,539
Sub-total of cash inflows from investing activities		19,377,770	22,704,934
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		2,706,890	3,528,971
Cash payments to acquire investments		22,976,548	20,930,249
Cash payments for disposal of subsidiaries		–	50,031
Other cash payments relating to investing activities		121,264	–
Sub-total of cash outflows from investing activities		25,804,702	24,509,251
Net Cash Flow used in Investing Activities		(6,426,932)	(1,804,317)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		796,011	34,209
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		796,011	34,209
Cash receipts from borrowings		55,608,495	8,483,367
Cash receipts from bonds issuing		12,000,000	–
Other cash receipts relating to financing activities		900	–
Sub-total of cash inflows from financing activities		68,405,406	8,517,576
Cash repayments of borrowings		57,834,540	17,839,404
Cash payments for distribution of dividends or profits or settlement of interest expenses		636,478	1,019,907
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		318,700	122,683
Cash payments for acquisition of non-controlling interests in subsidiaries		81,584	171,471
Other cash payments relating to financing activities		211,566	26,264
Sub-total of cash outflows from financing activities		58,764,168	19,057,046
Net Cash Flow from (used in) Financing Activities		9,641,238	(10,539,470)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		89,301	(200,633)
V. Net Decrease in Cash and Cash Equivalents	70	(10,086,559)	(23,098,853)
Add: Opening Balance of Cash and Cash Equivalents	70	30,290,094	47,723,380
VI. Closing Balance of Cash and Cash Equivalents	70	20,203,535	24,624,527

Legal Representative: **Liu Hualong**

Chief Accountant: **Zhan Yanjing**

Person in Charge of the Accounting Department: **Wang Jian**

THE COMPANY'S CASH FLOW STATEMENT

From January to June 2019

Prepared by: CRRC Corporation Limited RMB'000

ITEM	Note XIV	January-June 2019	January-June 2018
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		74,382	40,538
Receipts of tax refunds		22,020	37,940
Other cash receipts relating to operating activities		4,003,304	463,759
Sub-total of cash inflows from operating activities		4,099,706	542,237
Cash payments for goods purchased and services received		86,027	78,862
Cash payments to and on behalf of employees		92,417	85,902
Payments of various types of taxes		11,176	11,833
Other cash payments relating to operating activities		4,004,155	13,776
Sub-total of cash outflows from operating activities		4,193,775	190,373
Net Cash Flow (used in) from Operating Activities	5	(94,069)	351,864
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		19,488,753	29,583,989
Cash receipts from investment income		2,497,742	3,299,987
Sub-total of cash inflows from investing activities		21,986,495	32,883,976
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		5,849	2,097
Cash payments to acquire investments		25,503,890	32,966,005
Other cash payments relating to investing activities		121,264	–
Sub-total of cash outflows from investing activities		25,631,003	32,968,102
Net Cash Flow used in Investing Activities		(3,644,508)	(84,126)
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		45,853,590	1,910,000
Cash receipts from bonds issuing		12,000,000	–
Other cash receipts relating to financing activities		17,711,585	13,288,963
Sub-total of cash inflows from financing activities		75,565,175	15,198,963
Cash repayments of borrowings		55,291,844	13,483,323
Cash payments for distribution of dividends or profits or settlement of interest expenses		415,797	763,636
Other cash payments relating to financing activities		22,258,784	18,127,472
Sub-total of cash outflows from financing activities		77,966,425	32,374,431
Net Cash Flow used in Financing Activities		(2,401,250)	(17,175,468)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		2,996	(7,527)
V. Net Decrease in Cash and Cash Equivalents	5	(6,136,831)	(16,915,257)
Add: Opening Balance of Cash and Cash Equivalents	5	7,470,296	17,729,651
VI. Closing Balance of Cash and Cash Equivalents	5	1,333,465	814,394

Legal Representative:	*Chief Accountant:*	*Person in Charge of the Accounting Department:*
Liu Hualong	**Zhan Yanjing**	**Wang Jian**

THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

From January to June 2019

Preparer: CRRC Corporation Limited RMB'000

ITEM	From January to June 2019 Equity attributable to shareholders of the Company									
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Sub-Total	Non-controlling interests	Total shareholders' equity
I. Balance at 31 December 2018	28,698,864	40,628,708	(866,748)	49,957	3,279,992	551,265	56,115,657	128,457,695	21,226,932	149,684,627
II. Balance at 1 January 2019	28,698,864	40,628,708	(866,748)	49,957	3,279,992	551,265	56,115,657	128,457,695	21,226,932	149,684,627
III. Changes for the period	-	(14,249)	26,810	-	-	-	459,944	472,505	1,196,118	1,668,623
(I) Total comprehensive income	-	-	17,068	-	-	-	4,780,641	4,797,709	778,546	5,576,255
(II) Shareholders' contributions and reduction in capital	-	(14,249)	-	-	-	-	(6,125)	(20,374)	736,272	715,898
1. Capital contribution from owners	-	-	-	-	-	-	-	-	796,011	796,011
2. Others	-	(14,249)	-	-	-	-	(6,125)	(20,374)	(59,739)	(80,113)
(III) Profit distribution	-	-	-	-	-	-	(4,304,830)	(4,304,830)	(318,700)	(4,623,530)
1. Distributions to shareholders	-	-	-	-	-	-	(4,304,830)	(4,304,830)	(318,700)	(4,623,530)
(IV) Transfers within shareholders' equity	-	-	9,742	-	-	-	(9,742)	-	-	-
1. Other comprehensive income carried forward to retained earnings	-	-	9,742	-	-	-	(9,742)	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-
1. Appropriation of special reserves	-	-	-	162,535	-	-	-	162,535	10,904	173,439
2. Amount utilized in the period	-	-	-	(162,535)	-	-	-	(162,535)	(10,904)	(173,439)
IV. Balance at 30 June 2019	28,698,864	40,614,459	(839,938)	49,957	3,279,992	551,265	56,575,601	128,930,200	22,423,050	151,353,250

THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

From January to June 2019

	From January to June 2018 (Restated)									
	Equity attributable to shareholders of the Company									
ITEM	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Sub-Total	Non-controlling interests	Total shareholders' equity
I. Balance at 1 January 2018 (Not restated)	28,698,864	40,636,666	(593,148)	49,957	2,821,562	551,265	49,581,150	121,746,316	20,487,310	142,233,626
Business combination under common control	–	51,000	–	–	–	–	(25,660)	25,340	24,879	50,219
II. Balance at 1 January 2018 (Restated)	28,698,864	40,687,666	(593,148)	49,957	2,821,562	551,265	49,555,490	121,771,656	20,512,189	142,283,845
III. Changes for the period	–	(57,141)	(358,031)	–	–	–	(194,597)	(609,769)	356,946	(252,823)
(I) Total comprehensive income	–	–	(356,278)	–	–	–	4,114,387	3,758,109	796,826	4,554,935
(II) Shareholders' contributions and reduction in capital	–	(57,141)	–	–	–	–	(5,907)	(63,048)	(112,644)	(175,692)
1. Capital contribution from shareholders	–	–	–	–	–	–	–	–	34,209	34,209
2. Acquisition of non-controlling interests	–	(57,141)	–	–	–	–	(5,907)	(63,048)	(108,411)	(171,459)
3. Disposal of subsidiaries	–	–	–	–	–	–	–	–	(38,442)	(38,442)
(III) Profit distribution	–	–	–	–	–	–	(4,304,830)	(4,304,830)	(327,236)	(4,632,066)
1. Distributions to shareholders	–	–	–	–	–	–	(4,304,830)	(4,304,830)	(327,236)	(4,632,066)
(IV) Transfers within shareholders' equity	–	–	(1,753)	–	–	–	1,753	–	–	–
1. Other comprehensive income carried forward to retained earnings	–	–	(1,753)	–	–	–	1,753	–	–	–
(V) Special reserve	–	–	–	–	–	–	–	–	–	–
1. Appropriation of special reserves	–	–	–	140,359	–	–	–	140,359	7,264	147,623
2. Amount utilized in the period	–	–	–	(140,359)	–	–	–	(140,359)	(7,264)	(147,623)
IV. Balance at 30 June 2018	28,698,864	40,630,525	(951,179)	49,957	2,821,562	551,265	49,360,893	121,161,887	20,869,135	142,031,022

Legal Representative:
Liu Hualong

Chief Accountant:
Zhan Yanjing

Person in Charge of the Accounting Department:
Wang Jian

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

From January to June 2019

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	From January to June 2019 Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at 31 December 2018	28,698,864	62,804,362	(32,989)	3,279,992	5,564,707	100,314,936
II. Balance at 1 January 2019	28,698,864	62,804,362	(32,989)	3,279,992	5,564,707	100,314,936
III. Changes for the period	–	(105)	102,195	–	(3,090,296)	(2,988,206)
(I) Total comprehensive income	–	–	102,195	–	1,214,534	1,316,729
(II) Shareholders' contributions and reduction in capital	–	(105)	–	–	–	(105)
1. Other equity changes of associates	–	(105)	–	–	–	(105)
(III) Profit distribution	–	–	–	–	(4,304,830)	(4,304,830)
1. Distribution to shareholders	–	–	–	–	(4,304,830)	(4,304,830)
IV. Balance at 30 June 2019	28,698,864	62,804,257	69,206	3,279,992	2,474,411	97,326,730

ITEM	From January to June 2018 Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at 31 December 2017	28,698,864	62,801,939	59,837	2,821,562	5,704,174	100,086,376
II. Balance at 1 January 2018	28,698,864	62,801,939	20,340	2,821,562	5,743,671	100,086,376
III. Changes for the period	–	–	(36,659)	–	(2,999,351)	(3,036,010)
(I) Total comprehensive income	–	–	(36,659)	–	1,305,479	1,268,820
(II) Shareholders' contributions and reduction in capital	–	–	–	–	–	–
1. Other equity changes of associates	–	–	–	–	–	–
(III) Profit distribution	–	–	–	–	(4,304,830)	(4,304,830)
1. Distribution to shareholders	–	–	–	–	(4,304,830)	(4,304,830)
IV. Balance at 30 June 2018	28,698,864	62,801,939	(16,319)	2,821,562	2,744,320	97,050,366

Legal Representative: **Liu Hualong** *Chief Accountant:* **Zhan Yanjing** *Person in Charge of the Accounting Department:* **Wang Jian**

I. BASIC INFORMATION ABOUT THE COMPANY

1. General information

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

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

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

On 5 August 2015, the respective holding companies of CSR and CNR, namely CSR Group (formerly China South Locomotive and Rolling Stock Industry (Group) Corporation) and China Northern Locomotive & Rolling Stock Industry (Group) Corporation, had merged as CRRC Group ("CRRCG") following the merger between CSR and CNR. All assets, liabilities, business, employees, contracts, qualifications and other rights and obligations shall be inherited by CRRCG after the merger.

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

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

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

I. BASIC INFORMATION ABOUT THE COMPANY *(continued)*

2. Scope of consolidated financial statements

No.	Company name	Place of Registration	Legal representative	Business scope/ Nature of business	Unified social credit code	Shareholding proportion (%)	Voting proportion (%)
1	CRRC Changchun Railway Vehicles Co., Ltd.	Changchun	Wang Run	Manufacturing	91220000735902224D	93.54	93.54
2	CRRC Zhuzhou Institute Co., Ltd. ("CRRC Zhuzhou Institute")	Zhuzhou	Li Donglin	Manufacturing	9143020044517525X1	100.00	100.00
3	CRRC Zhuzhou Locomotive Co., Ltd. ("CRRC Zhuzhou Locomotive")	Zhuzhou	Zhou Qinghe	Manufacturing	914302007790310965	100.00	100.00
4	CRRC Qingdao Sifang Co., Ltd. ("CRRC Qingdao Sifang")	Qingdao	Zhang Zaizhong	Manufacturing	91370200740365750X	97.81	97.81
5	CRRC Tangshan Co., Ltd. ("CRRC Tangshan")	Tangshan	Hou Zhigang	Manufacturing	911302216636887669	100.00	100.00
6	CRRC Dalian Co., Ltd. ("CRRC Dalian")	Dalian	Lin Cunzeng	Manufacturing	91210200241283929E	100.00	100.00
7	CRRC Qiqihar Group Co., Ltd. ("CRRC Qiqihar Group")	Qiqihar	Gu Chunyang	Manufacturing	91230200057435769W	100.00	100.00
8	CRRC Yangtze River Transportation Equipment Group Co., Ltd. ("CRRC Yangtze River Group")	Wuhan	Hu Haiping	Manufacturing	91420115MA4KYAEH3B	100.00	100.00
9	CRRC Investment & Leasing Co., Ltd. ("CRRC Investment & Leasing")	Beijing	Yang Ruixin	Trading and financing lease	911100007109247853	100.00	100.00
10	CRRC Qishuyan Co., Ltd. ("CRRC Qishuyan")	Changzhou	Yao Guosheng	Manufacturing	913204006638182170	100.00	100.00
11	CRRC Qishuyan Institute Co., Ltd. ("CRRC Qishuyan Institute")	Changzhou	Wang Hongnian	Manufacturing	91320400137168058A	100.00	100.00
12	CRRC Capital Management Co., Ltd. ("CRRC Capital Management")	Beijing	Lu Jianzhou	Manufacturing	91110108MA00314Q4L	100.00	100.00
13	CRRC Nanjing Puzhen Co., Ltd. ("CRRC Nanjing Puzhen")	Nanjing	Li Dingnan	Manufacturing	91320191663764650N	100.00	100.00
14	CRRC Hong Kong Capital Management Co., Ltd. ("CRRC Hong Kong Capital Management")	Hongkong	Li Jin	Investment and capital operation	N/A	100.00	100.00
15	CRRC Construction Engineering Co., Ltd. ("CRRC Construction Engineering")	Beijing	Wang Hongwei	Housing industry	91110106590663663T	100.00	100.00
16	CRRC Yongji Moto Co., Ltd. ("CRRC Yongji Moto")	Yongji	Nan Qinlong	Manufacturing	91140881664458751J	100.00	100.00
17	CRRC Sifang Institute Co., Ltd. ("CRRC Sifang Institute")	Qingdao	Kong Jun	Manufacturing	91370200264582788W	100.00	100.00
18	CRRC Finance Co., Ltd. ("CRRC Finance")	Beijing	Dong Xuzhang	Finance	911100000573064301	91.36	91.36
19	CRRC Zhuzhou Moto Co., Ltd. ("CRRC Zhuzhou Moto")	Zhuzhou	Zhou Junjun	Manufacturing	9143020076071871X7	100.00	100.00
20	CRRC Ziyang Co., Ltd. ("CRRC Ziyang")	Ziyang	Xiang Jun	Manufacturing	91512000786693055N	99.61	99.61
21	CRRC Beijing Nankou Co., Ltd. ("CRRC Beijing Nankou")	Beijing	Sun Kai	Manufacturing	91110000664625580F	100.00	100.00
22	CRRC Datong Electric Locomotive Co., Ltd. (CRRC Datong")	Datong	Guo Shengqing	Manufacturing	91140200602161186E	100.00	100.00
23	CRRC Hong Kong Co., Ltd. ("CRRC Hong Kong")	Hongkong	Guo Bingqiang	Trading	N/A	100.00	100.00
24	CRRC Dalian R&D Co., Ltd. ("CRRC Dalian R&D")	Dalian	Tang Xiankang	Manufacturing	91210212079459729R	100.00	100.00
25	CRRC Dalian Institute Co., Ltd. ("CRRC Dalian Institute")	Dalian	Jiang Dong	Manufacturing	91210200243024402A	100.00	100.00
26	CRRC Sifang Co., Ltd. ("CRRC Sifang")	Qingdao	Zhao Jiaduo	Manufacturing	9137020016357624X1	100.00	100.00
27	CRRC Logistics Co., Ltd. ("CRRC Logistics")	Beijing	Du Pengyuan	Logistics trade	911101087376829982M	100.00	100.00
28	CRRC Industrial Institute Co., Ltd. ("CRRC Industrial Institute")	Beijing	Gong Ming	Manufacturing	911101063066897448	100.00	100.00
29	CRRC International Co., Ltd. ("CRRC International")	Beijing	Luo Chongfu	Trading	911101067109217367	100.00	100.00
30	Beijing CNR CR Transportation Equipment Co., Ltd. ("Beijing CNR CR Transportation Equipment")	Beijing	Zhang Yan	Manufacturing	91110106684367734P	51.00	51.00
31	CRRC Information Technology Co., Ltd. ("CRRC Information Technology")	Beijing	Huang Qichao	Software development	91110108700035941C	51.00	51.00
32	CRRC SA Rolling Stock (Pty) Ltd.	South Africa	Wang Gang	Manufacturing	N/A	66.00	66.00
33	CRRC Financial Leasing Co., Ltd. ("CRRC Financial Leasing") (Note 1)	Tianjin	Xu Weifeng	Financial Services	91120118MA06J91H6K	81.00	81.00
34	Zhuzhou CRRC Times Electric Co., Ltd. ("ZTE") (Note 2)	Zhuzhou	Li Donglin	Manufacturing	914300007808508659	52.38	52.38
35	Zhuzhou Times New Material Technology Co., Ltd. ("ZTNM") (Note 2)	Zhuzhou	Yang Shouyi	Manufacturing	91430200712106524U	39.55	51.02

Note 1: CRRC Financial Leasing is a newly established subsidiary of the Company during the period.

Note 2: ZTE and ZTNM are subsidiaries of Zhuzhou Institute. The equity interests of ZTNM held by the Company was 39.55%. Since CRRCG held 11.47% equity interest of ZTNM and has authorized the Company to exercise its voting rights, the voting rights of ZTNM held by the Company became 51.02%.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The Group has adopted the Accounting Standards for Business Enterprises and relative regulations ("CASBE") and the preparing requirements of *Notice of the Revised Presentation of 2019 Financial Statements for General Business Enterprise* (Cai Kuai (2019) No. 6) issued by the Ministry of Finance (the "MOF").

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

The comparative financial data for the six-month ended 30 June 2018 and as at 31 December 2018 in this report are prepared based on CASBE.

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

2. Going concern

These financial statements have been prepared on a going concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with the ASBE

These financial statements are in compliance with the CASBE to truly and completely reflect consolidated and the Company's financial position as at 30 June 2019, and consolidated and the Company's operating results and cash flows for the period ended 30 June 2019.

2. Accounting period

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

3. Business cycle

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

4. Reporting currency

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

5. Basis of accounting and principle of measurement

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

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

Fair value is the price that market participants receive from selling an asset or pay to transfer a liability in an orderly transaction that takes place on the measurement day. Whether fair value is observable or estimated using valuation techniques, the fair value measured and disclosed in this financial statement is determined on the above basis.

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

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

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

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

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

(1) Business combinations involving enterprises under common control

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

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

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

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

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

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

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

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

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

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

7. Basis for preparation of consolidated financial statements

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

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

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

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

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

The portion of subsidiaries' equity, profits or losses and comprehensive income that is attribute to their non-controlling shareholders are separately presented in the shareholders' equity in consolidated financial statement, and in consolidated income statement below the "net profit" line item.

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

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

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

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

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

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

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

9. Recognition criteria of cash and cash equivalents

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

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

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

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

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

For foreign operations, the Group translates their functional currency amounts into RMB in preparing the financial statements as follows: all the asset and liability items in the balance sheet are translated using the spot exchange rates at the balance sheet date, shareholders equity items except for "retained earnings" are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement are translated at the average exchange rates during the period in which the transaction occurs. Translation differences of financial statements denominated in foreign currencies arising hereby are recognized as other comprehensive income. When an overseas business is disposed of, the exchange fluctuation reserve of the overseas business will be transferred to profit or loss in the same period. In case of a disposal or other reason that leads to the reduction of the proportion of foreign operation interests held but does not result in the Group losing control of a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to non-controlling interests and are not recognized in profit and loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

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

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

11. Financial instruments

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

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

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

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

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

(1) Classification and measurement of financial assets

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

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by collect contractual cash flows, the Group classify the financial asset into financial asset measured at amortized cost. Such financial assets include cash and bank balances, Bills and accounts receivable, other receivables, loans and advances to customers, debt investments and long-term receivables.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, the Group classify the financial asset into the financial assets at fair value through other comprehensive income ("FVTOCI"). Such financial assets mainly include receivables at FVTOCI.

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

11. Financial instruments *(continued)*

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

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

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

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

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

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

(a) Financial assets measured at amortized cost

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

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

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

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

11. Financial instruments *(continued)*

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

(b) Categorized into FVTOCI

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

(c) Designated as FVTOCI

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

(d) FVTPL

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

(2) Impairment of financial assets and other items

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

The Group makes a loss allowance against amount of expected credit losses during the whole life of the contract assets, lease receivables and accounts receivable arising from the transactions under Revenue Standards.

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

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

11. Financial instruments *(continued)*

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

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

(a) Significant increase of credit risk

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

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

- Significant changes in internal price indicators as a result of a change in credit risk.
- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the balance sheet date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage).
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life.
- An actual or expected significant change in the financial instrument's external credit rating.
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations.
- An actual or expected significant change in the operating results of the debtor.
- Significant increases in credit risk on other financial instruments of the same debtor.
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor.

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

11. Financial instruments *(continued)*

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

(a) Significant increase of credit risk *(continued)*

- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.
- Significant changes in the expected performance and behavior of the debtor.
- Changes in the Group's credit management approach related to the financial instrument;

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

(b) Credit-impaired financial asset

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

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

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

11. Financial instruments *(continued)*

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

(c) Determination of expected credit losses

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

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

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

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

(d) Write-off of financial assets

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

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

11. Financial instruments *(continued)*

(3) Transfer of financial assets

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

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

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

- For transferred financial assets recognised at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement deducte fair value of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of fair value of obligations undertaken by the Group (if the Group undertakes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

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

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

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

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

11. Financial instruments *(continued)*

(4) Classification of liabilities and equity

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

(a) Classification and measurement of financial liabilities

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

(i) Financial liabilities at FVTPL

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

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

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

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

(ii) Other financial liabilities

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

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

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

11. Financial instruments *(continued)*

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

(b) Derecognition of Financial Liabilities

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

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

(c) Equity instruments

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

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

(5) Derivatives and embedded derivatives

Derivative financial instruments include forward contract of foreign exchange settlement. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value.

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

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

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

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

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

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

11. Financial instruments *(continued)*

(6) Convertible Bonds

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

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

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

(7) Offsetting financial assets and financial liabilities

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

12. Inventories

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

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

The perpetual inventory system is maintained for stock system.

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

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

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

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

13. Assets classified as held for sale

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

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

The Group measures the no-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognized in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of held-for-sale assets are made. When there is increase in the net amount of fair value of assets classified as held for sale less costs to sell at the balance sheet date, the original deduction should be reversed in impairment loss of assets recognized after the classification of held-for-sale category, and the reverse amount is include in profit or loss for the period.

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

14. Long-term equity investments

(1) Basis for determining control, joint control and significant influence over investee

Control is achieved when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

(2) Determination of investment cost

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

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

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

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

(3) Subsequent measurement and recognition of profit or loss

(a) Long-term equity investment measured under the cost method

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

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

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

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

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

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

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

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

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

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

(c) Disposal of long-term equity investments

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

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

15. Investment properties

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

Item	Useful lives (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	20-50	3-5	1.90-4.85
Land use rights	50	–	2

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

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

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

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

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

16. Fixed assets

(1) Recognition criteria

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

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

(2) Depreciation method

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

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

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period. The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at the end of each fiscal year, and makes adjustments when necessary.

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

17. Construction in progress

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

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

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

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

18. Borrowing Costs

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

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

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

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

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

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

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

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

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

19. Intangible assets

(1) Valuation method, useful life and impairment test

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

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

The useful lives of the intangible assets are as follows:

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

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

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

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

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

19. Intangible assets *(continued)*

(2) Accounting policies for internal research and development expenditure

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

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

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

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

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

20. Impairment of long-term assets

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

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

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

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

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

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

21. Long-term prepaid expenses

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

22. Employee benefits

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

(1) Accounting for short-term employee benefits

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

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

(2) Accounting for retirement benefits

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

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

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

(i) Service costs include current service cost, past service cost, as well as gains and losses on curtailments and settlements. Current service cost refers to the increase amount of present value of defined benefit obligation arising from service rendered in current year; past service cost refers to the change of present value of defined benefit obligation arising from modification of defined benefit plans;

(ii) Net interest expense or income (including interest income of planned assets, interest expenses of defined benefit plan liabilities and effect of asset ceiling);

(iii) Changes arising from remeasurement of net liabilities or net assets of defined benefit plans (including actuarial gains and losses).

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

The defined benefit plans provided by the Group are set out in Note V, 44.

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

22. Employee benefits *(continued)*

(3) Accounting for termination benefits

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

(i) The Group cannot unilaterally withdraw from the termination plan or the redundancy offer; or

(ii) The Group recognizes costs relating to termination benefits payment in respect of restructuring.

23. Provisions

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

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

24. Revenue

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

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

(i) Revenue from selling of goods;

(ii) Revenue from rendering of services;

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

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

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

24. Revenue *(continued)*

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

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

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

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

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

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

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

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

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

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

24. Revenue *(continued)*

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

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

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

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

25. Government grants

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

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

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

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

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

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

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

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

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

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

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

26. Deferred tax assets/deferred tax liabilities

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

(1) Current income tax

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

(2) Deferred tax assets/deferred tax liabilities

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

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

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

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

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

At the balance sheet date, deferred income tax assets and liabilities are measured, subject the tax laws, at the applicable rate in the period in which deferred tax assets or liabilities are expected to be reversed, and the tax effects arising from the expected reversal of assets or liabilities are reflected 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 that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the balance sheet date and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

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

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

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

27. Leases

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

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

(1) The Group acts as a lessee

(a) Allocation

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

(b) Right-of-use assets

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

- The initial measurement amount of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

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

27. Leases *(continued)*

(1) The Group acts as a lessee *(continued)*

(c) Refundable rental deposit

The refundable rental deposit paid by the Group is regarded as financial instrument and is measured at fair value at initial recognition in accordance with the accounting policy for provisions of Note III.11. The difference between the fair value and the nominal amount at initial recognition is treated as an additional lease payment and is included in the cost of the right-of-use asset.

(d) Lease liabilities

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

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

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

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

The Group calculates the interest expense of the lease liabilities for each period of the lease term based on a fixed periodic interest rate.

After the commencement date of the lease term, the Group re-measures the lease liabilities and adjusts the corresponding right-of-use asset in the following circumstances:

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

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

27. Leases *(continued)*

(1) The Group acts as a lessee *(continued)*

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

The Group applies the short-term lease recognition exemption to short-term leases and leases of low-value assets. Short-term leases are leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. A lease of low value asset refers to a single lease asset, when new, is of low value. Lease payments on short-term leases and leases of low-value assets are recognised in profit or loss or the cost of underlying assets on a straightline basis over the lease term.

(f) Lease modifications

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

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

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

(2) The Group as a lessor

(a) Allocation of consideration to components of a contract

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

(b) Refundable rental deposits

The rental deposits received by the Group that are subject to refund are regarded as financial instrument and are measured in accordance with the accounting policy for provisions of Note III.11 and are initially measured at fair value. The difference between the fair value and the nominal amount at initial recognition is treated as the additional lease payment paid by the lessee.

(c) Classification of lease

A lease that essentially transfers almost all the risks and rewards related to the ownership of leased assets is a financial lease. Leases other than financial leases are operating leases.

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

27. Leases *(continued)*

(2) The Group as a lessor *(continued)*

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

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

The variable lease payments received by the Group in connection with the operating leases that are not included in the lease payments are recognised in profit or loss in the period in which they are incurred.

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

On the commencement date of the lease term, the Group uses the net lease investment as the entry value of the finance lease receivables and derecognises the finance lease assets. The net lease investment is the sum of the unsecured residual value and the leased amount that has not been received on the start date of the lease term, which is discounted according to the present value of the leased interest rate.

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

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

The variable lease receivables, depending on the index or ratio, are determined at the initial measurement based on the index or proportion at the beginning of the lease period. The variable lease payments that are not included in the net investment in the lease investment are recognised in profit or loss when incurred.

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

(f) Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

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

27. Leases *(continued)*

(2) The Group as a lessor *(continued)*

(g) Lease modification

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

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

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

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

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

(3) After-sale leaseback transaction

(a) The Group acts as the seller (lessee)

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

(b) The Group acts as the buyer (lessor)

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

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

28. Other significant accounting policies

(1) Profit distribution

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

(2) Production safety expenses

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

29. Significant accounting estimates and judgements

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

Uncertainties in accounting estimates

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

(1) Impairment of goodwill

For goodwill arising from business combination, the Group tests it for impairment at the year end. Impairment test requires an estimate of the recoverable amount of the relevant asset group containing goodwill, that is, the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. In determining the present value of the future cash flows of the relevant asset group or the fair value of such asset group under equity method, the Group needs to properly predict the long-term average growth rate of future cash flows of related asset group, the investment income proportion of long-term assets, the gross profit margin and reasonable discount rate, etc. When the market conditions change, the recoverable amount of the relevant asset group may differ from the existing estimates, which will affect the profit and loss for the period. Allocation and impairment test of goodwill are set out in Note V, 20.

(2) Credit loss allowance for receivables and contract assets

Except for that the Group recognizes credit loss for receivables and contract assets that are individually significant or have credit impaired on an individually basis, the Group determines the expected credit loss of receivables and contract assets on a collectively basis using a provision matrix. For receivables and contract assets whose credit loss are determined individually, the Group determines the credit loss by estimating the expected cash flows based on reasonable and evidenced information available on the balance sheet date with forward-looking information taken into consideration. For receivables and contract assets other than the above, the Group, based on the historical collection condition, determines the proportion of corresponding loss provision for each type of receivables and contract assets with similar credit risk characteristics on a portfolio basis. The provision matrix is based on the Group's historical credit loss experience and is based on reasonable and evidence-based forward-looking information that is available without undue cost or effort. As at 31 December 2018, the Group has reassessed the historical actual credit loss rate and considered changes in forward-looking information.

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

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

Uncertainties in accounting estimates *(continued)*

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

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

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

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

(5) Provision for decline in value of inventories

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

(6) Deferred tax assets

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

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

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

(8) Warranty provisions

The Group makes provisions under the warranties it gives on sales of its goods taking into account the Group's recent claim experience. It is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

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

30. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

(a) New lease standard

Since 1 January 2019 ("the date of initial application"), the Group has adopted the "Accounting Standards for Business Enterprises No. 21 – Leases" revised by the MoF in 2018 (hereinafter referred to as the "new lease standard", the pre-revision lease standard is referred to as the "original lease standards"). The new lease standard improve the definition of lease; and the identification, allocation and combination are added to the new lease standard; the classification of operating lease and financial lease is cancelled; requires to recognize right-of-use assets and lease liabilities for all lease at the commencement date (except for short-term lease and leases of low-value assets). The new lease standard improve the leasee's subsequent measurement of lease, add the accounting treatment for the re-assessment of selection right and lease modifications, and add relevant disclosure requirements. The Group's amended accounting policies of leases for leasors and leasees are set out in Note III.27.

For contracts that existed before the date of initial application, the Group chose not to reassess whether it is a lease or a lease on the initial application date.

For contracts signed or modified after the date of initial application, the Group assesses whether the contract is a lease or contains a lease in accordance with the definition of lease in the new lease standard. The definition of lease in new lease standard do not have significant impact on the scope of the Group's lease contract.

(i) The Group as the lessee

The Group adjusts the retained earnings on the initial application date and other related items in the financial statements based on the cumulative impact of the initial application of the new lease standard, and does not adjust the comparable period information.

For the operating lease before the initial application date, the Group has adopted the following simplified treatments for each lease:

- Leases completed within 12 months after the initial application date are treated as short-term leases;
- When measuring lease liabilities, leases with similar characteristics use the same discount rate;
- The measurement of the right-of-use assets does not include the initial direct cost;
- If there is a renewal option or the termination of lease option, the Group determines the lease period based on the actual exercise of the option before the initial application date and other recent developments;
- If a lease change occurs before the initial application date, the Group will perform accounting treatment based on the final arrangement of the lease change.

For after-sale leaseback transactions that exist before the date of initial application, the Group does not reassess whether the transfer of assets belongs to sales according to the "Accounting Standards for Business Enterprises No. 14 – Revenue" on the initial application date. For future transactions after the initial application date, the Group shall deal with them in accordance with the accounting policies set out in Notes III, 27.

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

30. Changes in significant accounting polices and accounting estimates *(continued)*

(1) Changes in significant accounting polices *(continued)*

(a) New lease standard *(continued)*

(i) The Group as the lessee (continued)

On the initial application date, the Group has made the following adjustments due to the implementation of the new leasing standards:

- For the financial lease before the initial application date, the right-of-use assets and lease liabilities of the Group are recognized according to the original carrying amount of financial leased assets and financial leases payables respectively on the initial application date.
- For the operating lease before the initial application date, the lease liabilities are recognized according to the present value of residul lease payments discounted by the incremental borrowing interest rate determined by the leasee on the initial application date. And the right-of-use assets is recognized accourding to the amount equal to the lease liabilities adjusted by the lease prepayments if necessary.

On 1 January 2019, the Group recognized lease liabilities (including one year due) of RMB727,116,000 and right-of-use assets of RMB779,995,000. For the operating leases prior to the initial application date, the Group measures the lease liability using the present value after discounting the incremental borrowing rate on the initial implementation date. The range of incremental borrowing rates is 0.26%-8.53%.

The adjustment information of the Group's lease liabilities recognized on 1 January 2019 and the significant operating lease commitments disclosed in the 2018 financial statements are as follows:

RMB'000

Item	1 January 2019
I. Operating lease commitments at 31 December 2018	704,692
Lease liabilities discounted at relevant incremental borrowing rate on initial application date	622,248
Less: Recognised exemption-short-term lease and low-value assets	38,327
Lease liabilities related to original operating lease recognized by the new lease standard	583,921
Add: financing lease payable at 31 December 2018	143,195
Including: Amount presented under non-current liabilities due within one year	13,757
II. Lease liabilities at 1 January 2019	727,116
Presented as:	
Non-current liabilities due within one year	197,173
Lease liabilities	529,943

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

30. Changes in significant accounting policies and accounting estimates *(continued)*

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

(a) New lease standard *(continued)*

(i) The Group as the lessee *(continued)*

The carrying amount of the right-of-use asset at 1 January 2019 was composed as follows:

	RMB'000
Item	1 January 2019
Right-of-use assets:	
Right-of-use assets recognized for operating leases prior to the date of initial application	583,921
Reclassified prepaid rental	29,774
Financing leased assets recognized under the original lease standards	166,300
Total	779,995

The right-of-use asset on 1 January 2019 by category is as follows:

	RMB'000
Item	1 January 2019
Structures and buildings	516,655
Machinery and equipment	227,413
Transportation equipment	33,393
Office equipment and other equipment	2,534
Total	779,995

(ii) The Group as the lessor

There was no need to make any transitional adjustments for leases that the Group act as the lessor. The Group made accounting treatments in accordance with the new lease standard starting from the date of initial application.

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

30. Changes in significant accounting policies and accounting estimates *(continued)*

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

(a) New lease standard *(continued)*

(iii) The impact of the adoption of the new lease standard on the related items in the Group's balance sheet on 1 January 2019 is listed as follows:

RMB'000

Item	31 December 2018	Adjustment	1 January 2019
Current Assets:			
Prepayments	9,198,553	(29,774)	9,168,779
Non-current Assets:			
Right-of-use assets	–	779,995	779,995
Fixed assets	57,390,729	(166,300)	57,224,429
Current Liabilities:			
Non-current liabilities due within one year	11,096,595	183,416	11,280,011
Non-current Liabilities:			
Lease liabilities	–	529,943	529,943
Long-term payables	279,178	(129,438)	149,740

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

30. Changes in significant accounting policies and accounting estimates *(continued)*

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

(b) Financial statement presentation format

From the preparation of the 2019 interim financial statements, the Group has implemented the *Notice of the Revised Format of 2019 Financial Statements for General Business Enterprise* issued on April 30, 2019 by MoF (Cai Kuai [2019] No. 6, hereinafter referred to as "Cai Kuai No. 6" file"). Cai Kuai No. 6 Document revised the listed items on the balance sheet, income statement, cash flow statement and the company's statement of changes in shareholders' equity; splited the item "bills and accounts receivable" into "bills receivable" and "accounts receivable"; splited the item "bills payable and accounts payable" into "bills payable" and "accounts payable"; added items "receivables at FVTOCI"; specified or revised the listed content under "other receivables", "non-current assets due within one year", "other payables", "deferred income", "equity instruments at fair value through other comprehensive income ", "research and development expenses", "interest income" under the item "financial expenses", "other income", "non-operating income", "non-operating expenses" and "capital invested by the owner of equity instruments at fair value through other comprehensive income". It also stipulates the listing requirement of the loss provision for loan commitments, financial guarantee contracts, and other items; adds item "gains from derecognition of financial assets measured at amortised cost" under item "investment income"; adjusts the listing place of some items in the income statement; specified the items listed under "government subsidies" in the cash flow statement. For the changes in the listed items above, the Group adjusted the comparative data.

(c) The newly revised standard for non-monetary assets exchange

On May 9, 2019, MoF issued the revised The Accounting Standard for business enterprises No. 7 – exchange of non-monetary assets (hereinafter referred to as " the new non-monetary assets exchange standard"), which will take effect on June 10, 2019. The new non-monetary assets exchange standard revised the definition of non-monetary assets exchange, clarifying the application scope of the standard, specifying the time point of recognition and termination of recognition, providing accounting treatment principles in circumstances where the recognition time points of recognition and termination of recognition are inconsistent. It also elaborated the accounting treatment for the non-monetary assets exchange and increased requirements about disclosure. The implementation of the newly revised non-monetary assets exchange standard had no significant impact on the Group's current financial statements.

(d) The newly revised standard for debt restructuring

On May 16, 2019, The MoF issued the revised The Accounting standard for business enterprises No. 12-debt restructuring (hereinafter referred to as " the new debt restructuring standard"), which will take effect on June 17, 2019. The new debt restructuring standard revised the definition of debt restructuring, clarifying the application scope of the standard, revising the accounting treatment of debt restructuring and simplifying the disclosure requirements for debt restructuring. The implementation of the newly revised debt restructuring standard had no significant impact on the Group's current financial statements.

(2) The Group did not have any significant changes in accounting estimates this period.

IV. TAXES

1. Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
VAT	Output VAT is calculated by applying applicable rate to the taxable sales, less deductible input VAT of the current period.	6-16%
City maintenance and construction tax	Computed by value added tax payable	5-7%
Enterprise income tax	Computed by taxable income	25%

Note: According to the "Announcement on Policies Related to Deepening Value-Added Tax (VAT) Reform" issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs (Announcement No. 39 of 2019 by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs). Since April 1, 2019, the Group has originally applied 16% VAT tax rate and 10% VAT tax rate to its business. Since then, the Group has applied 13% VAT tax rate and 9% VAT tax rate respectively.

2. Tax incentive

(1) the VAT

According to The Notice of the MoF and the State Administration of Taxation on the Policy of Value Added Tax on Software Products (Cai Shui [2011] No. 100), the part of the actual tax burden of VAT exceeding 3% was levied and refunded upon collection, when CRRC Information Technology company CRRC, zhuzhou institute and its holding subsidiaries sell their self-developed and self-produced software products in 2019.

(2) Income Tax

As approved by Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municial Office of the State Administration of Taxation and Beijing Local Taxation Bureau, CRRC Information Technology Co. Ltd., obtained high-tech enterprise certificate in 2016, and is subject to an enterprise income tax at a reduced rate of 15% from 2016 to 2018. The management expected that they would remain the reduced rate of 15% in 2019.

As approved by relevant Provincial Department of Science and Technology, Provincial Department of Finance, Provincial Office of the State Administration of Taxation, and Provincial Local Taxation Bureau, CRRC Changchun Railway Vehicles Co. Ltd., CRRC Zhuzhou Institute, CRRC Zhuzhou Locomotive, CRRC Tangshan, CRRC Qishuyan, CRRC Qishuyan Institute, CRRC Yongji Moto, CRRC Zhuzhou Moto and CRRC Datong obtained high-tech enterprise certificate in 2017, and is subject to an enterprise income tax at a reduced rate of 15% from 2017 to 2019.

As approved by relevant Municipal Department of Science and Technology, Municipal Department of Finance, Municipal Office of the State Administration of Taxation, and Municipal Local Taxation Bureau, CRRC Qingdao Sifang, CRRC Sifang Institute, CRRC Sifang Co., Ltd. and CRRC Dalian Institute obtained high-tech enterprise certificate in 2017, and is subject to an enterprise income tax at a reduced rate of 15% from 2017 to 2019.

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

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

IV. TAXES *(continued)*

2. Tax incentive *(continued)*

(2) Income Tax *(continued)*

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

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

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB'000

Item	30 June 2019	31 December 2018
Cash on hand	2,069	2,011
Bank deposits	30,691,671	34,663,132
Other cash and bank balances	3,599,962	3,505,865
Total	34,293,702	38,171,008
Including: Total amount deposited overseas	4,680,203	4,163,610

Restricted funds of the Group:

RMB'000

Item	30 June 2019	31 December 2018
Statutory reserve deposited by CRRC Finance at central bank	1,173,642	1,484,825
Guarantee deposits for acceptances	1,277,488	2,367,325
Guarantee deposits for letter of credit	32,316	54,270
Guarantee deposits for letter of guarantee	362,717	422,565
Deposits subject to government regulation or special restrictions and others (Note)	1,924,951	698,681
Total	4,771,114	5,027,666

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

1. Cash and bank balances *(continued)*

Note:

Bank balances subject to government regulation or special restrictions represent balances of approximately RMB610 million restricted pursuant to freezing orders issued by the South African Reserve Bank ("SARB") arising from alleged contraventions of the Exchange Control Regulation in South Africa relating to certain locomotive procurements involving Transnet. In addition, an aggregate balance of approximately RMB1.27 billion has been restricted pursuant to freezing orders issued by the SARB arising from alleged violations of the Exchange Control Regulations in South Africa during the compliance investigation on the Company's subsidiary in South Africa in respect of its overseas remittances (see also Note 11, 2).

As at 30 June 2019, the term deposits that have not been pledged or restricted for use for three months or over three months is RMB9,319,053,000 (as at 31 December 2018: RMB2,853,248,000).

2. Placements with other financial institutions

RMB'000

Item	30 June 2019	31 December 2018
Placements with other financial institutions of CRRC Finance	1,194,203	–
Total	1,194,203	–

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

3. Held-for-trading financial assets

RMB'000

Item	30 June 2019	31 December 2018
Investments in equity instruments	979,146	891,841
Derivatives	18,780	2,515
Others (Note)	6,092,287	6,352,380
Total	7,090,213	7,246,736

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

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

4. Bills receivable

(1) Category of bills receivable:

RMB'000

Item	30 June 2019	31 December 2018
Bank acceptances	4,450,561	5,138,671
Commercial acceptances	8,523,712	10,398,924
Less: Credit loss allowance	(21,622)	(62,489)
Total	12,952,651	15,475,106

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

RMB'000

Item	Pledged as at 30 June 2019
Bank acceptances	909,173
Commercial acceptances	38,356
Total	947,529

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

RMB'000

Item	Amount not derecognized as at 30 June 2019
Bank acceptances	2,513,198
Commercial acceptances	1,408,062
Total	3,921,260

(4) As at 30 June 2019, bills receivable due from related parties are set out in Note X, 5.

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

5. Accounts receivable

(1) Aging analysis of accounts receivable

RMB'000

Aging	30 June 2019	31 December 2018
Within 1 year	82,186,421	57,456,195
1 to 2 years	5,822,842	4,955,465
2 to 3 years	2,662,009	2,411,319
3 to 4 years	1,793,169	1,816,070
4 to 5 years	1,325,431	1,123,821
Over 5 years	1,724,953	1,485,276
Sub-total	95,514,825	69,248,146
Less: Credit loss allowance	(5,240,395)	(5,042,543)
Total	90,274,430	64,205,603

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

RMB'000

	30 June 2019					31 December 2018				
	Book value		Credit loss allowance			Book value		Credit loss allowance		
Category	Amount	Proportion (%)	Amount	Proportion (%)	Carrying amount	Amount	Proportion (%)	Amount	Proportion (%)	Carrying amount
Provision on individual basis	12,484,346	13.1	(3,235,559)	25.9	9,248,787	13,311,773	19.2	(3,322,008)	25.0	9,989,765
Provision on portfolio basis	83,030,479	86.9	(2,004,836)	2.4	81,025,643	55,936,373	80.8	(1,720,535)	3.1	54,215,838
Total	95,514,825	100.0	(5,240,395)	/	90,274,430	69,248,146	100.0	(5,042,543)	/	64,205,603

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

5. Accounts receivable *(continued)*

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

(i) Analysis of accounts receivable for which credit loss allowance is provided on an individual basis:

RMB'000

Name	30 June 2019			
	Book value	Credit loss allowance	Proportion (%)	Reason for provision
Accounts receivable 1	187,041	(187,041)	100.0	Note
Accounts receivable 2	183,959	(183,959)	100.0	Note
Accounts receivable 3	130,662	(130,662)	100.0	Note
Accounts receivable 4	103,388	(103,388)	100.0	Note
Accounts receivable 5	90,278	(90,278)	100.0	Note
Others	11,789,018	(2,540,231)	21.5	Note
Total	12,484,346	(3,235,559)	25.9	/

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

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

RMB'000

Aging	Expected credit loss rate (%)	Book value at 30 June 2019	Credit loss allowance	Carrying amount at 30 June 2019
Within 1 year	0.1-2.0	74,518,921	(387,511)	74,131,410
1 to 2 years	1.0-10.0	4,377,633	(222,167)	4,155,466
2 to 3 years	5.0-25.0	1,693,127	(313,574)	1,379,553
3 to 4 years	20.0-30.0	969,053	(259,400)	709,653
4 to 5 years	35.0-50.0	776,197	(373,407)	402,790
Over 5 years	60.0-70.0	695,548	(448,777)	246,771
Total	/	83,030,479	(2,004,836)	81,025,643

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

5. Accounts receivable *(continued)*

(3) Details of provision for credit loss allowance:

RMB'000

Credit loss allowance	Phase 2 Lifetime ECL (No credit loss occurred)	Phase 3 Lifetime ECL (Credit loss occurred)	Total
At 1 January 2019	2,880,439	2,162,104	5,042,543
Provision	324,617	50,791	375,408
Reversal	(13,280)	(175,076)	(188,356)
Write-off	(876)	(195)	(1,071)
Other changes	6,733	5,138	11,871
At 30 June 2019	3,197,633	2,042,762	5,240,395

(4) Details of accounts receivable with Top 5 closing balance:

RMB'000

Company name	Relationship with the Group	30 June 2019	Proportion to total accounts receivable (%)
Top five accounts receivable	Third party	54,716,187	57.3

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

RMB'000

Item	Ways to transfer accounts receivable	Amount derecognized as during January to June 2019
CRRC Trust Assets-backed Notes	Securitization	944,490
Accounts receivable factoring	Factoring	335,864
Total		1,280,354

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

5. Accounts receivable *(continued)*

(6) As at 30 June 2019, the Group has accounts receivable with carrying amount equivalent to RMB53,105,000 (December 31, 2018: Nil) as pledge for bank loans.

(7) As at 30 June 2019, amounts due from related parties of the Group are set out in Note X, 5.

6. Receivables at FVTOCI

RMB'000

Item	30 June 2019	31 December 2018
Bills receivable	4,930,131	4,233,540
Accounts receivable	1,067,110	1,044,101
Total	5,997,241	5,277,641

(1) Fair value measurement

RMB'000

Item	30 June 2019
Cost	6,090,044
Fair value	5,997,241
Fair value changes accumulated in other comprehensive income	(92,803)

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

RMB'000

Item	Pledged as at 30 June 2019
Bank acceptances	396,141
Total	396,141

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

6. Receivables at FVTOCI *(continued)*

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

RMB'000

Item	Amount derecognized as at 30 June 2019
Bank acceptances	6,142,449
Commercial acceptances	385,431
Total	6,527,880

(4) As at 30 June 2019, amounts due from related parties of the Group are set out in Note X, 5.

7. Prepayments

(1) Prepayments presented by aging:

RMB'000

Aging	30 June 2019		31 December 2018	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	7,743,494	75.8	6,974,405	75.8
1 to 2 years	1,027,489	10.1	987,198	10.7
2 to 3 years	554,539	5.4	952,572	10.4
Over 3 years	896,051	8.7	284,378	3.1
Total	10,221,573	100.0	9,198,553	100.0

(2) Details of prepayments with Top 5 closing balance

RMB'000

Company name	Relationship with the Group	30 June 2019	Proportion to total prepayments (%)
Top 5 prepayments	Third party	1,868,418	18.3

(3) As at 30 June 2019, prepayments made to related parties of the Group are set out in Note X, 5.

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

8. Other receivables

(1) Presented by item:

RMB'000

Item	30 June 2019	31 December 2018
Interests receivable	32,029	43,817
Dividends receivable	91,973	70,473
Other receivables	3,087,659	2,915,597
Total	3,211,661	3,029,887

(2) Interests receivable

RMB'000

Item	30 June 2019	31 December 2018
Bonds investment	13,101	31,602
Others	18,928	12,215
Total	32,029	43,817

(3) Dividends receivable

RMB'000

Investee	30 June 2019	31 December 2018
Related party	78,492	68,703
Third party	13,481	1,770
Total	91,973	70,473

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

8. Other receivables *(continued)*

(4) Other receivables

(i) Analysis by aging

RMB'000

Aging	30 June 2019	31 December 2018
Within 1 year	2,067,055	2,439,539
1 to 2 years	861,660	326,745
2 to 3 years	102,692	57,511
3 to 4 years	52,379	67,229
4 to 5 years	53,633	283,030
Over 5 years	552,000	300,240
Sub-total	3,689,419	3,474,294
Less: Credit loss allowance	(601,760)	(558,697)
Total	3,087,659	2,915,597

(ii) Categorized by nature:

RMB'000

Nature	30 June 2019	31 December 2018
Advances paid for others	1,073,343	848,026
Deposits and securities	548,963	446,587
Land transfer receivables	697,842	698,067
Others	767,511	922,917
Total	3,087,659	2,915,597

(iii) Provision for credit loss allowance:

RMB'000

Credit loss allowance	Phase 1 12-month ECL	Phase 2 Lifetime ECL (No credit loss occurred)	Phase 3 Lifetime ECL (Credit loss occurred)	Total
At 1 January 2019	7,158	40,280	511,259	558,697
Provision	5,719	15,894	24,764	46,377
Reversal	(1,153)	(1,024)	(137)	(2,314)
Write-off	(744)	–	–	(744)
Other changes	(95)	98	(259)	(256)
At 30 June 2019	10,885	55,248	535,627	601,760

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

8. Other receivables *(continued)*

(4) Other receivables *(continued)*

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

RMB'000

Company name	Relationship with the Group	30 June 2019	Proportion to total closing balance of other receivables (%)
Top 5 other receivables	Related party/ Third party	1,073,185	29.1

(5) As at 30 June 2019, other receivables due from related parties of the Group are set out in Note X, 5.

9. Inventories

(1) Category of inventories

RMB'000

Item	30 June 2019 Book value	30 June 2019 Provision for impairment of inventories	30 June 2019 Carrying amount	31 December 2018 Book value	31 December 2018 Provision for impairment of inventories	31 December 2018 Carrying amount
Raw materials	23,114,983	(882,732)	22,232,251	17,072,638	(756,446)	16,316,192
Work in progress	36,101,406	(884,430)	35,216,976	28,670,346	(881,278)	27,789,068
Finished goods	14,014,468	(415,080)	13,599,388	11,024,218	(426,110)	10,598,108
Turnover materials	253,085	(10,550)	242,535	208,575	(9,738)	198,837
Commissioned processing materials	272,995	(557)	272,438	219,852	(557)	219,295
Total	73,756,937	(2,193,349)	71,563,588	57,195,629	(2,074,129)	55,121,500

(2) Provision for impairment of inventories

RMB'000

Item	1 January 2019	Increase Provision	Reversal	Decrease Write-off	Others	30 June 2019
Raw materials	756,446	142,123	13,439	2,288	110	882,732
Work in progress	881,278	34,147	1,786	28,885	324	884,430
Finished goods	426,110	44,894	3,458	52,356	110	415,080
Turnover materials	9,738	854	42	–	–	10,550
Commissioned processing materials	557	–	–	–	–	557
Total	2,074,129	222,018	18,725	83,529	544	2,193,349

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

10. Contract assets

(1) Details of contract assets:

RMB'000

Item	30 June 2019	31 December 2018
Sale of goods related (Note 1)	24,711,258	20,381,420
Project contracting related (Note 2)	3,053,505	3,389,039
Less: Credit loss allowance on contract assets	(239,044)	(188,638)
Sub-total	27,525,719	23,581,821
Less: Contract assets presented under other non-current assets (Note V, 27)	(10,291,026)	(8,923,932)
Total	17,234,693	14,657,889

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

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

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

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

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

RMB'000

Credit loss allowance	Phase 2 Lifetime ECL (No credit loss occurred)	Phase 3 Lifetime ECL (Credit loss occurred)	Total
At 1 January 2019	169,005	19,633	188,638
Provision	61,808	–	61,808
Reversal	(2,768)	(4,348)	(7,116)
Other changes	(1,402)	(2,884)	(4,286)
At 30 June 2019	226,643	12,401	239,044

(3) As at 30 June 2019, book value of contract assets of related parties of the Group are set out in Note X, 5.

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

11. Non-current assets due within one year

RMB'000

Item	30 June 2019	31 December 2018
Long-term receivables due within one year (Note V, 15)	6,971,069	6,102,273
Loans and advances due within one year (Note V, 13)	3,819,734	4,656,971
Debt investments due within one year (Note V, 14)	205,496	880,525
Other non-current assets due within one year (Note V, 27)	–	6,960
Total	10,996,299	11,646,729

12. Other current assets

RMB'000

Item	30 June 2019	31 December 2018
Withholding VAT	2,954,817	3,046,307
Bond investment	410,992	409,841
Others	26,683	18,974
Total	3,392,492	3,475,122

13. Loans and advances to customers

RMB'000

Item	30 June 2019	31 December 2018
Loans and advances made by CRRC Finance	5,781,350	6,637,600
Less: Credit loss allowance	(86,863)	(99,718)
Sub-total	5,694,487	6,537,882
Including: Loans and advances due within one year (Note V, 11)	3,819,734	4,656,971
Loans and advances due after one year	1,874,753	1,880,911

As at 30 June 2019, the details of loans and advances to related parties are set out in Note X, 5.

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

14. Debt investments

(1) Details of debt investments

RMB'000

Item	30 June 2019 Book value	30 June 2019 Credit loss allowance	30 June 2019 Carrying amount	31 December 2018 Book value	31 December 2018 Credit loss allowance	31 December 2018 Carrying amount
Five-year USD Notes of China Merchants Group	206,241	–	206,241	205,895	–	205,895
Five-year Medium Term Notes of Minsheng Financial Leasing Co., Ltd.	206,241	–	206,241	205,894	–	205,894
Three-year Notes of Qidi Kehua	205,496	–	205,496	205,677	–	205,677
Three-year Bonds of Tongfang Co., Ltd.	202,749	–	202,749	203,210	–	203,210
Seven-year Medium Term Notes of China Aircraft Leasing Group Holdings Limited	185,286	–	185,286	184,077	–	184,077
Related to "Built – transfer" – Nanjing Qilin Modern Tram Construction Co., Ltd.	174,660	–	174,660	174,660	–	174,660
Five-year Medium Term Notes of China Aircraft Leasing Group Holdings Limited	143,325	–	143,325	142,762	–	142,762
Five-year Bonds of Qingdao City Construction Investment (Group) Co., Ltd.	137,318	–	137,318	137,088	–	137,088
Others	425,238	(600)	424,638	1,044,114	(600)	1,043,514
Less: Debt investment included in non-current assets due within one year (Note V, 11)	(205,496)	–	(205,496)	(880,525)	–	(880,525)
Total	1,681,058	(600)	1,680,458	1,622,852	(600)	1,622,252

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

14. Debt investments *(continued)*

(2) Provision for credit loss allowance:

RMB'000

Credit loss allowance	Phase 1 12-month ECL	Total
1 January 2019	600	600
Provision	–	–
30 June 2019	600	600

15. Long-term receivables

(1) Details of long-term receivables:

RMB'000

Item	30 June 2019 Book value	30 June 2019 Credit loss allowance	30 June 2019 Carrying amount	31 December 2018 Book value	31 December 2018 Credit loss allowance	31 December 2018 Carrying amount	Discount rate interval
Financing lease	12,849,303	(3,048,755)	9,800,548	10,584,343	(2,384,667)	8,199,676	4.9%-14%
Sales by installments	3,312,177	(222,820)	3,089,357	3,027,523	(133,704)	2,893,819	4%-6%
Construction payment and BOT receivables	2,869,803	(153,028)	2,716,775	2,945,358	(127,567)	2,817,791	3.5%-6%
Total	19,031,283	(3,424,603)	15,606,680	16,557,224	(2,645,938)	13,911,286	
Less: Long-term receivables due within one year (Note V, 11)	/	/	(6,971,069)	/	/	(6,102,273)	/
Long-term receivables due after one year	/	/	8,635,611	/	/	7,809,013	/

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

15. Long-term receivables *(continued)*

(2) Provision for credit loss allowance:

RMB'000

Credit loss allowance	Phase 2 Lifetime ECL (No credit loss occurred)	Phase 3 Lifetime ECL (Credit loss occurred)	Total
1 January 2019	212,488	2,433,450	2,645,938
Provision	970	752,956	753,926
Write off	(5,064)	–	(5,064)
Other changes	–	29,803	29,803
30 June 2019	208,394	3,216,209	3,424,603

(3) Financing lease receivable

RMB'000

Item	30 June 2019	31 December 2018
The minimum amount of the lease receivable:		
1st year after the balance sheet date	9,989,957	8,258,404
2nd year after the balance sheet date	1,567,784	1,448,623
3rd year after the balance sheet date	1,404,037	813,573
4th year after the balance sheet date	679,862	660,040
5th year after the balance sheet date	639,788	526,328
Years afterward	1,309,604	1,415,186
Total of the minimum amount of the lease receivable	15,591,032	13,122,154
Less: Unrealized financing income	(2,741,729)	(2,537,811)
Provision for impairment of credit losses	(3,048,755)	(2,384,667)
Financing lease receivable	9,800,548	8,199,676
Including: financing lease receivable due within one year	5,429,278	4,489,291
financing lease receivable due after one year	4,371,270	3,710,385

(4) As at 30 June 2019, the Group has long-term receivables with carrying amount equivalent to RMB366,974,000 (31 December 2018: RMB244,030,000) as pledge for the Group to obtain bank loans.

(5) As at 30 June 2019, long-term receivables (inclusive of the portion due within one year) due from related parties of the Group are set out in Note X, 5.

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

16. Long-term equity investments

RMB'000

Investee	Carrying amount as at 1 January 2019	Changes for the period: Increasing investment	Reduction in investment	Investment gains or losses under equity method (Note V, 61)	Adjustment of other comprehensive income	Other equity changes	Announcement of cash dividends or profits	Provision for impairment loss	Others	Carrying amount as at 30 June 2019	Provision for impairment loss as at 30 June 2019
I. Joint ventures											
Wuhu Yunda Rail Transit Construction And Operation Co., Ltd. ("Wuhu Yunda")	375,000	98,000	–	–	–	–	–	–	–	473,000	–
Dalian Toshiba Locomotive Electric Equipment Co., Ltd.	377,072	–	–	12,044	–	–	–	–	–	389,116	–
Changchun Bombardier Railway Vehicles Company Ltd.	263,114	–	–	(2,434)	–	–	(5,000)	–	–	255,680	–
Zhuzhou Times Mitsubishi Transportation Equipment Co., Ltd.	207,979	–	–	2,210	–	–	–	–	–	210,189	–
Zhuzhou CRRC Times High-tech Investment & Trusting Co., Ltd.	199,149	–	–	5,926	–	–	–	–	–	205,075	–
Qingdao Sifang Faiveley Railway Brake Co., Ltd.	114,395	–	–	15,087	–	–	(17,500)	–	–	111,982	–
Others	705,595	482,131	–	(12,762)	–	–	(6,481)	–	631	1,169,114	–
Sub-total	2,242,304	580,131	–	20,071	–	–	(28,981)	–	631	2,814,156	–

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

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

		Changes for the period									
Investee	Carrying amount as at 1 January 2019	Increasing investment	Reduction in investment	Investment gains or losses under equity method (Note V, 61)	Adjustment of other compre hensive income	Other equity changes	Announ cement of cash dividends or profits	Provision for impairment loss	Others	Carrying amount as at 30 June 2019	Provision for impairment loss as at 30 June 2019
II. Associates											
China United Insurance Holding Company ("China United Insurance")	4,974,497	–	–	17,073	102,195	–	–	–	–	5,093,765	–
CRRC Hunan Times Electric Vehicle Co., Ltd.	1,454,293	363,683	–	7,840	–	–	–	–	–	1,825,816	–
Jinan-Qingdao High-speed Railway Co., Ltd.	1,302,165	–	–	–	–	–	–	–	–	1,302,165	–
CRRC Ziyang Electric Technology Co., Ltd.	487,544	–	–	(7,908)	–	408	–	–	–	480,044	–
Guangzhou Electric Locomotive Co., Ltd. ("Guangzhou Electric Locomotive")	447,151	–	–	8,029	–	(105)	–	–	–	455,075	–
Tianjin Electric Locomotive Co., Ltd. ("Tianjin Electric Locomotive")	377,888	–	–	(17,412)	–	–	–	–	–	360,476	–
CRRC Tianjin Jinpu Industrial Park Management Co., Ltd.	264,307	–	–	–	–	–	–	–	–	264,307	–
Huaneng Tieling Daxing Wind Power Generating Co., Ltd.	179,574	–	–	7,729	–	–	–	–	–	187,303	–
Shanghai Alstom Communications Electric Co. Ltd.	141,803	–	–	28,047	–	–	–	–	–	169,850	–
Beijing Nankou SKF Raiway Bearing Co., Ltd.	146,061	–	–	7,169	–	–	(19,600)	–	–	133,630	–
Others	1,748,205	38,925	(1,453)	78,700	–	707	(112,292)	–	7,293	1,760,085	–
Sub-total	11,523,488	402,608	(1,453)	129,267	102,195	1,010	(131,892)	–	7,293	12,032,516	–
Total	13,765,792	982,739	(1,453)	149,338	102,195	1,010	(160,873)	–	7,924	14,846,672	–

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

17. Investment in other equity instruments

(1) Details of Investment in other equity instruments:

RMB'000

Item	30 June 2019	31 December 2018
Listed equity instruments at FVTOCI	1,306,059	1,370,906
Unlisted equity instruments at FVTOCI	919,318	881,517
Total	2,225,377	2,252,423

(2) Details of non-held-for-trading equity instrument investments:

RMB'000

Item	Dividend income recognized in this period	Accumulative gains	Accumulative losses	Amount of other comprehensive income transferred to retained earnings	Reason for being designated as at FVTOCI	Reason of other comprehensive income transferred to retained earnings
Listed equity instrument investments	9,929	–	742,930	9,742	Note	Disposal
Unlisted equity instrument investments	11,157	258,256	–	–	Note	N/A

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

18. Other non-current financial assets

RMB'000

Item	30 June 2019	31 December 2018
Financial assets investments: such as preference shares	598,673	598,551
Total	598,673	598,551

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

19. Investment properties

RMB'000

Item	Buildings	Land use rights	Total
I. COST			
1. At 1 January 2019	1,394,533	127,065	1,521,598
2. Increases	16,036	–	16,036
Transfer from fixed assets (Note V, 20)	16,036	–	16,036
3. Decreases	209,170	–	209,170
(1) Transfer to fixed assets (Note V, 20)	209,170	–	209,170
4. At 30 June 2019	1,201,399	127,065	1,328,464
II. Accumulated depreciation and amortization			
1. At 1 January 2019	239,527	21,480	261,007
2. Increases	23,681	1,271	24,952
(1) Provision or amortization	15,609	1,271	16,880
(2) Transfer from fixed assets (Note V, 20)	8,072	–	8,072
3. Decreases	19,836	–	19,836
(1) Transfer to fixed assets (Note V, 20)	19,836	–	19,836
4. At 30 June 2019	243,372	22,751	266,123
III. Provision for impairment			
1. At 1 January 2019	12,061	–	12,061
2. Decreases	–	–	–
(1) Disposal or retirement	–	–	–
3. At 30 June 2019	12,061	–	12,061
IV. Carrying amount			
1. Carrying amount as at 30 June 2019	945,966	104,314	1,050,280
2. Carrying amount as at 31 December 2018	1,142,945	105,585	1,248,530

20. Fixed assets

(1) Presented by item:

RMB'000

Item	30 June 2019	31 December 2018
Fixed assets	56,969,616	57,321,099
Disposal of fixed assets	73,146	69,630
Total	57,042,762	57,390,729

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

20. Fixed assets *(continued)*

(2) Details of fixed assets:

RMB'000

Item	Land assets	Buildings	Machinery and equipments	Transportation vehicles	Office equipments and other equipments	Total
I. COST						
1. At 31 December 2018	225,917	44,860,673	44,698,265	2,817,814	5,246,914	97,849,583
Changes in accounting policies (Note III, 30)	–	(107,596)	(161,075)	–	–	(268,671)
At 1 January 2019	225,917	44,753,077	44,537,190	2,817,814	5,246,914	97,580,912
2. Increases	34,207	1,370,837	1,166,078	36,132	270,018	2,877,272
(1) Additions	–	180,599	244,441	16,346	118,916	560,302
(2) Transfer from construction in progress (Note V, 21)	34,058	981,068	921,637	19,786	151,102	2,107,651
(3) Transfer from investment properties (Note V, 19)	–	209,170	–	–	–	209,170
(4) Exchange fluctuation	149	–	–	–	–	149
3. Decreases	466	70,088	286,491	38,164	59,666	454,875
(1) Disposal or retirement	37	6,938	265,788	31,897	54,827	359,487
(2) Transfer to construction in progress (Note V, 21)	–	33,234	12,336	6,265	2,687	54,522
(3) Transfer to investment properties (Note V, 19)	–	16,036	–	–	–	16,036
(4) Exchange fluctuation	429	13,880	8,367	2	2,152	24,830
4. At 30 June 2019	259,658	46,053,826	45,416,777	2,815,782	5,457,266	100,003,309
II. Accumulated depreciation						
1. At 31 December 2018	–	11,050,134	23,964,024	1,710,476	3,390,111	40,114,745
Changes in accounting policies (Note III, 30)	–	(11,511)	(90,860)	–	–	(102,371)
At 1 January 2019	–	11,038,623	23,873,164	1,710,476	3,390,111	40,012,374
2. Increases	–	825,613	1,687,503	98,691	279,241	2,891,048
(1) Provision	–	805,777	1,687,503	98,691	279,241	2,871,212
(2) Transfer from investment properties (Note V, 19)	–	19,836	–	–	–	19,836
3. Decreases	–	14,957	191,969	25,231	42,241	274,398
(1) Disposal or retirement	–	1,669	177,191	19,212	40,684	238,756
(2) Transfer to construction in progress (Note V, 21)	–	2,365	7,687	6,017	518	16,587
(3) Transfer to investment properties (Note V, 19)	–	8,072	–	–	–	8,072
(4) Exchange fluctuation	–	2,851	7,091	2	1,039	10,983
4. At 30 June 2019	–	11,849,279	25,368,698	1,783,936	3,627,111	42,629,024

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

20. Fixed assets *(continued)*

(2) Details of fixed assets: *(continued)*

Item	Land assets	Buildings	Machinery and equipments	Transportation vehicles	Office equipments and other equipments	Total
III. Provision for impairment						
1. At 1 January 2019	–	58,876	344,888	4,003	5,972	413,739
2. Increases	–	–	–	–	–	–
(1) Provision	–	–	–	–	–	–
3. Decreases	–	–	9,070	–	–	9,070
(1)Disposal or retirement	–	–	8,713	–	–	8,713
(2) Transfer to construction in progress (Note V, 21)	–	–	357	–	–	357
4. At 30 June 2019	–	58,876	335,818	4,003	5,972	404,669
IV. Carrying amount						
1. Carrying amount as at 30 June 2019	259,658	34,145,671	19,712,261	1,027,843	1,824,183	56,969,616
2. Carrying amount as at 31 December 2018	225,917	33,751,663	20,389,353	1,103,335	1,850,831	57,321,099

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

RMB'000

Item	Carrying amount as at 30 June 2019
Machinery and equipments	254,736
Transportation vehicles	222,482
Other equipments	9,855
Total	487,073

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

RMB'000

Item	Carrying amount	Reasons for having not to obtained the property right certificates
Buildings	6,941,706	In process

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

20. Fixed assets *(continued)*

(5) Disposal of fixed assets

RMB'000

Item	30 June 2019	31 December 2018
Buildings	5,648	4,171
Machinery and equipments	65,656	63,789
Transportation vehicles	1,088	616
Office equipments and other equipments	754	1,054
Total	73,146	69,630

(6) As at 30 June 2019, the Group had buildings, machinery, and equipments with carrying amount equivalent to RMB15,536,000 (31 December 2018: RMB17,274,000) as collateral for the Group to obtain bank loans. Except for the fixed assets used as collateral, there was no other restriction on the ownership of fixed assets as at 30 June 2019.

21. Construction in progress

(1) Presented by item

RMB'000

Item	30 June 2019	31 December 2018
Construction in progress	7,703,268	8,054,931
Materials for construction of fixed assets	49,286	43,282
Total	7,752,554	8,098,213

(2) Details of construction in progress:

RMB'000

	30 June 2019			31 December 2018		
Item	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Construction in progress	7,706,843	(3,575)	7,703,268	8,058,506	(3,575)	8,054,931
Total	7,706,843	(3,575)	7,703,268	8,058,506	(3,575)	8,054,931

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

21. Construction in progress *(continued)*

(3) Changes in significant construction in progress for the period:

RMB'000

Name of projects	Budget	Book value as at 1 January 2019	Increases	Transfer to fixed assets (Note V, 20)	Transfer to intangible assets (Note V, 23)	Transfer from fixed assets (Note V, 20)	Exchange fluctuation	Book value as at 30 June 2019	Proportion of accumulated investment to the budget (%)	Project progress (%)	Cumulative capitalization of interests	Including: capitalization of interests for the period	Capitalization rate of interests (%)	Source of funds
Lüshun project	4,774,000	2,076,620	77,889	(78,081)	-	-	-	2,076,428	70.0	70.0	353,731	13,050	5.25	Loan
Construction of new plant	2,920,886	241,149	153,903	(73)	-	-	-	394,979	35.0	35.0	25,754	4,814	3.70	Loan
Test line project	310,000	268,226	17,479	-	-	-	-	285,705	90.0	90.0	-	-	/	Self-raised
Heavy axle load casting and forging project	850,000	248,924	10,707	-	-	-	-	259,631	72.0	72.0	47,396	2,986	5.25	Loan
Withdrawing from township and settling in park project	1,374,980	153,405	18,866	(163)	-	-	-	172,108	99.0	99.0	5	-	/	Loan, self-raised
Harmony-type locomotives project	198,000	156,399	2,040	(460)	-	-	-	157,979	99.0	99.0	35,163	1,181	4.90	Loan
Infrastructure construction of Chengdu Rail Transit Industrial Park Construction (Electric Motor) Project	157,311	143,474	7,281	-	-	-	-	150,755	95.8	95.8	2,382	244	4.90	Loan
Harmony six-year inspection and construction project	190,000	139,281	4,117	(787)	-	-	-	142,611	93.0	93.0	8,895	1,997	4.90	Loan, self-raised
Base construction project	383,600	112,421	22,434	-	-	-	-	134,855	35.2	35.2	-	-	/	Self-raised
Electric Motor Engineering Research Center	236,044	108,387	9,805	-	-	-	-	118,192	98.5	98.5	880	880	4.90	Loan
Factory of Chicago	871,000	642,643	24,018	(640,284)	-	-	-	26,377	80.1	80.1	-	-	/	Self-raised
Others	21,336,423	3,767,577	1,449,018	(1,387,803)	(74,862)	37,578	(4,285)	3,787,223	/	/	49,468	6,424	/	Self-raised, loan, Recruitment and investment
Total	33,602,244	8,058,506	1,797,557	(2,107,651)	(74,862)	37,578	(4,285)	7,706,843	/	/	523,674	31,576	/	/

(4) Materials for construction of fixed assets

RMB'000

Item	30 June 2019			31 December 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Specialized materials	881	–	881	724	–	724
Specialized equipments	8,010	–	8,010	8,042	–	8,042
Prepayments for large equipments	38,321	–	38,321	34,020	–	34,020
Others	2,074	–	2,074	496	–	496
Total	49,286	–	49,286	43,282	–	43,282

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

22. Right-of-use assets

RMB'000

Item	Buildings	Machinery and equipments	Transportation vehicles	Office equipments and other equipments	Total
I. COST					
1. At 31 December 2018	–	–	–	–	–
Changes in accounting policies (Note III,30)	528,166	318,273	33,393	2,534	882,366
At 1 January 2019	528,166	318,273	33,393	2,534	882,366
2. Increases	389,887	2,899	4,458	124	397,368
(1) Newly rented	389,508	2,899	4,458	124	396,989
(2) Exchange fluctuation	379	–	–	–	379
3. Decreases	82,070	1,760	37	–	83,867
(1) Expiry of lease contract	82,068	1,760	37	–	83,865
(2) Exchange fluctuation	2	–	–	–	2
4. At 30 June 2019	835,983	319,412	37,814	2,658	1,195,867
II. Accumulated depreciation					
1. At 31 December 2018	–	–	–	–	–
Changes in accounting policies (Note III,30)	11,511	90,860	–	–	102,371
At 1 January 2019	11,511	90,860	–	–	102,371
2. Increases	83,183	26,197	6,184	525	116,089
(1) Provision	83,153	26,197	6,184	525	116,059
(2) Exchange fluctuation	30	–	–	–	30
3. Decreases	3,767	418	–	–	4,185
(1) Expiry of lease contract	3,766	418	–	–	4,184
(2) Exchange fluctuation	1	–	–	–	1
4. At 30 June 2019	90,927	116,639	6,184	525	214,275
III. Carrying amount					
1. Carrying amount as at 30 June 2019	745,056	202,773	31,630	2,133	981,592
2. Carrying amount as at 31 December 2018	–	–	–	–	–

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

23. Intangible assets

(1) Details of intangible assets

RMB'000

Item	Land use rights	Proprietary technology and industrial properties	Software licenses	Customer relationship	Backlog orders and service contracts	Total
I. COST						
1. At 1 January 2019	16,662,037	4,454,709	2,542,452	347,583	52,926	24,059,707
2. Increases	70,646	38,406	140,241	131	–	249,424
(1) Additions	70,488	33,748	56,694	–	–	160,930
(2) Transfer from construction in progress (Note V, 21)	–	–	74,862	–	–	74,862
(3) Internal research and development (Note V, 24)	–	4,658	8,441	–	–	13,099
(4) Exchange fluctuation	158	–	244	131	–	533
3. Decreases	–	3,720	3,512	–	–	7,232
(1) Disposal	–	–	3,512	–	–	3,512
(2) Movements of exchange rate	–	3,720	–	–	–	3,720
4. At 30 June 2019	16,732,683	4,489,395	2,679,181	347,714	52,926	24,301,899
II. Accumulated amortization						
1. At 1 January 2019	2,948,299	2,307,030	1,673,459	146,699	52,926	7,128,413
2. Increases	166,884	112,541	147,351	15,850	–	442,626
(1) Provision	166,850	112,541	147,207	15,799	–	442,397
(2) Exchange fluctuation	34	–	144	51	–	229
3. Decreases	–	1,056	1,726	–	–	2,782
(1) Disposal	–	–	1,726	–	–	1,726
(2) Exchange fluctuation	–	1,056	–	–	–	1,056
4. At 30 June 2019	3,115,183	2,418,515	1,819,084	162,549	52,926	7,568,257
III. Provision for impairment						
1. At 1 January 2019	–	280,683	507	–	–	281,190
2. Increases	–	–	–	–	–	–
(1) Provision	–	–	–	–	–	–
3. Decreases	–	2,593	–	–	–	2,593
(1) Exchange fluctuation	–	2,593	–	–	–	2,593
4. At 30 June 2019	–	278,090	507	–	–	278,597
IV. Carrying amount						
1. Carrying amount as at 30 June 2019	13,617,500	1,792,790	859,590	185,165	–	16,455,045
2. Carrying amount as at 31 December 2018	13,713,738	1,866,996	868,486	200,884	–	16,650,104

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

23. Intangible assets *(continued)*

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

RMB'000

Item	Carrying amount	Reasons for having not to obtain the property rights certificate
Project land	212,555	In progress

(3) As at 30 June 2019, the Group had intangible assets with a carrying amount of RMB1,455,000 (31 December 2018: RMB6,515,000) as collateral for the Group to obtain bank loans.

24. Development expenditures

RMB'000

		Increases		Decreases		
Item	1 January 2019	Internal development expenditures	Others	Recognised as intangible assets (Note V, 23)	Transfer to profit or loss	30 June 2019
Development expenditures	286,606	4,492,061	–	13,099	4,463,691	301,877

25. Goodwill

(1) Book value of goodwill

RMB'000

Name of investee	1 January 2019	Increases	Decreases	Exchange fluctuation	30 June 2019
CRRC Zhuzhou Moto and its subsidiaries	20,156	–	–	–	20,156
CRRC Ziyang and its subsidiaries	1,814	–	–	–	1,814
CRRC Zhuzhou Institute and its subsidiaries	1,386,980	–	–	1,477	1,388,457
CRRC Information Technology and its subsidiaries	13,557	–	–	–	13,557
CRRC Tangshan and its subsidiaries	36,379	–	–	–	36,379
CRRC Construction Engineering and its subsidiaries	4,048	–	–	–	4,048
CRRC Datong and its subsidiaries	2,100	–	–	–	2,100
Total	1,465,034	–	–	1,477	1,466,511

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

25. Goodwill *(continued)*

(2) Provision for impairment losses of goodwill

RMB'000

Name of investee	1 January 2019	Increase	Decreases	Exchange fluctuation	30 June 2019
CRRC Zhuzhou Moto and its subsidiaries	20,156	–	–	–	20,156
CRRC Zhuzhou Institute and its subsidiaries	731,836	–	–	(253)	731,583
Total	751,992	–	–	(253)	751,739

26. Deferred tax assets/Deferred tax liabilities

(1) Deferred tax assets before offsetting:

RMB'000

Item	30 June 2019 Deductible temporary differences	30 June 2019 Deferred tax assets	31 December 2018 Deductible temporary differences	31 December 2018 Deferred tax assets
Expected warranty provisions	6,705,747	1,026,749	6,615,848	1,019,934
Provision for assets impairment	1,955,818	332,281	1,895,524	326,546
Provision for credit losses	4,093,465	712,826	4,411,811	804,336
Overseas sales expenses	176,679	26,502	217,814	32,672
Unrealized profit from internal transactions	2,213,964	339,524	1,884,196	303,407
Estimated losses	743,058	111,135	740,896	111,134
Government grants	1,880,817	289,200	1,697,259	263,564
Accrued expenses	704,073	109,670	615,069	96,403
Unpaid technical royalty fees	521,702	78,255	316,764	47,515
Unpaid employee salaries	545,889	84,716	416,318	65,467
Deductible losses	1,958,914	308,686	1,942,614	312,208
Changes in fair value of investment in other equity instruments	822,743	128,275	383,318	62,143
Changes in fair value of receivables at FVTOCI	87,281	17,224	118,367	18,902
Others	1,456,245	233,222	1,510,147	245,609
Total	23,866,395	3,798,265	22,765,945	3,709,840

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

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

(2) Deferred tax liabilities before offsetting:

RMB'000

Item	30 June 2019 Taxable temporary differences	30 June 2019 Deferred tax liabilities	31 December 2018 Taxable temporary differences	31 December 2018 Deferred tax liabilities
Adjustment on fair value of acquisition of subsidiaries	541,430	113,490	593,642	123,347
Depreciation difference due to inconsistency of depreciation period between tax law and accounting	393,843	61,721	402,893	63,877
Changes in fair value of investment in other equity instruments	629,902	99,923	164,493	29,286
Gains on changes in fair value during the holding period of the financial assets at fair value through profit or loss	30,513	7,628	25,629	6,407
Others	14,801	2,220	5,040	890
Total	1,610,489	284,982	1,191,697	223,807

(3) Deferred tax assets/liabilities after offsetting:

RMB'000

Item	Amount of offsetting of deferred tax assets and liabilities as at 30 June 2019	Balances of deferred tax assets or liabilities after offsetting as at 30 June 2019	Amount of offsetting of deferred tax assets and liabilities as at 31 December 2018	Balances of deferred tax assets or liabilities after offsetting as at 31 December 2018
Deferred tax assets	138,211	3,660,054	65,261	3,644,579
Deferred tax liabilities	138,211	146,771	65,261	158,546

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

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

(4) Details of unrecognized deferred tax assets:

RMB'000

Item	30 June 2019	31 December 2018
Deductible temporary differences	7,937,192	6,577,494
Deductible tax losses	14,775,101	13,363,406
Total	22,712,293	19,940,900

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

RMB'000

Year	30 June 2019	31 December 2018
2019	445,292	504,038
2020	733,965	746,613
2021	1,181,171	1,316,504
2022	761,495	797,168
2023	3,070,425	2,833,767
2024	1,300,381	556,293
2025	2,011,641	2,046,116
2026	1,637,832	1,641,079
2027	1,574,920	1,588,133
2028	1,341,180	1,333,695
2029	716,799	–
Total	14,775,101	13,363,406

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

27. Other non-current assets

RMB'000

Item	30 June 2019	31 December 2018
Contract assets (Note V, 10)	10,291,026	8,923,932
Prepaid investment funds	–	2,430,000
Prepayment of intangible assets	1,023,441	1,006,332
Prepayment of engineering equipments	1,113,129	1,269,196
Others	242,121	203,986
Sub-total	12,669,717	13,833,446
Less: Other non-current assets due within one year (Note V,11)	–	(6,960)
Total	12,669,717	13,826,486

As at 30 June 2019, prepayments made to related parties of the Group in the balance of other non-current assets are set out in Note X,5.

28. Short-term borrowings

(1) Category of short-term borrowings:

RMB'000

Item	30 June 2019	31 December 2018
Pledged loans	346,212	190,244
Mortgage loans	91,788	27,500
Guaranteed loans	707,276	1,933,148
Credit loans	12,384,592	6,483,209
Total	13,529,868	8,634,101

As at 30 June 2019, the guaranteed loans were guaranteed by the Group and its subsidiaries.

As at 30 June 2019, the annual interest rate of short-term borrowings ranged from 0.17% to 6.10% (31 December 2018: 0.61%-8.42%).

As at 30 June 2019, short-term borrowings from related party of the Group are set out in Note X, 5.

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

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

RMB'000

Item	30 June 2019	31 December 2018
Customer deposits of CRRC Finance	1,792,851	2,795,282
Total	1,792,851	2,795,282

As at 30 June 2019, details of related parties deposits are set out in Note X,5.

30. Placements from banks and other financial institutions

RMB'000

Item	30 June 2019	31 December 2018
Taking from banks and other financial institutions in CRRC Finance	2,200,000	14,955
Total	2,200,000	14,955

Note: Placements from banks and other financial institutions were funds that CRRC Finance placements from banks and other financial institutions.

31. Bills payable

RMB'000

Category	30 June 2019	31 December 2018
Bank acceptances	19,628,283	19,528,128
Commercial acceptances	3,310,478	2,450,592
Total	22,938,761	21,978,720

As at 30 June 2019, details of related party bills payable due to related parties are set out in Note X, 5.

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

32. Accounts payable

(1) Details of accounts payable:

RMB'000

Item	30 June 2019	31 December 2018
Related party	5,196,033	5,292,075
Third party	114,717,833	93,897,912
Total	119,913,866	99,189,987

(2) Aging analysis of accounts payable:

RMB'000

Item	30 June 2019	31 December 2018
Within one year	113,286,385	92,739,616
1-2 years	3,585,250	2,545,169
2-3 years	1,185,603	1,249,411
Over 3 years	1,856,628	2,655,791
Total	119,913,866	99,189,987

(3) As at 30 June 2019, details of accounts payable due to related parties are set out in Note X, 5.

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

33. Receipts in advance

RMB'000

Item	30 June 2019	31 December 2018
Third party	30,891	24,337
Total	30,891	24,337

34. Contract liabilities

RMB'000

Item	30 June 2019	31 December 2018
Sale of goods related (Note 1)	24,170,209	21,189,001
Project contracting related (Note 2)	674,817	1,237,467
Sub-total	24,845,026	22,426,468
Less: Contract liabilities presented under other non-current liabilities (Note V, 47)	(99,955)	(90,569)
Total	24,745,071	22,335,899

Note 1: As at 30 June 2019, the acceptance and transfer of certain sales of goods of the Group was later than the customer's payment, generating contract liabilities related to the contract on sales of goods.

Note 2: As at 30 June 2019, the Group's contract liability related to the construction contracts represented the excess of the settled amount over revenue recognized based on the progress of construction.

As at 30 June 2019, details of related party contract liabilities of related parties are set out in Note X, 5.

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

35. Employee benefits payable

(1) Details of employee benefits payable

RMB'000

Item	1 January 2019	Increases	Decreases	30 June 2019
I. Short-term employee benefits	1,707,311	11,393,464	11,035,166	2,065,609
II. Post-employment benefits-Defined contribution plan	77,019	1,830,614	1,815,390	92,243
III. Labor expenditures	1,959	628,387	620,265	10,081
IV. Post-employment benefits due within one year-Net liabilities in defined benefit plan (Mainland China) (Note V, 44)	234,278	–	–	234,278
V. Post-employment benefits due within one year-Net liabilities in defined benefit plan (other countries and regions) (Note V, 44)	25,269	–	–	25,269
Total	2,045,836	13,852,465	13,470,821	2,427,480

(2) Presentation of short-term benefits

RMB'000

Item	1 January 2019	Increases	Decreases	30 June 2019
I. Salaries, bonuses, allowances and subsidies	635,486	8,795,527	8,420,811	1,010,202
II. Welfare benefits	325,125	450,495	439,480	336,140
III. Social insurances	48,845	859,791	820,014	88,622
Including: Medical insurance	40,367	725,995	688,414	77,948
Employment injury insurance	7,851	66,385	65,513	8,723
Maternity insurance	627	67,411	66,087	1,951
IV. Housing funds	37,043	906,142	900,087	43,098
V. Employee union funds and staff education funds	236,550	284,112	216,693	303,969
VI. Others	424,262	97,397	238,081	283,578
Total	1,707,311	11,393,464	11,035,166	2,065,609

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

35. Employee benefits payable *(continued)*

(3) Details of defined contribution plan

RMB'000

Item	1 January 2019	Increases	Decreases	30 June 2019
1. Basic pension insurance	59,394	1,446,818	1,455,826	50,386
2. Unemployment insurance	7,750	51,680	52,926	6,504
3. Enterprise annuity	9,875	332,116	306,638	35,353
Total	77,019	1,830,614	1,815,390	92,243

36. Tax payable

RMB'000

Item	30 June 2019	31 December 2018
VAT	461,351	2,258,450
Enterprise income tax	440,290	560,000
Individual income tax	94,779	257,517
City maintenance and construction tax	33,282	164,369
Educational surcharge	25,605	117,315
Property tax	38,133	60,001
Land use tax	24,595	34,335
Others	44,036	77,468
Total	1,162,071	3,529,455

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

37. Other payables

(1) Presented by item

RMB'000

Item	30 June 2019	31 December 2018
Interests payable	53,221	223,538
Dividends payable	4,874,433	378,374
Other payables	9,859,289	9,258,484
Total	14,786,943	9,860,396

(2) Interests payable

RMB'000

Item	30 June 2019	31 December 2018
Loan interests	53,221	29,219
Interests on ultra-short-term financing bonds	–	30,618
Interests on corporate bonds	–	163,701
Total	53,221	223,538

(3) Dividends payable

RMB'000

Item	30 June 2019	31 December 2018
Related party	2,213,892	–
Third party	2,660,541	378,374
Total	4,874,433	378,374

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

37. Other payables *(continued)*

(4) Other payables

RMB'000

Item	30 June 2019	31 December 2018
Collections on behalf other parties	3,372,367	3,210,265
Payments for equipment and projects	1,365,510	1,657,222
Deposits and securities, housing fund, and public facilities maintenance funds	1,241,455	848,879
Technology royalties and research expenditures	624,726	398,267
Utilities, repair and transportation expenses	312,655	210,951
Others	2,942,576	2,932,900
Total	9,859,289	9,258,484

(5) As at 30 June 2019, details of other payables due to related parties are set out in Note X, 5.

38. Non-current liabilities due within one year

RMB'000

Item	30 June 2019	31 December 2018
Long-term borrowings due within one year (Note V, 40)	2,232,908	2,644,890
Bonds payable due within one year (Note V, 41)	2,049,302	5,909,997
Long-term payables due within one year (Note V, 43)	48,106	22,524
Provisions due within one year (Note V, 45)	2,355,277	2,241,361
Lease liabilities due within one year (Note V, 42)	194,871	–
Other non-current liabilities due within one year (Note V, 47)	44,326	277,823
Total	6,924,790	11,096,595

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

39. Other current liabilities

RMB'000

Item	30 June 2019	31 December 2018
Ultra short-term financing bonds	12,053,343	3,000,000
Output VAT tax to be transferred and received VAT in advance	2,938,802	3,155,925
Total	14,992,145	6,155,925

As at 30 June 2019, details of advances from related parties in the balance of other current liabilities are set out in Note X, 5.

Change in ultra-short-term bonds payable:

RMB'000

Name of bonds	Par value	Issuing date	Bond duration (days)	Issuing amount	1 January 2019	Issued in the period	Accrued interests at par value	Amortization of premium and discount	Repayment in the period	30 June 2019
CRRC's Phase III ultra-short-term financing bonds in 2018	3,000,000	16/08/2018	180	3,000,000	3,000,000	–	41,129	–	(3,041,129)	-
CRRC's Phase I ultra-short-term financing bonds in 2019	3,000,000	18/04/2019	90	3,000,000	–	3,000,000	13,233	–	–	3,013,233
CRRC's Phase II ultra-short-term financing bonds in 2019	3,000,000	23/04/2019	180	3,000,000	–	3,000,000	14,252	–	–	3,014,252
CRRC's Phase III ultra-short-term financing bonds in 2019	3,000,000	24/04/2019	90	3,000,000	–	3,000,000	13,382	–	–	3,013,382
CRRC's Phase IV ultra-short-term financing bonds in 2019	3,000,000	25/04/2019	90	3,000,000	–	3,000,000	12,476	–	–	3,012,476
Total	/	/	/	/	3,000,000	12,000,000	94,472	–	(3,041,129)	12,053,343

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

40. Long-term borrowings

RMB'000

Item	30 June 2019	31 December 2018
Pledged loans	368,816	212,000
Mortgage loans	–	2,800
Guaranteed loans	1,538,040	832,461
Credit loans	1,742,951	2,477,640
Total	3,649,807	3,524,901
Less: Long-term borrowings due within one year (Note V, 38)	(2,232,908)	(2,644,890)
Including: Pledged loans	(31,000)	(11,000)
Mortgage loans	–	(2,800)
Guaranteed loans	(1,538,040)	(755,483)
Credit loans	(663,868)	(1,875,607)
Long-term borrowings due after one year	1,416,899	880,011
Including: Pledged loans	337,816	201,000
Guaranteed loans	–	76,978
Credit loans	1,079,083	602,033

As at 30 June 2019, guaranteed loans were guaranteed by the Group and its subsidiaries.

As at 30 June 2019, the annual interest rate of long-term borrowings ranged from 0.16 % to 9.00 % (31 December 2018: 0.00%-9.00%).

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

41. Bonds payable

(1) Bonds payable

RMB'000

Item	30 June 2019	31 December 2018
2016 Convertible Bonds	2,379,609	3,910,829
Corporate bonds	3,563,363	5,499,168
Total	5,942,972	9,409,997
Less: Bonds payable due within one year (Note V, 38)	(2,049,302)	(5,909,997)
Bonds payable due after one year	3,893,670	3,500,000

(2) Changes in bonds payable:

RMB'000

Name of bonds	Par value	Issuing date	Bond duration	Issuing amount	1 January 2019	Issued in the period	Accrued interests at par value	Amortization of premium/ discount	Exchange fluctuation	Repayment of principal and interests in the period	30 June 2019
CSR 2013 Corporate Bonds (Phase I) (Ten-year Term)	1,500,000	22 April 2013	10 years	1,500,000	1,500,000	-	36,457	-	-	(22,396)	1,514,061
CNR 2014 Phase II Medium Term Notes	2,000,000	17 March 2014	5 years	2,000,000	1,999,168	-	23,945	832	-	(2,023,945)	-
CRRC 2016 Phase I Corporate Bonds	2,000,000	30 August 2016	5 years	2,000,000	2,000,000	-	49,302	-	-	-	2,049,302
2016 Convertible Bonds	3,918,840	05 February 2016	5 years	3,918,840	3,910,829	-	-	32,669	(31,100)	(1,532,789)	2,379,609
Total	/	/	/	9,418,840	9,409,997	-	109,704	33,501	(31,100)	(3,579,130)	5,942,972
Less: Bonds payable due within one year (Note V, 38)	/	/	/	/	(5,909,997)	/	/	/	/	/	(2,049,302)
Bonds payable due after one year	/	/	/	/	3,500,000	/	/	/	/	/	3,893,670

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

41. Bonds payable *(continued)*

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

As at 5 February 2016, the Company issued convertible bonds ("2016 Convertible Bonds") amounting to USD 600,000,000 in total, the maturity of which is 5 February 2021. Each convertible bond has a face value of USD 250,000, issued at 100% of the face value with a coupon rate of nil. Main terms of 2016 Convertible Bonds are as follows:

(i) Right of conversion

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

The initial price of conversion for 2016 Convertible Bonds is HKD 9.65 per share. The price of conversion will be adjusted based on the following items: share consolidation, split and reclassification, capitalization of profit or reserve, profit distribution, share allotment or share option, placing of other securities, issuing of any ordinary shares at prices lower than the prevailing market prices, other issuance at prices lower than the prevailing market prices, modification to rights of conversion, other issuance to shareholders of ordinary shares etc. The number of conversion is determined based on the principal amount of bonds divided by the price of conversion. The fixed exchange rate of USD against HKD is 7.7902. The Company held the general meeting of shareholders on 25 June 2019, which approved the following: 2018 profit distribution scheme; a cash dividend of RMB 0.15 (tax inclusive) per share declared to all shareholders; since 9 July 2019, the price of conversion adjusted to HKD 9.00 per share from the adjusted price of HKD 9.15 per share.

(ii) Issuer's rights of redemption

Redemption upon maturity

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

Conditional redemption

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

a. At any time within the period from 5 February 2019 to the maturity date, redemption shall be made during 20 working days of HKEX in the period of 30 consecutive working days before the publication of the redemption notice at HKEX (the last working day of HKEX shall be 10 working day earlier than the issue of the redemption notice), at the closing price of H Share translated into USD at the applicable prevailing exchange rate, which shall be at least 130% of the conversion price (translated into USD at fixed exchange rate) on a daily basis for 20 working days of HKEX, otherwise, the redemption is rejected. In case which leads to changes in conversion price during the 30 consecutive working days of HKEX, when calculating the closing price of H Share at the related date, adjustment shall be made regarding the related date as appropriate and the aforesaid adjustment shall be approved by the independent investment bank; or

b. The principal of 2016 Convertible Bonds which have not been redeemed or converted is less than 10% of the principal of bonds originally issued.

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

41. Bonds payable *(continued)*

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

(iii) Bond holders' right of resale

Holders of 2016 Convertible Bonds are entitled to request the Company to redeem all or part of the bonds of the holders on the date of the resale right (i.e. 5 February 2019) at 100% of the outstanding principal of bonds. After the expiration of the exercise period of relevant rights, holder of the bonds with a total principal of USD 240 million (the "redeemed bonds") had notified the exercise of the right of resale. Accordingly, the redeemed bonds were redeemed on the basis of 100% of the principal of bonds on 5 February 2019, and were cancelled in real time after redemption. As at 30 June 2019, bonds with a total principal of USD 360 million were not redeemed, equivalent to 60% of total principal of bonds originally issued.

(4) Accounting of convertible corporate bonds

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

(i) The debts in the host contract are initially recognized at fair value, amounting to RMB3,488,045,000 approximately. The master debt contract is subsequently measured at amortized cost based on the effective interest rate at 2.53% using the effective interest method in consideration of issuing costs including the underwriting fee.

(ii) The embedded derivatives are initially recognized and subsequently measured at fair value, with related costs of transaction immediately recognized in profit or loss for the period.

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

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

41. Bonds payable *(continued)*

(4) Accounting of convertible corporate bonds *(continued)*

The independent asset valuer assesses the fair value of the embedded derivatives using the Binominal Model, the assessment reference dates are 30 June 2019 and 31 December 2018 respectively, mainly using the following parameters:

Item	30 June 2019	31 December 2018
Current price of stock	HK$6.53	HK$7.63
Exercise price of option	HK$9.15	HK$9.15
Risk-free interest rate	1.779%	1.819%
Weekly volatility of stock price	3.3314%	3.0204%

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

The stock price volatility is based on the comparative closing price of the Company on a trade date basis for the five years prior to the reference date, calculating the volatility of each trade date, i.e, the standard deviation of advance and decline.

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

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

Item	Debt	Embedded derivatives (Note V, 47)	Total
At 1 January 2019	3,910,829	271,899	4,182,728
Amortization of premium/discount	32,669	–	32,669
Exchange fluctuation	(31,100)	(4,468)	(35,568)
Redemption of bonds	(1,532,789)	(106,302)	(1,639,091)
Gains on changes in fair value (Note V, 62)	–	(124,173)	(124,173)
At 30 June 2019	2,379,609	36,956	2,416,565
Including: Due within 1 year	–	–	–
Due after 1 year	2,379,609	36,956	2,416,565

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

42. Lease liabilities

RMB'000

Item	30 June 2019
Lease liabilities	958,201
Less: Lease liabilities included in non-current liabilities due within one year (Note V, 38)	(194,871)
Lease liabilities due over one year	763,330

From January to June 2019, the Group's short-term rental expenses included in profit and loss were RMB82,854,000, and the total cash outflow associated with the lease was RMB294,420,000.

As at 30 June 2019, the lease liability (including the one-year maturity) due to the related parties are set out in Note X, 5.

43. Long-term payables

(1) Presented by item

RMB'000

Item	30 June 2019	31 December 2018
Long-term payables	234,029	288,719
Special payables	12,983	12,983
Total	247,012	301,702
less: Non-current liabilities due within one year (Note V, 38)	(48,106)	(22,524)
Long-term payables due over one year	198,906	279,178

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

43. Long-term payables *(continued)*

(2) Long-term payables

RMB'000

Item	30 June 2019	31 December 2018
Financing lease payable	–	143,195
Other long-term payables	234,029	145,524
Total	234,029	288,719
Less: Long-term payables due within one year	(41,363)	(15,781)
Long-term payables due over one year	192,666	272,938

(3) Special payables

RMB'000

Item	1 January 2019	Increases	Decreases	30 June 2019
Special fund for industrial transformation of Gansu Province in 2016	6,000	–	–	6,000
Research & development of the overall solution and prototype system of embedded system of the rail transit equipment	3,481	–	–	3,481
Others	3,502	–	–	3,502
Total	12,983	–	–	12,983
Less: Special payables due within one year	(6,743)	–	–	(6,743)
Special payables due over one year	6,240	–	–	6,240

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

44. Long-term employee benefits payable

(1) Table of long-term employee benefits payable

RMB'000

Item	30 June 2019	31 December 2018
I. Post-employment benefits-liabilities in defined benefit plan (Mainland China) (Note 1)	1,937,481	2,013,043
II. Post-employment benefits-liabilities in defined benefit plan (Other countries and regions) Note 2)	983,315	993,269
III. Others	592,406	592,737
Total	3,513,202	3,599,049

(2) Changes in defined benefit plan (Mainland China):

RMB'000

Item	Current period	Prior period
I. Opening balance	2,247,321	2,418,947
II. Defined benefit cost recognized in profit or loss	33,051	41,800
1. Net interests	33,051	41,800
III. Other changes	(108,613)	(112,711)
1. Paid benefits	(108,613)	(112,711)
IV. Closing balance	2,171,759	2,348,036
Less: Post-employment benefits due within one year – liabilities in defined benefit plan (Note V, 35)	(234,278)	(192,679)
V. Post-employment benefits due after one year-liabilities in defined benefit plan	1,937,481	2,155,357

Note 1: For the Company and other domestic subsidiaries, in addition to the basic pension insurance provided by the local government departments, the Group also provides supplementary pension insurance plans and other comprehensive retirement benefit plans for employees retired before 1 July 2007. These plans include monthly living subsidies for employees after their retirement. The Group no longer provides (pays) any supplementary retirement benefits (including supplementary benefits such as retirement salaries, subsidies, medical care) for employees retired since 1 July 2007.

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

44. Long-term employee benefits payable *(continued)*

(2) Changes in defined benefit plan (Mainland China): *(continued)*

The Group engaged an independent actuary, Towers Watson (Shenzhen) Consulting Co., Ltd., to estimate the present value of its above retirement benefit plan obligations using the actuarial method based on the expected cumulative welfare unit method. The plan estimates future cash outflows based on inflation rate and mortality rate assumptions and determines its present value at a discount rate. The discount rate is determined based on the market yield of the national debt that matches the term and currency of the obligations of defined benefit plan on the balance sheet date.

The defined benefit plan exposes the Group to actuarial risks, including interest rate risk, longevity risk and inflation risk. A decrease in the rate of return of national debt will result in an increase in the present value of the defined benefit plan obligations. The present value of the defined benefit plan obligations is calculated based on the optimal estimate of the mortality rate of the participating employees, and an increase in the life expectancy of the plan members will result in an increase in the liabilities in the plan. In addition, the present value of the defined benefit plan obligation is related to the planned future payment standard, and the payment standard is determined based on the inflation rate. Therefore, the increase in the inflation rate will also result in an increase in the liabilities in the plan.

The average period of defined benefit plan obligations as at 30 June 2019 is 5 to 8 years.

Significant actuarial assumptions (discount rate and average growth rate of medical cost) used in determining present value of defined benefit plan obligations are as follows:

Item	30 June 2019 (%)	31 December 2018 (%)
Discount rate	4.00	4.00
Average growth rate of medical cost	7.00/12.00/8.00	7.00/12.00/8.00

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

44. Long-term employee benefits payable *(continued)*

(3) Changes in defined benefit plan (Other countries and regions):

RMB'000

Item	Current period	Prior period
I. Opening balance	1,018,538	964,940
II. Defined benefit cost recognized in profit or loss	17,092	34,677
1. Net interests	10,458	9,621
2. Cost of service in the current period	6,634	25,056
III. Defined benefit cost recognized in other comprehensive income	(212)	(937)
1. Translation differences arising on translation of financial statements denominated in foreign currencies	(212)	(937)
IV. Other changes	(26,834)	(27,743)
1. Paid benefits	(26,834)	(27,743)
V. Closing balance	1,008,584	970,937
Less: Post-employment benefits due within one year-liabilities in defined benefit plan (Other countries and regions) (Note V, 35)	(25,269)	(19,512)
VI. Post-employment benefits due after one year-liabilities in defined benefit plan (Other countries and regions)	983,315	951,425

Note 2: Post-employment benefits-net liabilities in defined benefit plan (other countries or regions) are based on the liabilities recognized in the pension plan provided by the Group's subsidiary, German Rubber and Plastics Business ("Germany BOGE") and Blue Engineering Co., Ltd. and its subsidiaries ("Blue Group"), to their employees.

The principal pension plan of Germany BOGE provides a defined benefit plan for all unallocated assets for all eligible employees in Germany. According to the Pension Plan 2005 ("Rentenordnung 2005") and the Pension Plan 2004 ("Versorgungszusage 2004"), Germany BOGE provides a traditional German pension plan group, including normal and early retirement benefits and benefits for long-term disabled people and survivors of deceased employees.

The Blue Group's post-employment benefit plan is a defined benefit plan for all eligible employees in Italy under the Italian Civil Code 2120 (2120 del codice civile italiano).

The average period of defined benefit plan obligations as at 30 June 2019 is 28 years.

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

44. Long-term employee benefits payable *(continued)*

(3) Changes in defined benefit plan (Other countries and regions): *(continued)*

The actuarial valuation of the present value of the defined benefit plan obligations is determined using the expected cumulative benefit unit method. In addition to the assumptions for life expectancy, other significant assumptions are as follows:

Item	30 June 2019 (%)	31 December 2018 (%)
Discount rate	1.6-2.3	1.6-2.3
Expected increase in wages and salaries	0.5-2.7	0.5-2.7
Increase in pension	1.3	1.3
Volatility	1.0	1.0

The expected increase in wages and salaries depends primarily on factors such as inflation, salary standards and the company's operating conditions.

45. Provisions

RMB'000

Item	30 June 2019	31 December 2018	Reason
Warranty provisions	6,747,279	6,642,712	Agreement on after-sales service
Others	979,039	987,910	Market conditions
Total	7,726,318	7,630,622	/
Less: Provisions expected to due within one year (Note V, 38)	(2,355,277)	(2,241,361)	/
Provisions due after one year	5,371,041	5,389,261	/

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

46. Deferred income

(1) Details of deferred income

RMB'000

Item	1 January 2019	Increases	Decrease	30 June 2019
Government grants related to assets	4,894,815	55,105	148,099	4,801,821
Government grants related to income	1,298,421	288,277	59,552	1,527,146
Total	6,193,236	343,382	207,651	6,328,967

(2) Items related to government grants:

RMB'000

Items	1 January 2019	Additional subsidies in the period	Amount recognized in non-operating income in the period	Amount recognized in other income for the period	Other changes	30 June 2019	Related to assets/ Related to income
Fund of science and technology projects and innovation enterprise awards	1,635,919	280,657	4,734	76,166	(5,703)	1,829,973	Assets/Income
Compensation for demolition	2,324,238	65	45,707	5,935	–	2,272,661	Assets
Land subsidy refund	1,055,630	–	14,406	437	–	1,040,787	Assets
Infrastructure subsidies	589,067	29,562	13,294	13,010	–	592,325	Assets
Discount on imported products	30,306	–	–	2,300	–	28,006	Income
Others	558,076	33,098	12,225	13,722	(12)	565,215	Assets/Income
Total	6,193,236	343,382	90,366	111,570	(5,715)	6,328,967	/

47. Other non-current liabilities

RMB'000

Items	30 June 2019	31 December 2018
Contract liabilities (Note V, 34)	99,955	90,569
2016 Convertible Bonds (Embedded derivative financial instruments) (Note V, 41)	36,956	271,899
Others	133,406	93,009
Less: Other non-current liabilities due within one year (Note V, 38)	(44,326)	(277,823)
Total	225,991	177,654

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

48. Share capital

RMB'000

Item	1 January 2019	Changes: Issuance of new shares	Changes: Sub-total	30 June 2019
Total shares	28,698,864	–	–	28,698,864
Shares with restrictions for sales				
1. RMB ordinary shares	1,410,106	–	–	1,410,106
Shares without restrictions for sales				
1. RMB ordinary shares	22,917,692	–	–	22,917,692
2. Overseas listed ordinary shares	4,371,066	–	–	4,371,066

49. Capital reserve

RMB'000

Item	1 January 2019	Increases	Decreases	30 June 2019
Capital premium				
(Share capital premium)	40,482,504	–	–	40,482,504
Other capital reserves	146,204	701	14,950	131,955
Total	40,628,708	701	14,950	40,614,459

Note: The decrease in other capital reserves was mainly due from the equity transactions of the Group acquired non-controlling interests of the subsidiary, which are set out in Note VII, 2.

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

50. Other comprehensive income

RMB'000

Item	1 January 2019	Amount incurred for the period: Amount incurred before income tax in the period	Less: Amount recognized in other comprehensive income in the prior period but transferred to profit or loss for the period	Less: Income tax expenses	Amount attribute to the Company after tax	Amount attribute to non-controlling interests after tax	Less: Amount recognized in other comprehensive income for the prior year but transferred to retained earnings in the period	30 June 2019
I. Other comprehensive income that may be reclassified to profit or loss under equity method	(725,130)	(60,374)	–	4,505	(65,022)	143	(9,742)	(780,410)
Including: Remeasurement of retirement benefit pension plans	(333,878)	–	–	–	–	–	–	(333,878)
Changes in fair value of investment in other equity instruments	(391,252)	(60,374)	–	4,505	(65,022)	143	(9,742)	(446,532)
II. Other comprehensive income that may be reclassified to profit or loss	(141,618)	16,108	(62,062)	1,680	82,090	(5,600)	–	(59,528)
Including: Other comprehensive income that may be reclassified to profit or loss under equity method	(29,924)	102,195	–	–	102,195	–	–	72,271
Changes in fair value of other debt investments (note)	(63,928)	(53,297)	(62,062)	1,678	9,162	(2,075)	–	(54,766)
Provision for credit impairments of other debt investments (note)	14	13	–	2	11	–	–	25
Exchange differences on translating of financial statements in foreign currencies	(47,780)	(32,803)	–	–	(29,278)	(3,525)	–	(77,058)
Total other comprehensive income	(866,748)	(44,266)	(62,062)	6,185	17,068	(5,457)	(9,742)	(839,938)

Note: Changes in fair value of other debt investments and credit impairment provisions for other debt investments are derived from receivables at FVTOVI.

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

51. Special reserve

RMB'000

Item	1 January 2019	Increases	Decreases	30 June 2019
Production safety expenses	49,957	162,535	162,535	49,957
Total	49,957	162,535	162,535	49,957

52. Surplus reserve

RMB'000

Item	1 January 2019	Increases	Decreases	30 June 2019
Statutory surplus reserve	3,279,992	–	–	3,279,992
Total	3,279,992	–	–	3,279,992

53. Retained earnings

RMB'000

Item	Current period	Prior period (Restated)
Retained earnings of opening balance (Not restated)	56,115,657	49,581,150
Business combination under common control	–	(25,660)
Retained earnings of opening balance (Restated)	56,115,657	49,555,490
Add: Net profit attributable to shareholders of the Company in the current period	4,780,641	4,114,387
Less: Ordinary share dividends payable (Note 1)	(4,304,830)	(4,304,830)
Other comprehensive income carried forward to retained earnings	(9,742)	1,753
Others (Note 3)	(6,125)	(5,907)
Retained earnings at the end of period	56,575,601	49,360,893

Note 1: The Group's profit distribution plan for 2018 was approved at the 2018 Annual General Meeting of Shareholders held on 25 June 2019. Based on the total Company's share capital of 28,698,864,000 shares as at 31 December 2018, the annual dividends for 2018 were distributed to all shareholders, and a cash dividend of RMB0.15 (including tax) per share was distributed, totaling approximately RMB4,304,830,000.

The Group's profit distribution plan for 2017 was approved at the 2017 Annual General Meeting of Shareholders held on 31 May 2018. Based on the total Company's share capital of 28,698,864,000 shares as at 31 December 2017, the dividends for 2017 were distributed to all shareholders, and a cash dividend of RMB0.15 (including tax) per share was distributed, totaling approximately RMB4,304,830,000.

Note 2: As at 30 June 2019, the balance of the Group's retained earnings included the surplus reserve already appropriated by the subsidiaries of RMB11,736,445,000 (31 December 2018: RMB11,736,445,000).

Note 3: The Group acquired non-controlling interests in subsidiaries and decreased retained earnings by RMB 6,125,000, which are set out in Note VII, 2.

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

54. Revenue and operating costs

(1) Details of revenue and operating costs

RMB'000

Item	January-June 2019 Income	January-June 2019 Costs	January-June 2018 (Restated) Income	January-June 2018 (Restated) Costs
Principal operating activities	94,721,885	73,692,482	85,010,686	65,196,930
Other operating activities	1,425,136	851,888	1,280,135	1,024,195
Total	96,147,021	74,544,370	86,290,821	66,221,125

(2) Category of revenue and operating costs by business type:

Item	January-June 2019 Income	January-June 2019 Costs	January-June 2018 (Restated) Income	January-June 2018 (Restated) Costs
Sale of goods	75,480,943	57,957,674	71,651,091	55,732,502
Rendering of services	20,118,414	16,423,430	13,952,148	10,379,126
Sub-total	95,599,357	74,381,104	85,603,239	66,111,628
Interest income	276,194	29,439	376,640	16,992
Lease income	271,470	133,827	310,942	92,505
Total	96,147,021	74,544,370	86,290,821	66,221,125

(3) Details of revenue from contracts with customer:

RMB'000

Category of contracts	January-June 2019	January-June 2018 (Restated)
Categorized by sales region		
Mainland China	86,430,791	77,485,120
Other countries and regions	9,168,566	8,118,119
Total	95,599,357	85,603,239

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

54. Revenue and operating costs *(continued)*

(4) Description on performance obligations

(i) Revenue from sales of goods (revenue recognized at a certain time point)

The goods sold by the Group are mainly rail transit equipment and its extension products. The Group recognizes revenue when the customer obtains control of the goods, i.e. at the time of acceptance and delivery of the goods.

(ii) Revenue from rendering of services (revenue recognized within a certain period of time)

The Group's revenue from rendering of services is mainly extended services of railway transportation equipment. The Group recognizes the revenue within a certain period of time according to the progress of the performance as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

55. Taxes and levies

RMB'000

Item	January-June 2019	January-June 2018 (Restated)
City maintenance and construction tax	194,598	235,877
Educational surcharge	139,574	168,158
Property tax	172,644	159,484
Land use tax	130,763	148,279
Vehicle and vessel use tax	719	850
Stamp duty	77,000	78,590
Others	15,225	21,265
Total	730,523	812,503

56. Selling expenses

RMB'000

Item	January-June 2019	January-June 2018 (Restated)
Expected warranty provisions	1,031,386	607,072
Employee benefits	768,215	743,442
Transportation and handling expenses	416,992	364,908
Travel expenses	130,455	127,424
Others	669,034	669,942
Total	3,016,082	2,512,788

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

57. Administrative expenses

RMB'000

Item	January-June 2019	January-June 2018 (Restated)
Employee benefits (excluding employee benefits under defined benefit plan)	3,502,617	3,397,331
Depreciation charge	456,658	402,516
Amortization of intangible assets	299,642	320,561
Others	1,731,896	1,901,370
Total	5,990,813	6,021,778

58. Research and Development expenses

RMB'000

Item	January-June 2019	January-June 2018 (Restated)
Employee benefits	1,798,994	1,585,165
Depreciation charge	262,277	188,785
Amortization of intangible assets	84,644	63,349
Other expenses	2,242,496	2,190,649
Total	4,388,411	4,027,948

59. Financial expenses

RMB'000

Item	January-June 2019	January-June 2018 (Restated)
Interest expenses	495,347	850,670
Less: Capitalization of interest	(48,615)	(83,550)
Interest expense on lease liabilities	23,581	–
Interest income	(286,388)	(397,483)
Exchange gains or losses	9,204	271,751
Handling charge of financial institutions	96,438	86,731
Actuarial interest adjustment	47,279	51,421
Amortization of unrecognized financing expenses	–	3,631
Others	(23,500)	(14,562)
Total	313,346	768,609

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

60. Other income

RMB'000

Item	January-June 2019	January-June 2018
VAT Refund	106,847	110,295
Scientific and technological projects fund	115,657	103,498
Others	133,703	60,131
Total	356,207	273,924

61. Investment income

RMB'000

Item	January-June 2019	January-June 2018
Income from long-term equity investment accounted for under equity method (Note V, 16)	149,338	175,829
Investment income from disposal of subsidiaries	–	45
Investment loss on disposal of joint ventures or associate	(28)	–
Investment income of equity instruments at fair value through other comprehensive income during the holding period	21,086	37,589
Investment income of debt investments during the holding period	48,311	22,181
Investment income from disposal of held-for-trading financial assets	43,973	141,532
Investment income of held-for-trading financial assets during the holding period	8,436	16,861
Loss from derecognition of financial assets measured at amortised cost	(67,751)	(23,597)
Others	143	(15,860)
Total	203,508	354,580

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

62. Gains from changes in fair value

RMB'000

Sources of gains from changes in fair value	January-June 2019	January-June 2018
Held-for-trading financial assets	44,197	(22,002)
Including:		
Gains on fair value changes of derivative financial instruments	16,265	29,789
Gains from changes in fair value of investments in equity instruments	5,148	–
Others	22,784	(51,791)
Gains on changes in fair value of 2016 Convertible Bonds – embedded derivative financial instruments (Note V, 41)	124,173	240,301
Total	168,370	218,299

63. Impairment losses under expected credit loss model

RMB'000

Item	January-June 2019	January-June 2018
Losses of credit impairment on bills receivable	(40,867)	–
Losses of credit impairment on accounts receivable	187,052	96,564
Losses of credit impairment on other receivables	44,063	2,572
Losses of credit impairment on contract assets	54,692	211,260
Losses of credit impairment on receivables at FVTOCI	13	(33,762)
Losses of credit impairment on long-term receivables	753,926	478,200
Others	(16,163)	(3,360)
Total	982,716	751,474

64. Assets impairment losses

RMB'000

Item	January-June 2019	January-June 2018
Loss on decline in value of inventories and impairment losses of contract performance cost	203,293	131,932
Impairment losses of fixed assets	–	47,726
Impairment losses of intangible assets	–	23,458
Others	36,603	32,423
Total	239,896	235,539

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

65. Gains (losses) on disposal of assets

RMB'000

Item	January-June 2019	January-June 2018
Losses on disposal of fixed assets	(16,100)	(1,300)
Gains from disposal of intangible assets	1,207	107,934
Total	(14,893)	106,634

66. Non-operating income

RMB'000

Item	January-June 2019	January-June 2018	Amount included in non-recurring profit or loss for the period
Government grants	131,520	205,529	131,520
Liquidated damages, fines and compensation	22,130	28,032	22,130
Unpayable amount	928	2,670	928
Gains on retirement of assets	3,516	2,062	3,516
Claim income	33,250	51,204	33,250
Others	29,283	49,624	29,283
Total	220,627	339,121	220,627

Government grants included in profit or loss

RMB'000

Item	January-June 2019	January-June 2018	Related to assets/Related to income
Compensation for demolition	45,707	48,741	Assets
Land subsidy return	14,406	20,658	Assets
Infrastructure subsidy	13,691	37,111	Assets
Others	57,716	99,019	Assets/Income
Total	131,520	205,529	

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

67. Non-operating expenses

RMB'000

Item	January-June 2019	January-June 2018	Amount included in non-recurring profit or loss for the period
Penalty expenses	7,811	17,941	7,811
Relocation expenditure	4,940	–	4,940
Losses on retirement of assets	4,936	8,853	4,936
Donation expenditure	14,004	9,711	14,004
Flood control fund	10,985	12,701	10,985
Others	13,524	8,385	13,524
Total	56,200	57,591	56,200

68. Income tax expenses

(1) Table of income tax expenses

RMB'000

Item	January-June 2019	January-June 2018
Income tax expenses	1,309,666	1,257,259
Deferred income tax expenses	(55,827)	(17,463)
Total	1,253,839	1,239,796

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

68. Income tax expenses *(continued)*

(2) Reconciliation of accounting profits and income tax expenses

RMB'000

Item	January-June 2019	January-June 2018 (Restated)
Profit before tax	6,818,483	6,174,024
Income tax expenses at statutory tax rate (25%)	1,704,621	1,543,506
Effect of different tax rates applied by subsidiaries	(546,339)	(649,969)
Effect of adjustment of income tax in the previous period	17,986	6,670
Effect of income free of tax	(37,334)	(43,957)
Effect of non-deductible cost, expenses and losses	72,605	88,745
Effect of using deductible losses for which no deferred tax assets were recognized for the prior period	(134,853)	(212,734)
Effect of deductible temporary differences or deductible losses for which no deferred tax assets were recognized in the current period	581,473	684,161
Other tax incentives (Note)	(404,320)	(176,626)
Income tax expenses	1,253,839	1,239,796

Note: Other tax incentives is mainly weighted deduction performed on technology research and development expenditures.

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

69. Items in the cash flow statement

(1) Other cash receipts relating to operating activities

RMB'000

Item	January-June 2019	January-June 2018 (Restated)
Deposit for bills receivable	1,089,837	–
Government grants	522,326	121,831
Interest income	173,631	329,869
Statutory reserve deposited by CRRC Finance at central bank	311,183	–
Increase of loans and advances to customers by CRRC Finance	856,250	242,499
Borrowings from the central bank by CRRC Finance	476,720	–
Others	817,034	656,309
Total	4,246,981	1,350,508

(2) Other cash payments relating to operating activities

RMB'000

Item	January-June 2019	January-June 2018 (Restated)
Development and design expenses of products	2,091,317	2,177,949
Transportation, packing and insurance expenses of products	557,595	622,265
Marketing expenses	404,911	418,639
Expenditures on warranty provisions	362,998	283,693
Administrative office expenditure	232,456	242,372
Expenditure on water, electricity and energy, etc.	66,865	178,979
Statutory reserve deposited by CRRC Finance at central bank	–	138,747
Others	2,298,387	1,343,912
Total	6,014,529	5,406,556

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

70. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

RMB'000

Supplementary information	January-June 2019	January-June 2018 (Restated)
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	5,564,644	4,934,228
Add: Assets impairment losses	239,896	235,539
Add: Impairment losses under expected credit loss model	982,716	751,474
Depreciation of fixed assets and amortization of investment properties	2,888,092	2,790,872
Amortization of right-of-use assets	116,059	–
Amortization of intangible assets	442,397	456,259
Amortization of long-term prepaid expenses	120,604	35,901
Losses (Gains) on disposal of fixed assets, intangible assets and other long term assets	16,313	(99,843)
Gains on fair value changes	(168,370)	(218,299)
Financial expenses	403,103	941,844
Investment loss (gains)	(203,508)	(354,580)
Changes in deferred tax assets and liabilities	(55,827)	(17,463)
Increase in inventories	(16,614,130)	(18,866,470)
Increase in operating receivables	(32,680,288)	(7,731,207)
Increase in operating payables	25,301,581	6,607,960
Changes in restricted cash and bank balances	256,552	(20,648)
Net Cash Flow used in Operating Activities	(13,390,166)	(10,554,433)
2. Net changes in cash and cash equivalents:		
Closing balance of cash	20,203,535	24,624,527
Less: Opening balance of cash	30,290,094	47,723,380
Add: Closing balance of cash equivalents	–	–
Less: Opening balance of cash equivalents	–	–
Net increase (decrease) in cash and cash equivalents	(10,086,559)	(23,098,853)

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

70. Supplementary information to the cash flow statement *(continued)*

(2) Composition of cash and cash equivalents

RMB'000

Item	30 June 2019	31 December 2018
I. Cash	20,203,535	30,290,094
Including: Cash on hand	2,069	2,011
Bank deposits	20,201,466	30,288,083
II. Cash equivalents	–	–
III. Closing balance of cash and cash equivalents	20,203,535	30,290,094

71. Assets with restriction of ownership

RMB'000

Item	Carrying amount as at 30 June 2019	Reason for restriction
Cash and bank balances	4,771,114	Note V, 1
Bills receivable	4,125,479	Note V, 4
Accounts receivable	53,105	Note V, 5
Receivables at FVTOCI	396,141	Note V, 6
Long-term receivables (including those due within one year)	366,974	Note V, 15
Fixed assets	15,536	Note V, 20
Intangible assets	1,455	Note V, 23
Total	9,729,804	/

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

72. Foreign-currency monetary items

(1) Foreign-currency monetary items

RMB'000

Item	Foreign currency balance as at 30 June 2019	Exchange rate	Translated RMB balance as at 30 June 2019
Cash and bank balances			
Including: USD	322,569	6.8747	2,217,565
EUR	215,187	7.8170	1,682,114
HKD	432,923	0.8797	380,842
AUD	232,787	4.8156	1,121,009
Others	/	/	1,052,084
Placements with other financial institutions			
Including: USD	14,000	6.8747	96,246
AUD	228,000	4.8156	1,097,957
Held-for-trading financial assets			
Including: HKD	268,037	0.8797	235,792
Accounts receivable			
Including: USD	280,889	6.8747	1,931,028
EUR	69,855	7.8170	546,057
HKD	109,297	0.8797	96,149
AUD	160,898	4.8156	774,821
Others	/	/	66,641
Other current assets			
Including: USD	30,000	6.8747	206,241
HKD	232,751	0.8797	204,751
Other receivables			
Including: USD	870	6.8747	5,984
EUR	2,657	7.8170	20,773
HKD	205,755	0.8797	181,003
AUD	1	4.8156	6
Others	/	/	12,538
Debt investments (including those due within one year)			
Including: USD	228,322	6.8747	1,569,647
Long-term receivables(including those due within one year)			
Including: USD	115,800	6.8747	796,093
Short-term borrowings			
Including: USD	287,237	6.8747	1,974,668
EUR	89,096	7.8170	696,463
HKD	798	0.8797	702
AUD	6,000	4.8156	28,894
Others	/	/	302,838
Taking from banks and other financial institutions			
Including: USD	72,000	6.8747	494,978

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

72. Foreign-currency monetary items *(continued)*

(1) Foreign-currency monetary items *(continued)*

Item	Foreign currency balance as at 30 June 2019	Exchange rate	Translated RMB balance as at 30 June 2019
HKD	89,000	0.8797	78,293
AUD	1,144	4.8156	5,509
Others	/	/	409,473
Accounts payable			
Including: USD	10,984	6.8747	75,512
EUR	69,191	7.8170	540,866
HKD	193	0.8797	170
AUD	3,515	4.8156	16,927
Others	/	/	273,007
Other payables			
Including: USD	489,508	6.8747	3,365,221
EUR	3,630	7.8170	28,372
HKD	8,603	0.8797	7,568
AUD	127	4.8156	613
Others	/	/	72,727
Long-term borrowings (including those due within one year)			
Including: USD	13,463	6.8747	92,554
EUR	35,656	7.8170	278,723
Others	/	/	479
Other non-current liabilities (2016 Convertible Bonds-embedded derivative financial instruments)			
Including: USD	5,376	6.8747	36,956
Bonds payable (2016 Convertible Bonds-liability portion)			
Including: USD	346,140	6.8747	2,379,609
Lease liabilities			
Including: USD	6,564	6.8747	45,122
EUR	22,673	7.8170	177,234
AUD	2,160	4.8156	10,402

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

72. Foreign-currency monetary items *(continued)*

(2) Significant overseas operating entities

RMB'000

Name of overseas business entity	Main business place	Functional currency
CSR NEW MATERIAL TECHNOLOGIES GMBH	German	EUR
Specialist Machine Developments	Britain	GBP

VI. CHANGE IN CONSOLIDATION SCOPE

There is no significant change in the consolidation scope of the Group this period.

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Structure of the Group

The details of the Company's subsidiaries are set out in Note I, 2.

(2) Important non-wholly owned subsidiaries

RMB'000

Name	Proportion of minority interest (%)	Net profit attributable to minority interests	Dividends distributed to minority interests	Minority interests at 30 June 2019
Times Electric	47.62	519,577	251,893	9,918,217
Times New Material	60.45	(4,412)	19,412	2,905,527
CRRC Changchun Railway Vehicles Co., Ltd.	6.46	59,983	–	2,066,627

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

(3) Key financial information of important non-wholly owned subsidiaries

RMB'000

Name	30 June 2019						31 December 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Times Electric	24,961,599	5,536,899	30,498,498	8,548,215	1,320,212	9,868,427	23,582,506	5,452,016	29,034,522	7,723,753	1,187,256	8,911,009
Times New Material	9,544,596	5,862,843	15,407,439	8,727,915	1,924,888	10,652,803	8,860,864	5,416,201	14,277,065	8,027,923	1,457,741	9,485,664
CRRC Changchun Railway Vehicles Co., Ltd.	47,858,526	13,960,814	61,819,340	40,550,699	1,800,134	42,350,833	41,655,180	13,462,117	55,117,297	35,218,484	1,617,129	36,835,613

RMB'000

Name	January-June 2019				January-June 2018			
	Operating income	Net profit	Total comprehensive income	Operating cash flows	Operating income	Net profit	Total comprehensive income	Operating cash flows
Times Electric	6,425,116	1,083,699	1,073,134	(999,322)	6,320,463	1,055,392	1,041,473	2,128,338
Times New Material	5,124,893	89	(4,914)	(401,147)	5,542,195	76,450	46,355	(26,936)
CRRC Changchun Railway Vehicles Co., Ltd.	15,516,762	1,172,425	1,170,475	(4,304,139)	14,109,799	1,089,764	1,087,295	(2,634,019)

2. The share of the owner's equity in the subsidiary changes and still controls the transaction of the subsidiary

(1) Description of changes in the share of owner's equity in subsidiaries

In the current period, Time Electric, a subsidiary of the Group, acquired a 25% minority stake in its subsidiary Dynex Power Inc. After the completion of the acquisition, Times Electric's shareholding in Dynex Power Inc. changed from 75% to 100%. As stated in Note I, 2, the Company's shareholding in Times Electric is 52.38%.

VII. INTERESTS IN OTHER ENTITIES *(continued)*

2. The share of the owner's equity in the subsidiary changes and still controls the transaction of the subsidiary *(continued)*

(2) Impact of the transaction on minority shareholders' equity and ownership of the parent company's owners

RMB'000

Item	Dynex Power Inc.
Purchase cost:	
– Cash	65,938
Total purchase cost	65,938
Less: the share of net assets of subsidiaries calculated according to the proportion of shares acquired	25,970
The purchase cost exceeds the amount of the net assets share of the subsidiary calculated according to the proportion of equity acquired	(39,968)
Part attributed to the Company	(20,948)
Including: adjusting the Capital reserve	(14,823)
adjusting retained earnings	(6,125)

3. Equity in associates or joint ventures

(1) Important associates or joint ventures

RMB'000

Name of associate	Main business place	Place of incorporation	Nature of business	Shareholding proportion (%) Direct	Indirect	Accounting methods for investment in associates
China United Insurance	Beijing	Beijing	Finance	13.0633	–	Equity method

The Group holds 13.0633% voting power of China United Insurance. The Group assigns one director to the board of directors of China United Insurance and has substantive power of decision-making participation, therefore has significant influence over China United Insurance.

VII. INTERESTS IN OTHER ENTITIES *(continued)*

3. Equity in associates or joint ventures *(continued)*

(2) Key financial information of important associates

RMB'000

China United Insurance	Balance at 30 June 2019/ Amount for the current period	Balance at 31 December 2018/ Amount for the prior period
TOTAL ASSETS	79,167,064	69,469,787
TOTAL LIABILITIES	61,030,617	52,325,774
Minority interests	1,973,609	1,894,177
Equities attributable to shareholders of parent company	16,162,838	15,249,836
Share of net assets calculated based on shareholding proportion	2,111,400	1,992,132
– Goodwill	2,982,365	2,982,365
Carrying amount of equity investments in associates	5,093,765	4,974,497
Operating income	23,016,544	21,084,635
Net profit attributable to shareholders of parent company	130,698	184,201
Other comprehensive income attributable to shareholders of parent company	782,304	(280,626)
Total comprehensive income attributable to shareholders of parent company	913,002	(96,425)
Dividends received from associates in the current year	–	–

VII. INTERESTS IN OTHER ENTITIES *(continued)*

3. Equity in associates or joint ventures *(continued)*

(3) Financial information of insignificant joint ventures and associates

RMB'000

	Balance at 30 June 2019/ Amount for the current period	Balance at 31 December 2018/ Amount for the prior period
Joint ventures:		
Total carrying amount of investment	2,814,156	2,242,304
Total amounts calculated based on shareholding proportions		
– Net profit	20,071	58,845
– Total comprehensive income	20,071	58,845
Associates:		
Total carrying amount of investment	6,938,751	6,548,991
Total amounts calculated based on shareholding proportions		
– Net profit	112,194	92,921
– Total comprehensive income	112,194	92,921

4. Interests in structured entities that are not included in consolidated financial statements

On 30 June 2019, the structured entities that are related with the Group but not included in consolidated financial statements are special-purpose trusts, which are mainly engaged in CRRC trust asset-backed notes and manage, operates and handles the trust property for the benefit of the holder of trust asset-backed notes, and makes payments to the holder of trust asset-backed notes according to the trust contract. The Group, as a special-purpose initiator of the trust and asset service institution, only provides collection service according to the agreement and does not charge service fee. The Group holds no share in the special-purpose trust. At 30 June 2019, the structured entity has total assets of RMB4,689,490,000. The Group didn't provide financial support to the structured entity.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group's main financial instruments include cash and bank balances, placements with other banks and other financial institutions, held-for-trading financial assets, bills receivable, accounts receivable, receivables at FVTOCI, other receivables, a part of non-current assets due within one year, a part of other current assets, loans and advances to customers, debt investments, long-term receivables, investment in other equity instruments at fair value through other comprehensive income, other non-current financial assets, a part of other non-current assets, short-term borrowings, loans from central bank, customer deposits and deposits from banks and other financial institutions, loans from other banks and other financial institutions, bills payable, accounts payable, employee benefits payable (except defined benefit plan), other payables, a part of non-current liabilities due within one year, a part of other current liabilities, long-term borrowings, bonds payable, long-term payables, lease liabilities, part of other non-current liabilities. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group adopts sensitivity analysis technique to analyze how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

1. Category of financial instruments

(1) Carrying amount of financial assets

RMB'000

	30 June 2019				
Item	At FVTPL	At amortized cost	Classified as at FVTOCI	Designed as at FVTOCI	Total
Cash and bank balances	–	34,293,702	–	–	34,293,702
Placements with other banks and other financial institutions	–	1,194,203	–	–	1,194,203
Held-for-trading financial assets	7,090,213	–	–	–	7,090,213
Bills receivable	–	12,952,651	–	–	12,952,651
Accounts receivable	–	90,274,430	–	–	90,274,430
Receivables at FVTOCI	–	–	5,997,241	–	5,997,241
Other receivables (except for government subsidy and reserve fund)	–	3,052,998	–	–	3,052,998
Other current assets (bond investment)	–	410,992	–	–	410,992
Loans and advances to customers (include due within one year)	–	5,694,487	–	–	5,694,487
Debt investments (include due within one year)	–	1,885,954	–	–	1,885,954
Long-term receivables (include due within one year)	–	5,806,132	–	–	5,806,132
Investment in other equity instruments	–	–	–	2,225,377	2,225,377
Other non-current financial assets	598,673	–	–	–	598,673
Total	7,688,886	155,565,549	5,997,241	2,225,377	171,477,053

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

1. Category of financial instruments *(continued)*

(2) Carrying amount of financial liabilities

RMB'000

Item	30 June 2019 At FVTPL	Other financial liabilities	Total
Short-term borrowings	–	13,529,868	13,529,868
Loans from central bank	–	476,720	476,720
Taking from banks and other financial institutions	–	1,792,851	1,792,851
Loans from other banks and other financial institutions	–	2,200,000	2,200,000
Bills payable	–	22,938,761	22,938,761
Accounts payable	–	119,913,866	119,913,866
Employee benefits payable (excluding for defined benefit plan)	–	2,167,933	2,167,933
Other payables	–	14,786,943	14,786,943
Other current liabilities (short-term financing)	–	12,053,343	12,053,343
Long-term borrowings (include due within one year)	–	3,649,807	3,649,807
Bonds payable (include due within one year)	–	5,942,972	5,942,972
Lease liabilities (include due within one year)	–	958,201	958,201
Long-term payables (include due within one year) (excluding special accounts payable)	–	234,029	234,029
Other non-current liabilities (convertible loan notes with embedded derivatives)	36,956	–	36,956
Total	36,956	200,645,294	200,682,250

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Credit risk

Credit risk represents the risk that the failure to perform obligation by one party of the financial instruments will cause financial loss to the other party.

As at 30 June 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from:

(i) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.

(ii) The amount of external guarantees disclosed in Note XI, 2.

The Group only has transactions with recognized and reputable third parties. According to the Group's policies, for all the customers that require to make transactions on credit, the Group needs to review the credit of the customers and determines the manner of sales on the basis of customers' credit grading, credit line and credit period. For sales on credit, the payment period and the amount on credit need to be specified in the sales contract, with the payment period not exceeding credit period, and the accumulated amount of credit sales shall not exceed the credit line. For cash on delivery, the goods are not shopped until all the collection procedures are completed, so as to ensure the Group will not be exposed to significant credit loss.

The specific method used by the Group to assess whether the credit risk of financial instruments has increased significantly since initial recognition and the basis for determining that the financial assets are impaired, as well as the policies of immediate write-off of financial assets etc. are set out in Note III,11.

The Group's credit risk exposure to any single financial instrument is limited because the bank deposits are deposited with banks with high credit ratings.

The Group's revenue from one major customer (a wholly-state-owned enterprise and its subordinate state-owned enterprise as well as state-owned holding companies) accounts for a larger proportion of the Group's revenue, accordingly, the accounts receivable from such customer also account for a larger proportion. The Group's management believes that the customer is of reliable and good reputation, therefore the Group has no significant credit risk in respect of the receivables from this customer. Except for this customer, the Group has no other significant concentration of credit risk.

The Group's major operating activities and corresponding concentration of operating risk are located in Mainland China.

Included in the Group's accounts receivable, the accounts receivable from the top one and top five customers respectively account for 51.7% (31 December 2018: 39.5%) and 57.3% (31 December 2018: 46.2%); included in the Group's long-term receivables (including those due within one year), the long-term receivables from top one and top five customers account for 6.9% (31 December 2018: 8.5%) and 24.8% (31 December 2018: 32.5%) respectively.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Credit risk *(continued)*

(1) The credit risk exposure of the Group's financial assets and other items

RMB'000

Item	Note V	Balance as at 30 June 2019 12-month ECL	Lifetime ECL (No credit loss occurred)	Lifetime ECL (Credit loss occurred)	Total
Financial assets measured at amortized cost					
Cash and bank balances	1	34,293,702	–	–	34,293,702
Placements with other banks and other financial institutions		1,194,203	–	–	1,194,203
Bills receivable	4	12,974,273	–	–	12,974,273
Accounts receivable	5	–	86,084,813	9,430,012	95,514,825
Other receivables	8	1,819,162	926,630	1,067,629	3,813,421
Other current assets (bonds investments)	12	410,992	–	–	410,992
Loans and advances to customers (include due within one year)	13	2,098,750	3,682,600	–	5,781,350
Debt investments (include due within one year)	14	1,886,554	–	–	1,886,554
Long-term receivables (excluding for finance lease) (include due within one year)	15	–	4,425,940	1,756,040	6,181,980
Financial assets classified as at fair value through other comprehensive income ("FVTOCI"):					
Receivables at FVTOCI	6	4,930,131	1,067,110	–	5,997,241
Other items:					
Contract assets(include non-current part)	10	–	27,752,362	12,401	27,764,763
Long-term receivables-Finance lease (include due within one year)	15	–	7,255,937	5,593,366	12,849,303
Financial guarantee contracts		5,818,593	–	–	5,818,593

Note 1: For accounts receivable and contract assets formed under revenue standards as well as finance lease receivables formed under lease standards, the Group adopts simple method to measure the amount of lifetime ECL.

Note 2: For financial guarantee contracts, the amount represents the maximum amount guaranteed by the Group under the contract.

The movements of loss allowance for the Group's accounts receivable, receivables at FVTOCI, other receivables, contract assets, debt investments and long-term receivables are detailed in Note V 5, V 8, V 10, V 14 and V15.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Liquidity risk

Liquidity risk represents the risk that the entity encounters shortage of funds when performing the obligation relating to financial liabilities. The Group's objective is to maintain the balance between the continuity and flexibility of financing by comprehensively using multiple financing measures such as settlement with notes, bank borrowing, short-term financing bonds and corporate bonds etc. and adopting proper combination of long-term and short-term financing as well as the method of optimizing financing structure. The Group has obtained bank credit from several commercial banks to meet its need of working capital and capital expenditures. The management has been monitoring the Group's liquidity so as to ensure the Group has sufficient liquidity to repay all the due debts and get maximum benefits from its financial resources.

(1) Maturity analysis of non-derivative financial liabilities based on undiscounted contract cash flows

RMB'000

Item	30 June 2019 Within 1 year (inclusive)	1-2 years (inclusive)	2-5 years (inclusive)	Over 5 years	Total
Short-term borrowings	13,801,633	–	–	–	13,801,633
Loans from central bank	478,263	–	–	–	478,263
Taking from banks and other financial institutions	1,799,126	–	–	–	1,799,126
Loans from other banks and other financial institutions	2,217,534	–	–	–	2,217,534
Bills payable	22,938,761	–	–	–	22,938,761
Trade payable	119,913,866	–	–	–	119,913,866
Employee benefits payable (excluding for defined benefit plan)	2,167,933	–	–	–	2,167,933
Other payables	14,786,943	–	–	–	14,786,943
Other current liabilities	12,091,032	–	–	–	12,091,032
Long-term borrowings (include due within one year)	2,311,378	788,181	334,015	486,495	3,920,069
Bonds payable (include due within one year)	2,134,299	2,549,892	1,636,667	–	6,320,858
Long-term payables (include due within one year) (excluding special accounts payable)	41,946	45,339	157,021	1,234	245,540
Lease liabilities (include due within one year)	275,269	225,355	354,801	308,127	1,163,552
Financial guarantees (Note)	5,818,593	–	–	–	5,818,593
Total	200,776,576	3,608,767	2,482,504	795,856	207,663,703

Note: The above amounts included in financial guarantee contracts represent the maximum amount that the Group is required to repay in respect of all the guaranteed amount under the contract arrangement when the holder of the guarantee contract claims for compensation. According to the prediction at balance sheet date, the Group believes that there is minor possibility to make any payments according to the contract arrangements. However, this estimate will change as the possibility that the contract holder puts forward the claim changes, while relevant possibility is related to the possibility that the receivables held by the contract holder incur credit loss.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

4. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in market price. The market risk mainly includes interest rate risk, currency risk and price risk.

(1) Interest rate risk

Interest risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in market interest rate. The risk of fluctuations in the fair value of the Group's financial instruments due to changes in market interest rates is primarily related to the Group's fixed-rate borrowings, bonds payable, other current assets, and long-term receivables. The risk of fluctuations in the future cash flows of the Group's financial instruments due to changes in market interest rates is primarily related to the Group's liabilities with floating interest rates.

The following table sets out the sensitivity analysis of interest rate risk, reflecting the effect of reasonably possible changes in interest rate on net profit (via effect on variable-rate borrowings) (with effect of capitalization of borrowing costs considered) under the assumption that all the other variables held constant.

Item	January-June 2019		January-June 2018	
Rate of variable-rate borrowings	Increase in 25 point	Decrease in 25 point	Increase in 25 point	Decrease in 25 point
(Decrease)/increase in net profit (RMB'000)	(6,882)	6,882	(6,124)	6,124

(2) Other price risk

The Group's price risk is mainly arising from held-for-trading equity instrument investments and equity instruments at fair value through other comprehensive income. The Group adopts combination of multiple equity securities to mitigate the price risk of investments in equity securities.

(3) Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with its operating activities (settled in foreign currency other than the functional currency).

The Group's operating activities are mainly located in China and most of the transactions are denominated in RMB, except for certain sales, purchases and borrowings which are settled in foreign currency. The fluctuation of the exchange rate between such foreign currency and RMB will affect the Group's operating performance.

The Group tries to mitigate the currency risk to the minimum extent mainly by closely monitoring the changes in market exchange rate and actively adopting responsive measures. In the export business, the Group's policy is to provide quotation based on the expected changes of exchange rate in respect of the external contracts under negotiation; during the negotiation, it is required to specify the range of exchange rate and the risks on the buyer and seller respectively. In import business, the enterprises are required to seize the moment of foreign exchange settlement for import so as to control the currency risk.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

4. Market risk *(continued)*

(3) Currency risk *(continued)*

(i) Foreign currency financial assets and financial liabilities

RMB'000

Item	30 June 2019	31 December 2018
Foreign currency financial assets:		
Cash and bank balances	6,453,614	6,996,100
Placements with other financial institutions	1,194,203	–
Held-for-trading financial assets	235,792	227,307
Accounts receivable	3,414,696	4,258,418
Other receivables	220,304	103,094
Other current assets	410,992	205,896
Debt investments (inclusive of the portion due within one year)	1,569,647	2,520,932
Long-term receivables (inclusive of the portion due within one year)	796,093	467,704
Total	14,295,341	14,779,451
Foreign currency financial liabilities:		
Short-term borrowings	3,003,565	1,991,024
Taking from banks and other financial institutions	988,253	–
Accounts payable	906,482	245,945
Other payables	3,474,501	5,400,341
Long-term borrowings (inclusive of the portion due within one year)	371,756	1,441,303
Long-term payables (inclusive of the portion due within one year)	–	41,525
Bonds payable (inclusive of the portion due within one year)	2,379,609	3,910,829
Lease liabilities	232,758	–
Other non-current liabilities (inclusive of the portion due within one year)	36,956	271,899
Total	11,393,880	13,302,866

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

4. Market risk *(continued)*

(3) Currency risk *(continued)*

(i) Foreign currency financial assets and financial liabilities *(continued)*

The following table sets out the sensitivity analysis on currency risk, reflecting the effect of reasonably possible changes in exchange rate of EUR and USD on net profit under the assumption that all the other variables held constant. As the effect changes in exchange rate of other currencies is not significant, related sensitivity analysis is not presented.

EUR	30 June 2019		31 December 2018	
Increase/(decrease) in exchange rate of EUR	3.87%	(3.87%)	7.08%	(7.08%)
Increase/(decrease) in net profit (RMB'000)	17,345	(17,345)	47,465	(47,465)

USD	30 June 2019		31 December 2018	
Increase/(decrease) in exchange rate of USD	3.13%	(3.13%)	10.76%	(10.76%)
Increase/(decrease) in net profit (RMB'000)	(43,681)	43,681	(181,982)	181,982

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

5. Transfer of financial assets

At 30 June 2019, the Group endorsed bills receivable of RMB5,161,567,000 (31 December 2018: RMB7,654,452,000) to its suppliers to pay the accounts payable; discounted bills receivable of RMB1,366,313,000 (31 December 2018: RMB1,195,378,000) to bank to obtain currency funds. The Group believes that the risk and rewards of the ownership of such endorsed or discounted bills receivable have been substantially transferred to the supplier or discounting bank, therefore derecognized such endorsed or discounted bills receivable. If the acceptor can't cash such notes, according to relevant laws and regulations of China, the Group is held jointly liable for such bills receivable. The Group believes that as the acceptor is of good reputation, there is minor risk of the acceptor's failure to cash the notes upon maturity. At 30 June 2019, if the acceptor fails to cash such notes upon maturity, i.e. the Group's maximum exposure to loss is equivalent to the amount that the Group should pay the supplier or discounting bank in respect of such endorsed or discounted notes. For all the bills receivable endorsed to suppliers or discounted to bank, the maturity is within 1 year after the end of reporting year.

At 30 June 2019, the Group endorsed bills receivable of RMB3,177,950,000 (31 December 2018: RMB4,055,254,000) to its suppliers to pay the accounts payable; discounted bills receivable of RMB743,310,000 (31 December 2018: RMB26,429,000) to bank to obtain currency funds. The Group believes that it retains substantially all risk and rewards of the ownership of such endorsed or discounted bills receivable (including relevant risk of default), therefore continues to recognize such endorsed or discounted bills receivable as well as the carrying amount of relevant accounts payable that have been repaid. After the endorsement or discounting of bills receivable, the Group does not retain any right to use such endorsed or discounted notes, including selling, transferring or pledging such endorsed or discounted notes to any third party.

From January to June 2019, the Group transferred accounts receivable of RMB335,864,000 (January-June 2018: RMB386,566,000) to bank to obtain currency funds. The Group believes that it has transferred substantially all the risks and rewards of ownership of such accounts receivable, therefore derecognized such accounts receivable. The Group's losses arising from derecognition of such accounts receivable are included in investment income amounting to RMB32,676,000 (January-June 2018: RMB23,597,000).

From January to June 2019, the Group securitized accounts receivable of RMB944,490,000 (January-June 2018: RMB Nil). In this business, the Group, as assets service institution, only provides collection service according to the agreement and does not charge service fee. The Group believes that it has transferred substantially all the risks and rewards of ownership of such accounts receivable, therefore derecognized such accounts receivable. The Group's losses arising from derecognition of such accounts receivable are included in investment income amounting to RMB35,075,000 (January-June 2018: Nil).

6. Capital management

The major objective of the Group's capital management is to ensure the Group's continuing operation, and provide the shareholders with continuous return by establishing a price of products and service that matches the risk level so as to obtain financing at reasonable cost.

The Group reviews and manages its capital structure on a regular basis, aiming to achieve most ideal capital structure and return to shareholders. The factors that the Group takes into consideration include: the Group's future capital demand, capital efficiency, actual and expected profitability, expected cash flows, expected capital expenditures and etc. If the economic conditions change and affect the Group, the Group will adjust the capital structure.

The Group monitors and manages its capital structure using asset-liability proportion. At 30 June 2019 and 31 December 2018, the asset-liability proportion are as follows:

	30 June 2019	31 December 2018
Asset-liability proportion (%)	62.08	58.13

IX. DISCLOSURE OF FAIR VALUE

1. Closing fair value of assets and liabilities measured at fair value

RMB'000

Item	Fair value at 30 June 2019 Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total	Valuation technique and inputs	Significant unobservable inputs
(I) Held-for-trading financial assets	6,231	6,111,067	972,915	7,090,213		
1.Derivative financial assets	–	18,780	–	18,780	Note 2	/
2. Bank wealth management products	–	6,092,287	–	6,092,287	Note 3	/
3. Listed equity instrument investments	6,231	–	–	6,231	Note 1	/
4. Unlisted equity instrument investments	–	–	972,915	972,915	Note 6	Note 6
(II) Receivables at FVTOCI	–	5,997,241	–	5,997,241	Note 3	/
(III) Investment in other equity instruments	1,306,059	–	919,318	2,225,377		
1. Listed equity instrument investments	1,306,059	–	–	1,306,059	Note 1	/
2. Unlisted equity instrument investments	–	–	919,318	919,318	Note 7	Note 7
(IV) Other non-current financial assets	598,673	–	–	598,673		
1. Preferred shares etc. investments	598,673	–	–	598,673	Note 1	
Total assets measured at fair value on recurring basis	1,910,963	12,108,308	1,892,233	15,911,504		
(V) Other non-current liabilities	–	–	36,956	36,956		
1. Convertible bonds (embedded derivative financial instruments)	–	–	36,956	36,956	Note 4	Note 5
Total liabilities measured at fair value on recurring basis	–	–	36,956	36,956		

Note 1: Quoted price (unadjusted) in active market.

Note 2: Discounted cash flow method. Future cash flows are based on forward exchange rate (sourced from the forward exchange rate observed at financial statement date) and estimated contractual forward exchange rate, and discounted using the discounting rate reflecting the credit risk of counterparty.

Note 3: Discounted cash flow method. Future cash flows are estimated based on expected return and discounted using the discounting rate reflecting the credit risk of counterparty.

Note 4: The embedded derivative financial instruments are measured using binomial option tree pricing model.

Note 5: The volatility is based on the historical volatility of the stock price of comparative companies. The Group performed sensitivity analysis on volatility. Where the other parameters held constant, the increase or decrease in volatility by 1% will result in increase of RMB1,388,000/decrease of RMB1,367,000 in the value of convertible bonds-derivative instruments portion for the current period (31 December 2018: increase by RMB2,659,000 or decrease by RMB2,637,000).

Note 6: Discounted cash flow method. Unobservable inputs include revenue growth and system risk factor. The revenue growth is based on the estimate of the management of the investee. The system risk factor is based on the system risk factor of historical stock price of comparative companies.

Note 7: Comparative listed company comparing method and dividends discounting model. The unobservable inputs of the comparative listed company comparing method include liquidity discount. The unobservable inputs of dividends discounting model include expected growth rate and discounting rate.

IX. DISCLOSURE OF FAIR VALUE *(continued)*

2. Items continuously measured at level 3 fair value, and reconciliation with opening and closing carrying amount

RMB'000

Item	Held-for-trading financial assets (unlisted equity instrument investments)	Other non-current liabilities (convertible bonds-embedded derivative financial instruments)	Equity instruments at FVTOCI (unlisted equity instruments)
1 January 2019	885,884	271,899	881,517
Additions	84,342	–	37,801
Disposals	(2,195)	(106,302)	–
Fair value change gains or losses	4,884	(124,173)	–
Translation differences of financial statements denominated in foreign currencies	–	(4,468)	–
30 June 2019	972,915	36,956	919,318

3. For the current period, there is no transfer among level 1, level 2 and level 3 fair value measurement of the Group's financial assets.

4. Fair value of financial assets and financial liabilities that are not measured at fair value

The Group's financial assets and financial liabilities measured at amortized cost are detailed in Note VIII, 1. Except for the items listed below, the management of the Group believes that the carrying amount of financial assets and financial liabilities in the financial statements approximates the fair value of such assets and liabilities.

RMB'000

Item	Carrying amount		Fair value	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Fixed-rate debt investments	1,680,458	1,622,252	1,564,447	1,466,573
Fixed-rate long-term receivables	8,635,611	7,809,013	7,807,782	7,148,620
Fixed-rate long-term borrowings	249,632	407,469	238,572	389,023
Fixed-rate corporate bonds payable	3,893,670	3,500,000	3,855,725	3,162,140

The listed bonds in debt investments are publicly traded in active market and attributable to level 1 fair value measurement; fixed-rate 2016 convertible bonds are determined based on the latest transaction price published by BLOOMBERG PROFESSIONAL(R) and attributable to level 2 fair value measurement; the fair value of debt investments (exclusive of listed bonds), part of other non-current assets, long-term receivables, long-term borrowings and corporate bonds payable are determined based on discounted cash flow and attributable to level 2 fair value measurement, and using the discounting rate reflecting the credit risk of the issuer as the main inputs.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

RMB'000

Name of the parent company	Place of incorporation	Nature of business	Registered capital	Proportion of ownership interest held by the parent company (%)	Proportion of voting power held by the parent company (%)
CRRC Group	Beijing	Manufacturing	23,000,000	50.28	51.43

CRRC Group's wholly-owned subsidiary CRRC Jinzheng Investment Co., Ltd. (the "CRRC Jinzheng") holds 1.15% voting power of the Company, therefore CRRC Group holds totally 51.43% voting power of the Company.

The ultimate controlling party of the Company is State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC").

2. The Company's subsidiaries are detailed in Note I, 2.

3. Joint ventures and associates of the Company

The joint ventures and associates that have transactions with the Group in the current year are as follows:

Name of joint ventures or associates	Relationship with the Company
CRRC Ziyang Transmission Co., Ltd.	Joint ventures
Shentong CNR (Shanghai) Railway Transportation Vehicle Maintenance Co., Ltd.	Joint ventures
Guangzhou CSR Sifang Railway Transportation Equipment Co., Ltd.	Joint ventures
Changzhou RuiYang Transmission Technology Co., Ltd	Joint ventures
Qiqihar Times Rubber & Plastic Ltd.	Joint ventures
Shenyang CRRC Westinghouse Railway Brake Technology Co., Ltd.	Joint ventures
Qingdao Sifang Faiveley Railway Brake Co., Ltd.	Joint ventures
Dalian Toshiba Locomotive Electric Equipment Co., Ltd.	Joint ventures
Changchun Changke Track Environmental Protection Equipment Co., Ltd.	Joint ventures
Xi'an Sifang Rail Transportation Equipment Co Ltd	Joint ventures
Changchun Bombardier Railway Vehicles Company Ltd.	Joint ventures
Jiangsu Langrui Maoda Foundry Co., Ltd.	Joint ventures
Qingdao Sifang Kawasaki Vehicle technology Co., Ltd.	Joint ventures
Shenyang CRRC Urban Rail Transit Equipment CO., LTD.	Joint ventures
Beijing CRRC Erqi Danobat Machine Tool Manufacturing Co., Ltd.	Joint ventures
Beijing Sifang Tongchuang Rail Transit Equipment Co., Ltd.	Joint ventures
Shanxi Jinlong Sifang Railway Vehicle Equipment Co., Ltd.	Joint ventures
Zhuzhou Times Mitsubishi Transportation Equipment Co., Ltd.	Joint ventures
Chongqing Xingyong Sifang Rail Transit Development Co., Ltd.	Joint ventures
Shenzhen CNR Railway Vehicle Co., Ltd.	Joint ventures
Wuhu Yunda Railway Transportation Construction and Operation Co., Ltd. (Wuhu Yunda)	Joint ventures
Chengdu CRC Xinzhu Railway Transportation Equipment Co., Ltd.	Associates
Beijing Nankou SKF Raiway Bearing Co., Ltd.	Associates
Hebei Luyou Railway Locomotive & Rolling Stock Components Co., Ltd.	Associates
ALSTOM Transport Electric Equipment Co. Ltd. (Shanghai)	Associates
Beijing Beijiufang Science and Trade Co., Ltd.	Associates
ABB Datong Traction Transformers Co., Ltd.	Associates

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

3. Joint ventures and associates of the Company *(continued)*

Name of joint ventures or associates	Relationship with the Company
Guangzou Electric Locomotive Co., Ltd.	Associates
ALSTOM Railway Equipment Co. Ltd. (Qingdao, Shandong)	Associates
Qiqihaer Sanyi Foundry Equipment Co., Ltd.	Associates
Shentong CSR (Shanghai) Railway Transportation Vehicle Maintenance Co., Ltd.	Associates
Hunan CSR Westinghouse Railway Transportation Technology Co., Ltd.	Associates
Tianjin Electric Locomotive Co., Ltd.	Associates
Datong CRRC McCann Rail Transportation Equipment Co., Ltd.	Associates
Hunan Maglev Transportation Development Co., Ltd.	Associates
Xinyang Amsted Tonghe Wheels Co., Ltd.	Associates
Taizhou Taizhong Railway Transportation Co., Ltd.	Associates
Sichuan CSR Sharing Foundry Co., Ltd.	Associates
Zhuzhou Times Electric Insulation Limited Liability Company	Associates
Inner Mongolia First Machinery Group Like Plastic Products CO., LTD	Associates
Shanghai Nanji Track Equipment Technology Development Co., Ltd.	Associates
Tianjin Locomotive & Rolling Stock Steel Co., Ltd.	Associates
Beijing Daxing Railway Equipment Technology Service Co., Ltd.	Associates
Knorr Nankou Air Supply Equipment (Beijing) Co., Ltd.	Associates
CREC Shenyang Railway Equipment Co., Ltd.	Associates
ALSTOM Yongji Electir Equipment Co. Ltd. (Xi'an, Shaanxi)	Associates
Datong Faiveley Railway Vehicle Equipment Ltd.	Associates
CRRC Capital (Tianjin) Equity Investment Fund Management Co., Ltd.	Associates
CRRC China Merchants Bank (Tianjin) Equity Investment Fund Management Co., Ltd.	Associates
Vertex Railcar Corporation	Associates
Anhui CRRC Ruida Electric Co., Ltd.	Associates
Huaneng Tieling Daxing Wind Power Generating Co., Ltd.	Associates

4. Related party transactions

(1) Purchases and sales of goods, rendering and receipt of services

(i) Purchase of goods/receipt of service

RMB'000

Related party	Content of related party transaction	Jan.-June 2019	Jan.-June 2018
Joint ventures	Purchase of goods	268,519	522,499
Associates	Purchase of goods	739,318	777,577
CRRC Group and subsidiaries	Purchase of goods	208,125	279,006
Joint ventures	Receipt of service	1,119	11,863
Associates	Receipt of service	43,171	–
CRRC Group and subsidiaries	Receipt of service	7,244	8,852
Total		1,267,496	1,599,797

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(ii) Sale of goods/rendering of service

RMB'000

Related party	Content of related party transaction	Jan.-June 2019	Jan.-June 2018
Joint ventures	Sale of goods	283,285	369,021
Associates	Sale of goods	1,592,282	603,230
CRRC Group and its subsidiaries	Sale of goods	172,207	252,650
Joint ventures	Rendering of service	8,170	6,447
Associates	Rendering of service	2,348	7,447
CRRC Group and its subsidiaries	Rendering of service	5,152	37,702
Total		2,063,444	1,276,497

(2) Leases with related parties

(i) The Group as the lessor:

RMB'000

Name of lessee	Type of leased assets	Lease income recognized in current period	Lease income recognized in prior period
Joint ventures	Fixed assets	147	–
Associates	Fixed assets	3,882	2,795
CRRC Group and its subsidiaries	Fixed assets	2,800	–
Total		6,829	2,795

(ii) The Group as the lessee:

RMB'000

Name of lessor	Type of leased assets	Lease payment recognized in current period	Lease payment recognized in prior period
CRRC Group and its subsidiaries	Fixed assets	34,925	23,769
Total		34,925	23,769

From January to June 2019, the right-of-use assets recognized from new leasing business with related parties that the Group acts as the lessee is RMB22,240,000.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(3) Guarantees with related parties

(i) The Company as the guaranteed party

RMB'000

Guarantor	Content of related party transaction	30 June 2019	31 December 2018
CRRC Group	Supply chain financial guarantee	9,263,469	7,470,941
CRRC Group	Bond guarantee	1,514,061	1,500,000
Total		10,777,530	8,970,941

(ii) The company as the guarantor

RMB'000

The guaranteed company	30 June 2019	31 December 2018
Wuhu Yunda	5,818,593	5,818,593

(4) Borrowings/loans with related parties

RMB'000

Related party	Amount of borrowing/loan	Inception date	Maturity date
Borrowed from:			
CRRC Group and its subsidiaries	148,590	14/06/2019	13/06/2020
CRRC Group and its subsidiaries	42,000	23/01/2019	22/01/2020
Total	190,590		

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(5) Assets transfer/debt restructuring with related parties

RMB'000

Related party	Content of related party transaction	January-June 2019	January-June 2018
CRRC Group and its subsidiaries	Purchase of fixed assets from related parties	513	–
CRRC Group and its subsidiaries	Sale of fixed assets to related parties	–	78,201
CRRC Group and its subsidiaries	Purchase of intangible assets from related parties	–	472
Total		513	78,673

(6) Compensation for key management personnel

RMB'000

Item	January-June 2019	January-June 2018
Compensation for key management personnel	3,920	3,503

(7) Other related party transactions

RMB'000

Related party	Content of related party transaction	January-June 2019	January-June 2018
CRRC Group and its subsidiaries	Financial service and interest income (Note)	120,135	81,626
Associates	Finance lease interest income	3,003	11,075
Joint ventures	Interest expenses	19	16
Associates	Interest expenses	179	92
CRRC Group and its subsidiaries	Interest expenses	35,387	21,182
Total		158,723	113,991

Note: The Group provided CRRC Group and its subsidiaries with loans and other financial service and obtains interest income from loans and other commission income via the Company's subsidiary CRRC Finance.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Amounts due from/to related parties

(1) Receivables

RMB'000

Item	Related party	30 June 2019 Book value	30 June 2019 Loss allowance	31 December 2018 Book value	31 December 2018 Loss allowance
Bills receivable	Joint ventures	16,652	–	649	–
Bills receivable	Associates	317,582	3,680	486,649	3,946
Bills receivable	CRRC Group and its subsidiaries	86,258	287	93,748	201
Accounts receivable	Joint ventures	690,275	67,079	611,639	67,675
Accounts receivable	Associates	909,250	14,783	698,013	10,257
Accounts receivable	CRRC Group and its subsidiaries	384,615	25,377	524,713	26,634
Receivables at FVTOCI	Joint ventures	9,836	–	–	–
Receivables at FVTOCI	Associates	36,900	–	4,943	–
Receivables at FVTOCI	CRRC Group and its subsidiaries	623,939	20	762,259	19
Prepayments	Joint ventures	220,775	–	155,979	546
Prepayments	Associates	22,613	–	26,586	–
Prepayments	CRRC Group and its subsidiaries	998	–	1,082	–
Other receivables	Joint ventures	47,725	2	36,175	2
Other receivables	Associates	58,013	6	59,229	3
Other receivables	CRRC Group and its subsidiaries	533,652	785	607,453	1,316
Contract assets	Joint ventures	5,237	48	2,262	45
Contract assets	Associates	41,912	161	90,326	800
Contract assets	CRRC Group and its subsidiaries	26,406	4	24,448	2
Non-current assets due within one year	Joint ventures	859	–	416	–
Non-current assets due within one year	Associates	315,924	3,822	362,910	181,455
Non-current assets due within one year	CRRC Group and its subsidiaries	3,679,212	90,354	4,753,604	71,157
Loans and advances to customers (CRRC Finance only)	CRRC Group and its subsidiaries	1,714,600	25,761	1,714,600	25,759
Long-term receivables	Joint ventures	67	4	297	–
Long-term receivables	Associates	613,364	455,271	205,896	102,948
Long-term receivables	CRRC Group and its subsidiaries	128,024	89,614	153,623	768
Other non-current assets	Joint ventures	3,026	–	2,970	–
Other non-current assets	Associates	36,814	–	22,048	–
Other non-current assets	CRRC Group and its subsidiaries	7,091	–	2,073	–
Total		10,531,619	777,058	11,404,590	493,533

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Amounts due from/to related parties *(continued)*

(2) Payables

RMB'000

Item	Related party	30 June 2019	31 December 2018
Short-term borrowings	CRRC Group and its subsidiaries	1,229,850	1,109,669
Customer deposits and deposits from banks and other financial institutions	Joint ventures	4,778	5,160
Customer deposits and deposits from banks and other financial institutions	Associates	31,878	25,061
Customer deposits and deposits from banks and other financial institutions	CRRC Group and its subsidiaries	1,747,136	2,761,519
Bills payable	Joint ventures	274,119	235,276
Bills payable	Associates	157,532	78,324
Bills payable	CRRC Group and its subsidiaries	442,148	390,636
Accounts payable	Joint ventures	2,008,930	2,271,059
Accounts payable	Associates	1,521,113	1,487,131
Accounts payable	CRRC Group and its subsidiaries	1,665,990	1,533,885
Contract liabilities	Joint ventures	140	359
Contract liabilities	Associates	918,203	1,498,402
Contract liabilities	CRRC Group and its subsidiaries	557,638	432,098
Other current liabilities	Associates	77,181	61,468
Other current liabilities	CRRC Group and its subsidiaries	85,433	69,135
Other payables	Joint ventures	44,553	73,014
Other payables	Associates	34,203	29,861
Other payables	CRRC Group and its subsidiaries	2,632,740	541,692
Non-current liabilities due within one year	CRRC Group and its subsidiaries	9,200	–
Lease liabilities	CRRC Group and its subsidiaries	8,724	–
Total		13,451,489	12,603,749

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Related party commitments

Commitments relating to related parties that have been entered into but not necessary to be presented in the financial statements are as follows

RMB'000

Item	Related party	30 June 2019	31 December 2018
Selling goods to related parties	Joint venture	–	968
Selling goods to related parties	Associate	–	25,756
Purchasing goods from related parties	Joint venture	2,291	–
Purchasing goods from related parties	Associate	17,347	200,510
Purchasing goods from related parties	CRRC Group and its subsidiaries	465	7,422
Total		20,103	234,656

XI. COMMITMENTS AND CONTINGENCIES

1. Capital commitments

RMB'000

Item	30 June 2019	31 December 2018
Construction in progress, fixed assets and land use rights	4,569,563	3,633,088
Other intangible assets	17,434	20,544
Investment commitment	53,177	50,000
Total	4,640,174	3,703,632

XI. COMMITMENTS AND CONTINGENCIES *(continued)*

2. Contingencies

(1) External guarantees

RMB'000

Related unit	Warrantee	Amount of guarantee	Type of guarantee
The Company Subsidiary of CRRC Construction Engineering	Wuhu Yunda	5,818,593	Guarantee for performance, financing and profit or loss

(2) Others

In the normal course of operations, the Group is affected by multiple factors and is involved in certain potential legal litigation or investigation due to historical sales of products and services.

The Group has learned through relevant media reports of the appointment of a Judicial Commission of Inquiry in South Africa into Allegations of State Capture, Corruption and Fraud in the Public Sector, including organs of state ("Inquiry") for which the terms of reference were published by presidential proclamation on 25 January 2018. In the same context, media reports in South Africa also make reference to violation of laws related to multiple procurements for the supply of locomotives by South African train operator, Transnet. The Group has not received any letter or request for information from any foreign governmental authorities, including from the authorities conducting the Inquiry, in relation to this matter other than as described below.

Bank balances totalling approximately RMB610 million held in two bank accounts of the Group in South Africa are the subject of freezing orders issued by the South African Reserve Bank ("SARB") in relation to allegations of contraventions of the Exchange Control Regulation in South Africa relating to certain locomotive procurements involving Transnet. The Group has submitted applications to the SARB for the utilisation of these bank balances. The applications have been received but not yet been approved by the SARB. These bank balances may be subject to forfeiture under the Exchange Control Regulation in South Africa.

In addition, the SARB has alleged the Company's subsidiary in South Africa of violations of the Exchange Control Regulations in South Africa during its compliance investigation in respect of the subsidiary's overseas remittances in 2019. Hence, bank balances totalling approximately RMB1.27 billion held in three bank accounts of the Group in South Africa are the subject of freezing orders issued by SARB. As of the approval date of the consolidated financial statements, the above investigation is still in progress.

Based on the information known to the Group at this time, the Group considers that it is not practicable to estimate the Group's financial exposures in relation to the matters described above. The Group will continue to monitor the development of above matters and their potential effects, if any.

XII. EVENTS AFTER THE BALANCE SHEET DATE

1. Event of adjustment of coupon interest rate and repayment of corporate bonds

On 30 August 2016, the company issued the First issue of corporate bonds of CRRC in 2016, with the issuer's option to adjust the coupon interest rate and the investor's option to sell back. The Company has the right to decide to adjust the coupon interest rate for the last two years of the bond at the end of the third year of its maturity. After the announcement of whether to adjust the coupon rate of the bond and the extent of the adjustment, the investor who holds the bond has the right to choose to sell the bond back to the company in full or in part at the date of the third interest-bearing year of the bond.

On 11 July 2019, the company issued an announcement that the coupon rate of the bond will be raised by 45 BP in the next two years, in other words, the coupon rate of the bond will be 3.40% during the period between 30 August 2019 and 29 August 2021.

From 19 July 2019 to 23 July 2019, the total amount of bonds registered to exercise investors' repurchase option is RMB1,410,280,000. The putable bonds are expected to be repaid on 30 August 2019.

2. Issuance of Ultra-Short-Term financing bills

Approved by the National Association of Financial Market Institutional Investors (NAFMII) SCP89, the company issued Ultra-Short-Term financing bills in four phases during the period between 23 July 2019 and 25 July 2019, totaling RMB12 billion.

XIII. OTHER SIGNIFICANT EVENTS

1. Segment information

(1) Basis for determining reporting segment and accounting policies

Based on the requirements of operation management, the Group's operating activities are classified in to one separate operating segment, mainly supplying the market with rail transit equipment and extended products and services, therefore the Group has no other operating segment.

XIII. OTHER SIGNIFICANT EVENTS *(continued)*

1. Segment information *(continued)*

(2) Financial information of reporting segment

(i) External revenue

RMB'000

Item	January-June 2019	January-June 2018 (Restated)
Products and services information:		
Rail transit equipment and extended products and services	96,147,021	86,290,821
Total	96,147,021	86,290,821
Geographical information:		
Mainland China	86,966,165	78,151,155
Other countries and regions	9,180,856	8,139,666
Total	96,147,021	86,290,821

(ii) Total non-current assets

RMB'000

Item	30 June 2019	31 December 2018
Geographical information:		
Mainland China	105,870,317	105,757,840
Other countries and regions	6,159,829	6,445,353
Total	112,030,146	112,203,193

The non-current assets are attributable to the regions where such assets are located, and do not include financial assets and deferred tax assets.

XIII. OTHER SIGNIFICANT EVENTS *(continued)*

1. Segment information *(continued)*

(2) Financial information of reporting segment *(continued)*

(iii) Major customers

The Group's operating income from one major customer (from which the revenue reaches or exceeds 10% of the Group's revenue) is RMB49,688,215,000 (January-June 2018: operating income from a customer is RMB41,966,955,000). The Group's major customer represent a wholly-state-owned enterprise and subordinate state-owned enterprises and state-owned holding companies. Except for this, the Group has no other single customer from which the revenue accounts for over 10% of the Group's operating income.

2. Net current assets and total assets less current liabilities

(1) Net current assets

RMB'000

Item	30 June 2019	31 December 2018
Current assets	268,428,412	227,512,128
Less: Current liabilities	225,921,457	187,661,488
Net current assets	42,506,955	39,850,640

(2) Total assets less current liabilities

RMB'000

Item	30 June 2019	31 December 2018
Total assets	399,133,484	357,523,050
Less: Current liabilities	225,921,457	187,661,488
Total assets less current liabilities	173,212,027	169,861,562

XIII. OTHER SIGNIFICANT EVENTS *(continued)*

3. Basic earnings per share and the calculation of diluted earnings per share

(1) Basic earnings per share

Basic earnings per share is calculated at net profit attributable the Company's ordinary shareholders divided by the weighted average number of outstanding ordinary shares:

RMB'000

Item	January-June 2019	January-June 2018 (Restated)
Net profit attributable to ordinary shareholders (RMB'000)	4,780,641	4,114,387
Weighted average number of outstanding ordinary shares (thousand shares)	28,698,864	28,698,864
Basic earnings per share (RMB/share)	0.17	0.14

(2) Diluted earnings per share

The diluted earnings per share is calculated at net profit attributable to the Company (as adjusted) divided by the weighted average number of outstanding ordinary shares based on the assumption that all the diluted potential ordinary shares have been converted. The Company's diluted potential ordinary shares are 2016 convertible bonds.

RMB'000

Item	January-June 2019	January-June 2018
Net profit attributable to ordinary shareholders (RMB'000)	4,780,641	4,114,387
Add: Effect of convertible bonds (RMB'000)	(156,219)	(148,631)
Net profit used to calculate diluted earnings per share (RMB'000)	4,624,422	3,965,756
Number of outstanding ordinary shares (thousand shares)	28,698,864	28,698,864
Add: Effect of convertible bonds (thousand shares)	346,012	503,901
Number of outstanding ordinary shares used to calculate diluted earnings per share (thousand shares)	29,044,876	29,202,765
Diluted earnings per share (RMB/share)	0.16	0.14

Assuming that all the Group's outstanding convertible bonds have been converted to ordinary shares at the date of issuance, the earnings per share will decrease and the convertible bonds are diluted.

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Cash and bank balances

RMB'000

Item	30 June 2019	31 December 2018
Cash on hand	318	318
Bank deposits	7,833,147	7,469,978
Other currency funds	1,003,830	1,002,309
Total	8,837,295	8,472,605

Cash and bank balances restricted for use:

RMB'000

	30 June 2019	31 December 2018
Deposits for acceptance bills	1,003,830	1,002,309
Total	1,003,830	1,002,309

As at 30 June 2019, the term deposits that have not been pledged or restricted for use for three months or over three months is RMB6,500,000,000 (as at 31 December 2018: none).

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

2. Other receivables

(1) Presentation by categories

RMB'000

Item	30 June 2019	31 December 2018
Interest receivable	246,244	208,065
Dividends receivable	168,248	2,820,458
Other receivables	20,531,883	20,167,131
Total	20,946,375	23,195,654

(2) Interest receivable

RMB'000

Item	30 June 2019	31 December 2018
Entrusted loans	246,244	208,065
Total	246,244	208,065

(3) Dividends receivable

RMB'000

Item (or investee)	30 June 2019	31 December 2018
Dividends due from subsidiaries	168,248	2,820,458
Total	168,248	2,820,458

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

2. Other receivables *(continued)*

(4) Other receivables

(i) Disclosure by aging analysis

RMB'000

Aging	30 June 2019	31 December 2018
Within 1 year	12,437,956	10,524,272
1 to 2 years	1,694,890	5,140,672
2 to 3 years	3,859,067	3,445,477
Over 3 years	2,540,019	1,056,759
Sub-total	20,531,932	20,167,180
Less: Credit loss allowance	(49)	(49)
Total	20,531,883	20,167,131

(ii) Categories of other receivables by nature

RMB'000

Nature	30 June 2019	31 December 2018
Balances with subsidiaries	20,528,015	20,089,318
Export rebate receivable	–	21,998
Others	3,868	55,815
Total	20,531,883	20,167,131

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

2. Other receivables *(continued)*

(4) Other receivables

(iii) Top five entities with the largest balances of other receivables at 30 June 2019.

RMB'000

Name	30 June 2019	Proportion to total other receivables at 30 June 2019 (%)	Credit loss allowance at 30 June 2019
Top 5 Other receivables	10,380,835	50.56	–

3. Long-term equity investments

RMB'000

	30 June 2019			31 December 2018		
Item	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Investments in subsidiaries	96,550,987	–	96,550,987	94,317,195	–	94,317,195
Investments in associates and joint ventures	5,995,346	–	5,995,346	5,837,319	–	5,837,319
Total	102,546,333	–	102,546,333	100,154,514	–	100,154,514

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

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

(1) Investments in subsidiaries

RMB'000

Investee	1 January 2019	Additions	Decreases	30 June 2019
CRRC Changchun Railway Vehicles	11,538,846	–	–	11,538,846
CRRC Zhuzhou Institute	11,007,032	–	–	11,007,032
CRRC Zhuzhou Locomotive	5,072,792	–	–	5,072,792
CRRC Qingdao Sifang	4,649,445	–	–	4,649,445
CRRC Tangshan	8,421,549	–	–	8,421,549
CRRC Dalian	6,171,771	–	–	6,171,771
CRRC Qiqihaer Rolling Stock Co., Ltd.	7,894,071	–	–	7,894,071
CRRC Yangtze Transportation vehicles Group Co., Ltd.	5,400,000	–	–	5,400,000
CRRC Investment & Leasing	3,214,106	–	–	3,214,106
CRRC Qishuyan	2,368,270	–	–	2,368,270
CRRC Qishuyan Institute	2,145,966	–	–	2,145,966
CRRC Capital	2,511,188	–	–	2,511,188
CRRC Nanjing Puzhen	2,189,037	–	–	2,189,037
CRRC Hong Kong Capital Management	2,508,426	–	–	2,508,426
CRRC Construction Engineering	1,690,747	–	–	1,690,747
CRRC Yongji Moto	2,405,461	–	–	2,405,461
CRRC Sifang Institute	2,705,717	–	–	2,705,717
CRRC Finance	2,434,613	–	–	2,434,613
CRRC Zhuzhou Moto	1,347,877	–	–	1,347,877
CRRC Ziyang	1,522,173	–	–	1,522,173
CRRC Beijing Nankou	524,412	–	–	524,412
CRRC Datong	1,313,207	–	–	1,313,207
CRRC Hong Kong	672,054	–	–	672,054
CRRC Dalian R&D	392,414	–	(196,208)	196,206
CRRC Dalian Institute	713,907	–	–	713,907
CRRC Sifang	593,645	–	–	593,645
CRRC Logistics Co., Ltd.	630,196	–	–	630,196
CRRC Industrial Institute	200,000	–	–	200,000
CRRC International	682,337	–	–	682,337
CRRC Information Technology	31,565	–	–	31,565
CRRC Financial Leasing	–	2,430,000	–	2,430,000
Indirect shareholding subsidiaries	1,364,371	–	–	1,364,371
Total	94,317,195	2,430,000	(196,208)	96,550,987

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

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

(2) Investments in associates and joint ventures

RMB'000

Investee	1 January 2019	Changes for the year: Additional investment	Reduction in investment	Investment income or loss under equity method	Adjustments to other comprehensive income	Changes in other equity	Cash dividend or profits declared	30 June 2019
I. Joint ventures								
Wuhu Yunda	35,000	49,000	–	–	–	–	–	84,000
Sub-total	35,000	49,000	–	–	–	–	–	84,000
II. Associates								
China United Insurance	4,974,497	–	–	17,073	102,195	–	–	5,093,765
Guangzhou Electric Locomotive	447,151	–	–	8,029	–	(105)	–	455,075
Tianjin Electric Locomotive	377,888	–	–	(17,412)	–	–	–	360,476
Sifang Kawasaki	2,783	–	–	(313)	–	–	(440)	2,030
Sub-total	5,802,319	–	–	7,377	102,195	(105)	(440)	5,911,346
Total	5,837,319	49,000	–	7,377	102,195	(105)	(440)	5,995,346

4. Investment income

RMB'000

Item	January-June 2019	January-June 2018
Income from long-term equity investment under cost method	1,139,851	1,715,767
Income from long-term equity investment under equity method	7,377	3,243
Investment income on disposal of long-term equity investments	29,276	(755,931)
Investment income on disposal of held-for-trading financial assets	661	–
Others	–	141,532
Total	1,177,165	1,104,611

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

5. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

RMB'000

Supplementary information	January-June 2019	January-June 2018
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,214,534	1,305,479
Depreciation of fixed assets	7,964	4,758
Depreciation of right-of-use assets	3,059	–
Amortization of intangible assets	9,885	9,353
Financial expenses	11,108	(31,666)
Investment income	(1,177,165)	(1,104,611)
Gains from changes in fair value	(125,792)	(259,909)
Decrease in operating receivables	122,171	57,772
(Decrease) Increase in operating payables	(159,833)	370,688
Net cash flow (used in) from operating activities	(94,069)	351,864
2. Net changes in cash and cash equivalents:		
Closing balance of cash	1,333,465	814,394
Less: Opening balance of cash	7,470,296	17,729,651
Net (decrease) increase in cash and cash equivalents	(6,136,831)	(16,915,257)

(2) Composition of cash and cash equivalents

ITEM	30 June 2019	31 December 2018
I. Cash	1,333,465	7,470,296
Including: Cash on hand	318	318
Bank deposits	1,333,147	7,469,978
II. Cash equivalents	–	–
III. Closing balance of cash and cash equivalents	1,333,465	7,470,296

XV. SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

RMB'000

Item	January-June 2019	January-June 2018 (Restated)
Profit or loss on disposal of non-current assets	(14,893)	106,634
Government grants recognised in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	380,880	365,023
Net profit or loss of the subsidiary from the beginning of the fiscal to the acquisition date arising from business combination under common control	–	(6,196)
Profit or loss on changes in the fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment income on disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment, other than those used in the effective hedging activities relating to normal operating business	290,177	409,233
Other non-operating income or expenses other than the above	32,907	76,001
Other profit or loss that meets the definition of non-recurring profit or loss	(17,459)	12,238
Effects attributable to minority interests	(82,871)	(85,183)
Tax effects	(39,383)	(125,866)
Total	549,358	751,884

2. Return on net assets and earnings per share ("EPS")

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	3.65	0.17	0.16
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	3.23	0.15	0.14

DEFINITIONS

China State Railway Group Co., Ltd.	former China Railway
CNR	former China CNR Corporation Limited (中國北車股份有限公司)
CNRG	former China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司)
Corporate Governance Code	Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules
CRRC or Company	CRRC Corporation Limited (中國中車股份有限公司)
CRRC Changchun	CRRC Changchun Railway Vehicles Co., Ltd. (中車長春軌道客車股份有限公司)
CRRC Sifang	CRRC Qingdao Sifang Co., Ltd. (中車青島四方機車車輛股份有限公司)
CRRC Tangshan	CRRC Tangshan Co., Ltd. (中車唐山機車車輛有限公司)
CRRC ZELRI	CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司)
CRRC Zhuzhou	CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司)
CRRCG or CRRC GROUP	CRRC GROUP Co., Ltd. (中國中車集團公司)
CSR	former CSR Corporation Limited (中國南車股份有限公司)
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
CSRG	former CSR Group (中國南車集團公司)
Finance Company	CRRC Finance Co., Ltd. (中車財務有限公司)
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
SASAC	State-owned Asset Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Times Electric	Zhuzhou CRRC Times Electric Co., Ltd. (株洲中車時代電氣股份有限公司)
Times New Material	Zhuzhou Times New Material Technology Co., Ltd. (株洲時代新材料科技股份有限公司)