



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

**Connect the World**  
Through Constant Innovation



Interim Report 2022

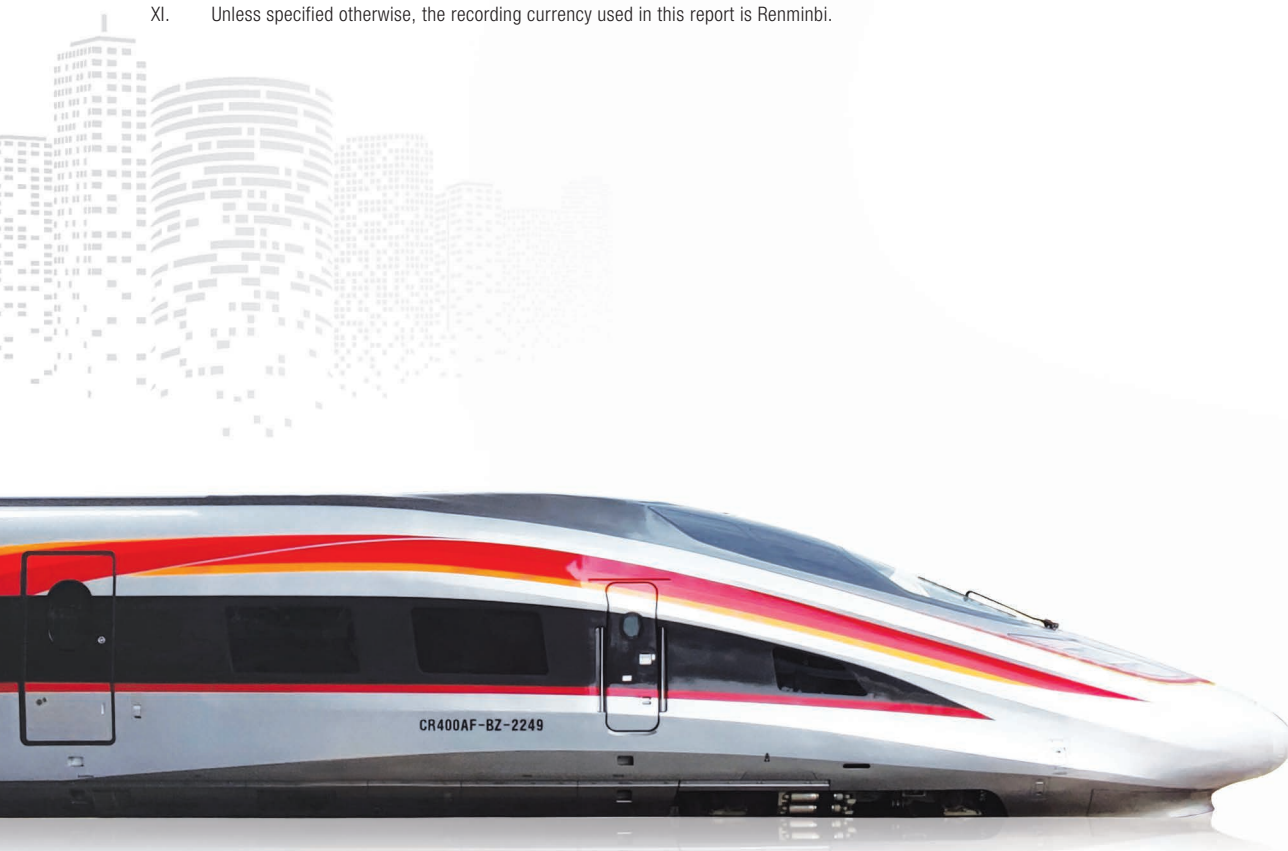
# IMPORTANT

- I. The board of directors (the "Board") and the supervisory committee (the "Supervisory Committee") of the Company and its director(s) (the "Director(s)"), supervisor(s) (the "Supervisor(s)") and senior management (the "Senior Management") hereby warrant the truthfulness, accuracy and completeness of the contents of this interim report and that there is no false representation, misleading statement or material omission in this interim report, for which they will assume, severally and jointly, legal responsibility.
- II. This report has been considered and approved at the sixth meeting of the third session of the Board of the Company. All Directors attended the Board meeting.
- III. The interim report is unaudited.
- IV. Sun Yongcai, the Chairman of the Company, Li Zheng, the Chief Financial Officer, and Wang Jian, the head of the Accounting Department (person in charge of accounting affairs) warrant the truthfulness, accuracy and completeness of the financial statements in this interim report.
- V. The Company does not have any proposal on profit distribution or transfer of capital reserve fund during the reporting period considered and approved by the Board.
- VI. Disclaimer for forward-looking statements

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

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

- VII. There was no appropriation of funds by the controlling shareholder and its associates for non-operating purposes.
- VIII. There was no provision of guarantee by the Company in favour of any external party in violation of the prescribed decision-making procedures.
- IX. Major risk reminder  
The major risk factors faced by the Company include strategic risks, market risks, product quality risks, exchange rate risks, overseas operating risks and industrial structure adjustment risks, which have been described in detail in this report. Please refer to the description of "Potential risks" in "Report of Directors".
- X. The 2022 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

- |                                      |                          |
|--------------------------------------|--------------------------|
| 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  | Sun Yongcai              |
- |                 | <b>Secretary to the Board</b>                                    | <b>Securities Affairs Representative</b>                         |
|-----------------|--|--|
| Name            | Wang Jian  | 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   |
- |  |  |
|--|--|
| 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   |
- |  |   |
|--|---|
| 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      |
- | <b>Type of shares</b> | <b>Place of listing of the shares</b> | <b>Stock abbreviation</b> | <b>Stock code</b> | <b>Stock abbreviation before change</b> |
|-----------------------|---------------------------------------|---------------------------|-------------------|---|
| A shares              | SSE                                   | 中國中車                      | 601766            | 中國南車                                    |
| H shares              | HKSE                                  | CRRC                      | 1766              | CSR                                     |
- During the reporting period, there was no change in the registration details of the Company.
- |                     |   |
|---------------------|---|
| Independent auditor | KPMG Huazhen LLP<br>Certified Public Accountants<br>Registered PIE Auditor<br>8th Floor, KPMG Building, Oriental Plaza,<br>1 East Chang'an Avenue, Beijing, PRC |
|---------------------|---|
- |                           |                          |
|---------------------------|--------------------------|
| Joint company secretaries | Wang Jian, Xiao Shaoping |
|---------------------------|--------------------------|



- |   |  |
|---|--|
| 9. Authorized representatives   | Lou Qiliang, Xiao Shaoping   |
| 10. Legal advisors  |  |
| As to Hong Kong law   | Baker & McKenzie<br>14th Floor, One Taikoo Place,<br>979 King's Road, Quarry Bay, Hong Kong  |
| As to the PRC law   | Jia Yuan Law Offices<br>F408 Ocean Plaza, 158 Fuxingmennei Avenue, Beijing, PRC  |
| 11. Principal place of business in Hong Kong                          | Unit H, 41st Floor, Office Tower, Convention Plaza,<br>1 Harbour Road, Wanchai, Hong Kong  |
| 12. Domestic registrar and transfer office<br>Correspondence address  | China Securities Depository and Clearing Corporation Limited Shanghai Branch<br>188 Yanggao South Road,<br>Pudong New District, Shanghai         |
| 13. Hong Kong registrar and transfer office<br>Correspondence address | Computershare Hong Kong Investors Services Limited<br>Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East,<br>Wanchai, Hong Kong |



# RESULTS HIGHLIGHTS

## Revenue (RMB'000)

Reporting period (January to June)

**81,297,098**

Same period last year  
95,464,015

-14.84%



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

Reporting period (January to June)

**3,130,771**

Same period last year  
3,988,656

-21.51%



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

Reporting period (January to June)

**1,875,154**

Same period last year  
2,799,866

-33.03%



## Net cash flow used in operating activities (RMB'000)

Reporting period (January to June)

**-1,929,087**

Same period last year  
-11,571,341



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

End of the reporting period

**146,195,733**

End of last year  
148,574,346

-1.60%



## Total assets (RMB'000)

End of the reporting period

**446,826,196**

End of last year  
426,826,499

4.69%



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

End of the reporting period

**28,698,864,088**

End of last year  
28,698,864,088



## Basic earnings per share (RMB/share)

Reporting period (January to June)

**0.11**

Same period last year  
0.14

-21.43%



## Diluted earnings per share (RMB/share)

Reporting period (January to June)

**0.11**

Same period last year  
0.14

-21.43%



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

Reporting period (January to June)

**0.07**

Same period last year  
0.10

-30.00%



## Weighted average return on net assets (%)

Reporting period (January to June)

**2.08**

Same period last year  
2.75

Decrease of 0.67 ppt



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

Reporting period (January to June)

**1.25**

Same period last year  
1.93

Decrease of 0.68 ppt





## A. BUSINESS OVERVIEW

### I. Industry and main business of the Company during the reporting period

#### (I) Industry situation

Internationally, with the increasingly intensified reform of the rail transit industry and the restructuring and integration of global industry giants, the industry competition landscape has changed profoundly and the competition has become increasingly fierce. Domestically, the rail transit equipment market, construction of main line railways, and railway operation rights have been fully liberalized, and foreign investment thresholds have been further reduced. Various investment entities and operating entities of rail transit have become increasingly diversified, and business awareness has continued to increase. Some regions and some enterprises have accelerated the deployment of the entire rail transit industry chain and gradually formed the ability to provide systematic solutions. The new business situation of the rail transit industry has gradually become more competitive. With the continuous reform of railway passenger transport and freight transportation, modern integrated transportation system is undergoing rapid construction, demand for urban rail transit vehicles has been diversified, and users have higher requirements for the applicability, safety, reliability and comfort of rail transit equipment products. At the same time, the proposal of “Dual Carbon” goal has also opened up a broad space for the industry development of green transportation such as rail transit and new energy vehicles, as well as green energy such as wind power, photovoltaics, and hydrogen. As the world’s leading and most diverse rolling stock supplier and systematic solution provider with advanced technologies, CRRC should be market-oriented and customer-centric to optimize business structure, establish and improve the service system with full life cycle, accelerate the transformation towards “manufacturing + service” and system solution provider, provide customers with more valuable products and services, and make contribution to build China into a country with strong production and strong transportation network leveraging on “CRRC Wisdom” and “CRRC Power”.







## (II) Main business

### 1. Railway equipment business

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

Facing the global market, the Company stayed abreast of changes in the domestic and international railway transport market and trends in the development of technology with an aim to become a world-leading provider of systematic solutions for rail transportation equipment. The Company accelerated innovations in its technology, products, services and business 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 position of the Company in the industry has been further consolidated, and the railway equipment business has developed steadily. To improve the quality and efficiency of development, the Company accelerated its business integration and structure adjustment, deepened reorganization of locomotive business, MUs business and passenger carriage business. The Company will continue to further its strategic cooperation with State Railway Group and other key customers, and actively participate in the amendment of the articles and systems of the State Railway. In addition, the Company will give full play to the advantage in the integration of manufacturing, maintenance and service, deepen the aftermarket overhaul services, and accelerate and improve the service capacity of rail equipment products with full life cycle.





## 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 seized new opportunities for the development of metropolitan areas and urban agglomerations, 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, gave full play to its comprehensive advantages in equipment manufacturing, business portfolio and integration of industry and financing, focused on intelligent transportation, connectivity and intelligent city construction, vigorously developed the operation, maintenance and overhaul markets, and continued to expand into the service area, general contracting of electromechanical area, and operation and maintenance area. The Company carried out PPP business according to the industry norm, strengthened project management and control, and drove the development of the electrical and mechanical systems for urban rail transit 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.

### 3. New industry business

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

In the mechanical and electrical business, the Company strived to improve technology platform and the construction of industrial chain, and promote upgrade in core business technologies of rail transportation equipment with the focus on mastering core technologies, breaking through key technologies and increasing core competitiveness, and expedited the specialized and scale development of key systems and important spare parts in the industrial, transportation and energy fields. As to the emerging industry, the Company adhered to the principles of “relevance and multi-dimensions, high-end positioning and industry-leading position”, strengthened resource allocation, and gave full play to core technological advantages. The Company has developed emerging businesses, with businesses such as wind power equipment and new materials as its important growth poles, and businesses including environmental protection, industrial digital, heavy machinery, ship electric drives and marine engineering equipment as its important growth drivers. The new industries, which are experiencing steady development, have become an important part of the Company’s business.

### 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. With funds as carriers and innovation in development models, the function of the physical business was increasingly highlighted. The Company developed its modern logistics service by expanding the scope of centralised procurement and promoting the extensive application of industrial intelligent logistics in CRRC’s industrial chain. The Company continuously promoted the development of the “CRRC Procurement (中車購)” e-commerce platform and the CRRC supply chain management e-procurement platform, and the “Enterprises-friendly Purchase (宜企拍)” platform of CRRC has been optimized and upgraded following the principle of “professional, open, innovative and marketized”, and realized the “business + management” function.

### 5. International business

The Company has implemented the international operation and development plan under CRRC’s 14th Five-Year Plan, improved the functions of the international business platform companies, and reformed and optimized the management structure of the platform companies. We have coordinated the pandemic prevention and control and operation management, and proactively expanded overseas rail transit and new industry markets according to the concept of “the complete equipment drives components, manufacturing industry drives service industry, general contracting drives industry chain and rail transit equipment drives non-rail transit equipment”. We have also carried out greenfield investments, strategic mergers and acquisitions and joint-venture operation in accordance with the concept of “light assets, emphasis on efficiency and sustainable development”, and put into practice the all-factor business mode of “product + technology + service + capital + management”, promoted the “five-locals model”, promoted the overseas franchising business and business development of emerging industries, strengthened brand building and promotion, unleashed the power of the overseas R&D centers, and continuously improved its industry influence and discourse power.

**(III) Major products**

<b>Product structure</b>	<b>Main product functions</b>
MUs	Mainly include various electric multiple units and diesel multiple units at the speed of 200 km/hour and below, 200-250 km/hour, 300-350 km/hour and above, which are mainly used to provide main line railway and inter-city railway passenger transport services. On the basis of “import, digestion, absorption and re-innovation”, the MU product series represented by “Fuxinghao” have independent intellectual property rights.
Locomotives	Mainly include various DC driving and AC driving electric locomotives and diesel locomotives with the largest traction power of 28,800 KW and the highest speed of 200 km/hour, which are mainly used to provide passenger and goods transport services in main line railway. The Company’s locomotive products have independent intellectual property rights.
Passenger carriages	Mainly include seater car, sleeping car, dining car, luggage van, generator car, special vehicles, plateau cars and double-deck railway passenger carriages at the speed of 120-160 km/hour, which are mainly used to provide passenger transport services in main line railway. The Company’s passenger carriages have independent intellectual property rights.
Freight wagons	Mainly include various railway gondola trucks, box wagon, flatcar, tank truck, hopper car and other special goods transport trucks, which are mainly used to transport goods for main line railway and industrial and mining enterprises. The Company’s freight wagons have independent intellectual property rights.
Urban rail transit vehicles	Mainly include subway vehicles, light-rail vehicles, urban (commuting) vehicles, monorail vehicles, maglev train, tramcar, rubber-tyred vehicles, smart rails, etc., which are mainly used to provide commuter and passenger transport services between cities and suburbs. The Company’s urban rail transit vehicles have independent intellectual property rights.
Electrical and mechanical equipment	Mainly include traction electric driving and network control system, diesel engine, braking system, cooling and heat transfer system, train operation and control system, passenger information system, power supply system, gear assembly, etc., which are mainly used to complement with MUs, locomotives, urban rail transit vehicles, tracking engineering machinery products in main line railway and inter-city railway, and part of them are provided to third party customers as spare parts. All of the aforesaid products of the Company have independent intellectual property rights.
Emerging industries	Mainly include wind power equipment and parts (wind turbines, blades, gearboxes, towers, converters, wind power elastic supports, wind power super capacitors, etc.), smart rails, new materials (vibration and noise reduction materials, light quantitative materials, aramid, etc.), and multi-industry complete machines, components, and parts products such as electric drive systems of new energy vehicles, environmental protection, industrial digital, heavy machinery, and marine engineering. All of the aforesaid products of the Company have independent intellectual property rights.

**(IV) 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 needs of customers by arranging for production according to particular orders.
2. **Purchasing model:** a combination of centralised procurement and decentralised procurement is commonly used. For centralised 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 centralised procurement plan for conduction of centralised supplier management assessment, purchase price management, procurement bidding management as well as centralised ordering and centralised settlement by the Company. For other materials, etc., the subsidiaries shall formulate procurement plans according to production requirements, and select appropriate suppliers and sign supply contracts through centralised organization of bidding and other methods to achieve centralised procurement. Whether it will be done by the Company or its subsidiaries, a centralised procurement shall be completed on the “CRRC Procurement” e-commerce procurement platform to realize open, transparent and traceable management of CRRC’s procurement business to ensure timely supply of raw materials for production and reduce procurement costs.
3. **Sales model:** the Company takes advantage of industry technologies to build and improve technology platforms and product platforms for a variety of rail transit equipments in response to user needs, and, for the purpose of providing safe, reliable and affordable products and services, actively participates in open tender or negotiated tender of users inside and outside China, sign supply contracts through bidding and rigorous business negotiations to form orders to guarantee quality and quantity and production on schedule and finally achieve sales.
4. **Distribution of the industrial chain:** the Company has a number of rolling stock equipment manufacturing bases and research bases at an international advanced level. The Company has formed a complete nationwide industrial chain and production system with the main machinery companies of high-speed MUs, locomotives, urban rail transit vehicles, passenger carriages and freight wagons as its core and supporting companies as its backbone.
5. **Distribution of the value chain:** the product value of the Company mainly lies in the value chain distribution system of the comprehensive rolling stock equipment with the production of high-speed MUs, high-power locomotives, urban rail transit vehicles, passenger carriages and freight wagons as well as the manufacturing and repairing of related supporting products as core value, 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 “centralising research and development of technology, jointly developing products and building and sharing capability” in place.



#### (V) Industry status

As the world's largest and most diverse rolling stock supplier with advanced technology, CRRC has consecutively ranked first in the world in terms of sales volume of rolling stock equipment for years. CRRC has actively implemented the strategy of building a powerful transportation country, and fully, accurately and comprehensively implemented the new development concept based on the new development stages. We served and integrated into the construction of a new development layout, actively adapted to the new environment and changes, seized market opportunities to accelerate the structural reform, transformation and upgrading. We made great efforts to achieve new breakthroughs in business layout, market expansion, scientific and technological innovation, reform and innovation, management improvement, integration of industry and finance and the party built "golden card". The position of rail transit equipment industry has been further consolidated.

## II. Analysis of the core competitiveness during the reporting period

### (I) Continued leading market position

Since its establishment, CRRC has focused on its principal responsibilities and major businesses, strengthened strategic leadership, deeply grasped opportunities, and actively responded to challenges. It has developed into an advance, diverse rolling stock supplier in the world with leading technology, and received great attention from leaders of the party and the state. The series of rolling stock equipment represented by the "Fuxinghao", a standard high-speed MU of China became the "golden card" of China's high-end equipment going global. While focusing on core business, pillar business, support business, platform business, and cultivating business, the Company optimized business layout and enriched product offerings, and has formed a diversified business structure with rolling stock equipment as the core and strategic emerging industries as the main body. The Company further consolidated advantages in the railway equipment business, and developed the urban rail transit vehicles and urban infrastructure business. It also expanded new businesses such as electromechanical, wind power equipment and new materials, and achieved standardized development in modern service businesses, meeting and leading the diversified market needs. The Company continued its leading position in the global rail transit equipment manufacturing industry in terms of revenue and profit indexes, with the revenue of rail transit equipment business ranking first in the world, and wind power equipment and polymer composite materials entered the forefront in China.

### (II) Innovation-driven technological capabilities

CRRC insisted on self-reliance in science and technology, and focused on the safety and stability of the industrial chain and supply chain. In accordance with the general requirement of the industry to move towards mid-to-high end, the Company strengthened the technological innovation system and capacity building, doubled its efforts in scientific and technological research, accelerated technology and product upgrades, and continued to enhance innovation leadership to achieve a major leap from falling behind and catching up to taking the lead. General Secretary Xi Jinping praised and said, "A successful example of our country's independent innovation is the high-speed rail, which grew out of nothing, from introduction, digestion, absorption and then innovation to independent innovation. It has now led the world". CRRC has built a product series of multiple units with completely independent intellectual property rights. The "Fuxinghao" series of multiple units with a speed of 160-350 km/h have been fully put into operation. The high-speed maglev with a speed of 600 km/h, variable gauge cross-border interconnection high-speed multiple units with a speed of 400 km/h, freight multiple units with a speed of 350 km/h and the first Chinese standard subway train has been rolled off. The intelligent MUs each named Jingzhang (Beijing-Zhangjiakou), Jingxiong (Beijing-Xiong'an) and Jinghu (Beijing-Shanghai), highland dual-fuel MUs\* (高原雙源動車組) and highland electric locomotives\* (高原電力機車) were put into operation one after another. The overall technology of rail transit equipment such as high-power locomotives, heavy-duty railway trucks and urban rail transit vehicles has reached a leading international level. CRRC also owns a team of 30,000 scientific and technical talents led by 2 academicians of the Academy of Engineering and 20 scientists of CRRC, as well as 10 national-level R&D institutions, 22 nationally recognized enterprise technology centers, and 10 industry R&D institutions and 18 overseas R&D centers. At the 23rd China Patent Awards, CRRC won one Gold Award and four Silver Awards. The top-level design for the digital transformation of CRRC was completed, and the development index for the integration of industrialization and informatization reached 87.6, at the forefront of the industry.

### (III) Continuous release of benefits from reform

CRRC has conscientiously implemented the major decisions of the Party Central Committee, the State Council and the State-owned Assets Supervision and Administration Commission on the in-depth implementation of the three-year reform campaign of state-owned enterprises by continuously improving the top-level design of the reform and implementing the major initiatives one by one to emerge fresh practices. The three-year reform campaign of CRRC and the special reform campaign of the market-oriented operation mechanism were implemented in phases to further stimulate the dynamics of reform and innovation. In the first half of 2022, the main task of the Company's three-year reform campaign was successfully completed, and the special reform campaign of the market-oriented operation mechanism was promoted steadily to optimize the structure and explore the potential. The Company's reform experience was included in the typical list, and Zhuzhou Institute, a subsidiary of the Company, was one of the third batches of benchmarking excellent enterprises on "Learning from the Advanced, Implementing, and Promoting Reform" of China, and awarded as a benchmark enterprise in the "double hundred enterprises" and "scientific reform enterprises" special assessment and evaluation by the SASAC in 2021. CRRC has made a breakthrough in the professional integration of core system and key components for rail transportation, and CRRC Brake System Co., Ltd.\* (中車制動系統有限公司) is listed for operation. CRRC has also further deepened its mixed ownership reform and promoted the implementation of the mixed ownership reform of CRRC Qishuyan Institute Co., Ltd, the mixed reform of CRRC Yongji Motor Co., Ltd. to establish Xi'an Electric Drive Company\* (西安電驅公司) and other projects.

### (IV) The development direction of transnational operations

CRRC adhered to the path of internationalization, focused on rail transportation equipment business, took the "Belt and Road" initiative and international production capacity cooperation as an opportunity, actively responded to challenges such as the complex and volatile international environment and increased competition within the industry and made every effort to expand the international market and build a respected international company. In the first half of 2022, the Company continued to develop its markets along the "Belt and Road" concept, consolidating and expanding the results of its innovative overseas business model. The Company received new orders for rail transit equipment in Tanzania, Turkmenistan, Australia, New Zealand, Brazil, Argentina and other countries and regions, and acquired a locomotive sales contract between Zhuzhou Vossloh and DB Cargo (德鐵貨運公司). The export business of new materials and wind power equipment has progressed steadily, and further optimization has been made in overseas business structure and global market layout.

## III. Discussion and analysis on the Company's future development

The discussion and analysis on the Company's future development is not materially different from the information contained in the Company's 2021 Annual Report.





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

### I. Discussion and analysis of operation

In the first half of 2022, the Company achieved revenue of RMB81.297 billion, representing a decrease of 14.84%; net profit attributable to shareholders of the Company was RMB3.131 billion, representing a decrease of 21.51%.

#### (I) Analysis of main business

##### 1. Analysis of changes in relevant items in financial statements

Unit: '000 Currency: RMB

Item	Amount for the current period	Amount for the same period of previous year	Change (%)
Revenue	81,297,098	95,464,015	-14.84
Operating costs	64,933,526	75,391,745	-13.87
Selling expenses	2,541,015	3,267,581	-22.24
Administrative expenses	5,237,192	5,943,254	-11.88
Research and Development expenses	4,526,701	5,086,763	-11.01
Financial expenses	-125,135	330,895	-
Net cash flow used in operating activities	-1,929,087	-11,571,341	-
Net cash flow used in investment activities	-4,985,525	-17,265,013	-
Net cash flow generated from financing activities	4,954,496	20,559,570	-75.90

##### (1) Analysis of revenue and cost

Revenue decreased by 14.84% as compared to the same period of the previous year, mainly due to the decrease in revenue from railway equipment.

Operating costs decreased by 13.87% as compared to the same period of the previous year, mainly due to the decrease in operating costs as revenue drops. Operating costs decreased at a slightly lower rate than revenue due to the different product mix.



**Information on main business by industry, product and region***Main business by industry*

Unit: '000 Currency: RMB

By industry	Revenue	Operating costs	Gross profit margin (%)	Increase/decrease in revenue from the same period of the previous year (%)	Increase/decrease in operating costs from the same period of the previous year (%)	Increase/decrease in gross profit margin from the same period of the previous year
Railway transportation equipment and their extent industries	81,297,098	64,933,526	20.13	-14.84	-13.87	Decreased by 0.90 ppt

*Main business by product*

Unit: '000 Currency: RMB

By product	Revenue	Operating costs	Gross profit margin (%)	Increase/decrease in revenue from the same period of the previous year (%)	Increase/decrease in operating costs from the same period of the previous year (%)	Increase/decrease in gross profit margin from the same period of the previous year
Railway equipment	25,058,492	19,890,114	20.63	-33.59	-31.90	Decreased by 1.97 ppt
Urban rail transit vehicles and urban infrastructure	21,811,656	17,513,555	19.71	-4.38	-3.63	Decreased by 0.62 ppt
New industry	30,445,317	24,684,265	18.92	-3.22	-3.57	Increased by 0.29 ppt
Modern service	3,981,633	2,845,592	28.53	15.06	17.79	Decreased by 1.66 ppt
Total	81,297,098	64,933,526	20.13	-14.84	-13.87	Decreased by 0.90 ppt

*Main business by region*

Unit: '000 Currency: RMB

By region	Revenue	Increase/decrease in revenue from the same period of the previous year (%)
Mainland China	72,660,086	-15.58
Other countries or regions	8,637,012	-8.02



*Explanation of main business by industry, by product and by region*

Revenue from the railway equipment business decreased by 33.59% as compared to the same period of the previous year, mainly due to the decrease in the sales of MUs business. Operating costs decreased by 31.90% as compared to the same period of the previous year, mainly because the operating costs decreased as the revenue decreased. Due to the difference in product type, the decrease in costs was slightly lower than the decrease in revenue.

Revenue from urban rail transit vehicles and urban infrastructure business decreased by 4.38% as compared to the same period of the previous year, mainly due to the decrease in the revenue from urban rail transit vehicles. Operating costs decreased by 3.63% as compared to the same period of the previous year, mainly because the operating costs decreased following the decrease in revenue. Due to the difference in product type, the decrease in costs was slightly lower than the decrease in revenue.

Revenue from the new industry business decreased by 3.22% as compared to the same period of the previous year, mainly due to the decrease in revenue from wind power business. Operating costs decreased by 3.57% as compared to the same period of the previous year, mainly because the operating costs decreased as revenue drops. Due to the difference in product type, the decrease in costs was slightly higher than the decrease in revenue.

Revenue from the modern service business increased by 15.06% as compared to the same period of the previous year, mainly due to the growth in the logistics business during the period. Operating costs increased by 17.79% as compared to the same period of the previous year, mainly due to the increase in revenue.

Revenue of the Company decreased by 14.84% 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 30.82%, 26.83%, 37.45% and 4.90%, respectively, of total revenue. In particular, revenue generated by the locomotive business of the railway equipment business was RMB8.348 billion; revenue generated by the passenger carriage business was RMB1.136 billion; revenue generated by the MUs business was RMB7.025 billion; revenue generated by the freight wagon business was RMB8.549 billion. Revenue generated by the urban rail vehicles of the urban rail transit vehicles and urban infrastructure business was RMB17.971 billion. During the reporting period, the Company entered into new contracts in the value of RMB130.9 billion, of which new overseas contracts were in the value of RMB17.3 billion.

**(2) Analysis of cost**

Unit: '000 Currency: RMB

*Cost of main business by industry*

By industry	Amount for the current period	Proportion in total cost for the current period (%)	Amount for the same period of the previous year	Proportion in total cost for the same period of the previous year (%)	Proportion of change of amount for the current period as compared to amount for the same period of the previous year (%)
Railway transportation equipment and their extent industries	64,933,526	100.00	75,391,745	100.00	-13.87

*Cost of main business by product*

By product	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	53,155,959	81.86	62,930,330	83.48	-15.53
Direct labour costs	4,360,559	6.72	4,616,507	6.12	-5.54
Manufacturing costs	4,483,664	6.91	4,976,819	6.60	-9.91
Others	2,933,344	4.51	2,868,089	3.80	2.28
Total	64,933,526	100.00	75,391,745	100.00	-13.87



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

The sales to the top 5 customers amounted to RMB30.949 billion, accounting for 38.07% of the total sales for the period; of which sales to related parties of the top 5 suppliers was RMB0, representing 0% of total sales for the period.

The procurement from the top 5 suppliers amounted to RMB3.972 billion, accounting for 8.28% of the total procurement for the period; of which procurement from related parties of the top 5 suppliers was RMB0, representing 0% of total procurement for the period.

Other descriptions

State Railway Group (including its affiliated railway bureau group company and its subsidiaries) is the largest customer of the Company, which accounted for 27.91% of the total sales of the Company for the period.

**(4) Expenses**

Selling expenses decreased by approximately 22.24% as compared to the same period of the previous year, mainly due to the decrease in provision for the expected product quality warranty.

Administrative expenses decreased by approximately 11.88% as compared to the same period of the previous year, mainly due to the decrease in staff costs and repair expenses.

Financial expenses decreased as compared to the same period of the previous year, mainly due to lower foreign exchange losses resulted from the foreign exchange fluctuation.

**(5) R&D Investment**

Total R&D investment for the current period was approximately RMB4.569 billion, accounting for 5.62% of revenue for the period. The Company will continue to focus on independent and controllable and intelligent technology research that resonates with industry synergy and “carbon peaking and carbon neutrality”, and to carry out key core technology research. All current R&D projects are progressing smoothly.

**(6) Cash flow**

The net cash flow from operating activities was a net outflow of RMB1.929 billion, compared to a net outflow of RMB11.571 billion in the same period of the previous year, mainly due to the decrease in the cash payment for purchase of goods and receipt of service by the Company during the reporting period as compared to the same period of the previous year.

The net cash flow from investing activities was a net outflow of RMB4.986 billion, compared to a net outflow of RMB17.265 billion in the same period of the previous year, mainly due to the decrease in cash payment for investment by the Company during the reporting period as compared to the same period of the previous year.

The net cash flow from financing activities was a net inflow of RMB4.954 billion, compared to a net inflow of RMB20.560 billion in the same period of the previous year, mainly due to the decrease in cash received from bond issuance by the Company during the reporting period as compared to the same period of the previous year.

## 2. Detail explanation on significant changes in business type, composition of profit or source of profit of the Company during the Period

During the reporting period, the Company had no significant changes in business type, composition of profit or source of profit.

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

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

### (III) Analysis of assets and liabilities

#### 1. Asset and liabilities

Unit: '000 Currency: RMB

Name of 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 (%)
Held-for-trading financial assets	14,047,115	3.14	10,694,693	2.51	31.35
Debt investments	311,316	0.07	2,002,484	0.47	-84.45
Borrowings from the central bank	686,087	0.15	997,186	0.23	-31.20
Other payables	22,982,621	5.14	12,139,894	2.84	89.31
Non-current liabilities due within one year	10,445,692	2.34	4,612,838	1.08	126.45
Other current liabilities	4,700,372	1.05	2,636,060	0.62	78.31
Long-term borrowings	3,492,820	0.78	7,454,276	1.75	-53.14
Bonds payable	-	-	2,500,000	0.59	-100.00

#### *Other explanation*

Held-for-trading financial assets increased by approximately 31.35%, mainly due to the increase in financial products purchased by the Company.

Debt investments decreased by approximately 84.45%, mainly due to the decrease in the interbank negotiable certificates of deposit invested by Finance Company.

Borrowings from the central bank decreased by approximately 31.20%, mainly due to the decrease in the borrowings acquired from central bank by Finance Company.

Other payables increased by approximately 89.31%, mainly due to the dividend declared by the Company has not been paid.



Non-current liabilities due within one year increased by approximately 126.45%, mainly due to the increase in the bonds payable due within one year and the long-term borrowings due within one year of the Company.

Other current liabilities increased by approximately 78.31%, mainly due to the addition of new super short-term financing bills by the Company.

Long-term borrowings decreased by approximately 53.14%, mainly due to the decrease in long-term bank borrowings by the Company.

Bonds payable decreased by 100%, mainly due to the Company's reclassification of bonds payable to non-current liabilities due within one year.

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

For details, please refer to "69. Assets with restrictive ownership title or right of use" under "V. Notes of Consolidated Financial Statements" in "Financial Report".

### (IV) Debt structure, liquidity and cash flow

#### 1. Debt structure

As of 30 June 2022, the Company's gearing ratio increased to 59.57% from 57.29% at the beginning of the year (the ratio was calculated by dividing the Group's total liabilities by its total assets as at 30 June 2022).

#### 2. Significant capital expenditure and capital commitment

##### (1) Significant capital expenditure

From January to June 2022, the significant capital expenditure of the Company is as the following table:

Item	From January to June 2022 (RMB'000)
Fixed assets	373,346
Construction in progress	2,411,521
Intangible assets	352,229
Development expenditures	4,569,183
Total	7,706,279

##### (2) Capital commitment

As at 30 June 2022, the capital commitments that the Company had contracted but not yet undertaken was RMB1,690 million, which will be used mainly for property, plant and equipment, land lease prepayments and other intangible assets.

#### 3. Detail information on contingent liabilities of the Company

The Company has no significant contingent liabilities other than the guarantees provided by the Company as set out in the section headed "Significant Events" in this interim report.

#### 4. Detail information on mortgaged assets of the Company

Item	30 June 2022 Amount (RMB'000)
Cash and bank balances	2,263,540
Bills receivable	8,599,618
Accounts receivable	1,339,952
Receivables at FVTOCI	129,030
Long-term receivables	2,430,740
Fixed assets	218,130
Intangible assets	826,868
Other non-current assets	347,528
Total	16,155,406

#### 5. Borrowings, corporate bonds and notes

As at 30 June 2022, the Company had total borrowings, bonds and notes of approximately RMB35,648 million, as compared to the total amount of approximately RMB29,415 million as at 31 December 2021.

As at 30 June 2022, out of the total borrowings, bonds and notes of the Group, RMB29,058 million was denominated in Renminbi, RMB4,108 million was denominated in USD, and RMB1,365 million was denominated in Euro.

The Company's long-term interest-bearing borrowings, bonds and notes and short-term interest-bearing borrowings, bonds and notes as at 30 June 2022 were RMB3,493 million and RMB32,155 million, respectively.

As at 30 June 2022, the total bank and other borrowings of the Company with floating interest rates amounted to RMB11,270 million, as compared to RMB8,563 million as at 31 December 2021.

The following table set out the maturity profile of the Company's repayable borrowings, bonds and notes as at 31 December 2021 and 30 June 2022:

	30 June 2022 Amount (RMB'000)	31 December 2021 Amount (RMB'000)
Within one year (starting date and ending date inclusive)	32,154,764	19,461,119
One to two years	463,501	4,862,785
Two to five years	826,973	2,842,111
Over five years	2,202,346	2,249,380
Total	35,647,584	29,415,395

As at 30 June 2022, the total borrowings, bonds and notes of the Company amounted to approximately RMB35,648 million, representing an increase of 21.19% from RMB29,415 million as at 31 December 2021, mainly due to the addition of new super short-term financing bills and short-term borrowings by the Company.



## 6. Cash flow

As at 30 June 2022, the cash and cash equivalents owned by the Company amounted to approximately RMB41,488 million, of which RMB35,101 million was denominated in RMB; RMB2,774 million was denominated in USD; and RMB1,393 million was denominated in Euro.

## (V) Analysis of investment

### 1. Overall analysis of external equity investment

As of the end of the reporting period, the long-term equity investment of the Company was RMB17.760 billion, representing an increase of RMB0.556 billion or 3.23% from the beginning of the year, which was mainly due to the Company's additional investment in joint ventures and associates of RMB0.358 billion during the period. For details, please refer to Note V.15 Long-term equity investments to the financial statements.

#### (1) Significant equity investment

There was no significant equity investment during the reporting period.

#### (2) Significant non-equity investment

There was no significant non-equity investment during the reporting period.

#### (3) Financial assets measured at fair value

Unit: '000 Currency: RMB

	Opening balance	Gains/losses from changes in fair value during the current period	Aggregate changes in fair value included in equity	Provision for impairment loss during the current period	Other changes increase/decrease during the current period	Closing balance
1. Held-for-trading financial assets	10,694,693	272,046	-	-	3,080,376	14,047,115
Including: derivative financial assets	3,089	14,655	-	-	-	17,744
Including: certificate of deposits	8,131,731	99,633	-	-	2,526,061	10,757,425
Including: equity instrument investment	2,559,873	157,758	-	-	554,315	3,271,946
2. Other equity instrument investment	2,997,338	-	-201,020	-	-117,724	2,678,594
Including: listed equity instrument investment	1,143,978	-	-202,982	-	38,190	979,186
Including: non-listed equity instrument investment	1,853,360	-	1,962	-	-155,914	1,699,408
3. Receivables financing	10,552,051	-	135,827	-98	-2,703,875	7,984,003
Including: accounts receivable	1,341,610	-	60,187	-98	65,010	1,466,807
Including: bills receivable	9,210,441	-	75,640	-	-2,768,885	6,517,196
4. Other non-current financial assets	370,460	10,067	-	-	19,506	400,033
Including: preference share and perpetual bond	370,460	10,067	-	-	19,506	400,033
Subtotal of financial assets	24,614,542	282,113	-65,193	-98	278,283	25,109,745

## (VI) Significant sale of assets and equity

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

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

Unit: '000 Currency: RMB

Company name	Product and scope of main business	Registered capital	Total assets at the end of the period	Net assets at the end of the period attributable to the shareholders of the parent company	Net profit from January to June 2022 attributable to the shareholders of the parent company	Revenue from January to June 2022	Operating profit from January to June 2022
CRRC Changchun	Design, manufacturing, repair, sale and lease of railway passenger carriages, MUs, urban rail transit vehicles and the accessories thereof, as well as related technical services and technical consultancy etc.	6,235,001	57,921,489	22,314,741	747,671	8,017,521	824,195
CRRC Zhuzhou	R&D and manufacturing of railway electric locomotives, MUs and urban rail transit vehicles etc.	5,455,090	38,934,084	11,625,489	636,584	9,085,411	750,484
CRRC ZELRI	Research and manufacturing on electric drive and control technologies related to rail transit and relevant electrical equipment; and research and development and manufacturing of railway locomotives and accessories thereof etc.	8,446,840	76,276,966	21,109,717	562,788	16,821,428	1,330,914
CRRC Sifang	R&D and manufacturing of railway MUs, passenger carriages and urban rail transit vehicles; and repair services for railway MUs and high-end passenger carriages etc	4,509,795	71,919,283	17,469,576	265,212	7,172,827	346,756

**(VIII) Structured entities controlled by the Company**

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

**(IX) Use of proceeds from 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] No. 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 of 30 June 2022, 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 2022, interest of bank deposits received for the proceeds from issuance of H shares amounted to HKD115 million in total and the proceeds not yet used by the Company raised through issuance of H shares, plus interests thereon accrued, amounted to HKD83 million. It is expected that the proceeds of HKD83 million will be used to finance the product research and development expense and replenish the working capital by 2023, which is in line with the use of proceeds as disclosed previously.

**II. Other Discloseable Matters****Potential Risks****1. Strategic risks**

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

Response measures: The Company will collect information in a timely manner of industrial policy or industrial planning which is in relation to the Company’s operation; conduct proper studies on policy and trend and positively deal with possible changes in policies and industrial planning; strengthen the development of new products, develop new business models, and actively create value for customers; strengthen internal management; improve operation and management standards of the Company; reduce operating costs; endeavour to improve operational efficiency and enhance ability to mitigate policy risks.

## 2. Market risks

For the domestic market, the rail transit equipment market, main line railway construction and railway operation rights have been fully liberalized. The willingness for social capital to invest in the rail transit equipment sector has increased significantly. State-owned, private, and foreign enterprises have entered the rail transportation field one after another, cross-border competition has become the norm, and competition within the industry has become more intense. With the rapid development of new technologies and new business forms, domestic railway passenger and freight transportation is constantly optimized in terms of the market, service and innovation, and market demand may undergo structural adjustment. The COVID-19 pandemic may have periodical impact on the Company's production organization, parts and materials supply, and product delivery cycle. The prices of some bulk raw materials are in a continuous upward trend, and the Company's profit target will continue to be under pressure. For the international market: the global railway transportation industry is undergoing deep integration, the industry giants are accelerating their reshuffle and frequently conducting reorganization and integration, and the market competition is intensifying. The rising international trade protectionism intensifies international competition within the industry, and increases uncertainty and uncontrollable factors in the international market. Demand of the global rail transit industry is expected to continue to decline. International political and economic factors may lead to the increasing product costs and make it more difficult to obtain orders, and the Company's "internationalization" strategy will face more challenges.

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

## 3. Product quality risks

In the railway market, a "trinity" safety guarantee mechanism covering related personnel, materials and technologies has been earnestly constructed by major clients to ensure railway safety, thus posing higher standards for the safety and reliability of rail transportation product quality and bringing more challenges for the Company's constantly improving product lineage and continuous deepening of technological innovation. The Company is a rail transit equipment enterprise, and most of its products are related to the interests of the public. With a large number of MUs put into use, the quality and operational safety of the Company's products will become the focus of continuous attention of the society, and product quality issues may cause the public to property losses or casualties. Any major safety and quality issues may have an adverse impact on the Company, and even impact the development of the industry within a certain period of time.

Response measures: Make overall plans and strengthen the physical quality control of products. With CRRC's Q quality standard as the core, we will strengthen the quality and safety precautions in the design process, refine the quality and safety control of the production process, stabilize the quality assurance ability during the product realization process, and ensure the stability of the product quality. We will promote the digital transformation of quality management and enhance the quality and safety of production. We will strengthen supply chain quality risk management to ensure that hidden quality and safety hazards are effectively controlled at the source of product realization. We will continuously carry out the rectification of product source quality problems, promote the implementation of quality and safety responsibility system, improve the emergency guarantee mechanism for safety and quality problems, improve the response speed and coordination level of responding to emergencies and emergency rescue, and reduce the harm and impact caused by the incident.



#### 4. Foreign exchange risks

With the accelerated pace of internationalization of the Company, product exports, overseas investments, mergers and acquisitions and other activities will further increase, which may trigger various risks due to exchange rate fluctuations. For example, in light of fluctuating international financial environment, the movement of exchange rate is difficult to predict, and the Company may suffer exchange losses; and since some overseas product items are settled in non-major currencies, it is difficult to hedge against exchange risks; uncertain foreign exchange collection time makes it more difficult in the adoption of hedging. Due to the uncertainty of economic development, the possibility of significant exchange rate fluctuation still exists, which will affect the competitiveness of the projects and the benefits of the contracted projects to a certain extent.

Response measures: The Company will pay close attention to the trend of exchange rate movements, establish the concept of exchange rate risk neutral management and strengthen the risk prevention awareness of relevant personnel by establishing a whole process exchange rate risk management mechanism, carrying out internal hedging of foreign exchange risks, and adhering to the principle of hedging and reasonable use of foreign exchange derivatives, so as to strengthen the role of its Hong Kong subsidiary in the settlement of overseas funds, and continuously reduce exchange rate risks.

#### 5. Overseas operating risks

Amid the spread of the COVID-19 overseas, the Company's overseas business is restricted in terms of import and export, which may hinder the planned technical communication and bid clarification, and may cause the owners to postpone or cancel their visit plan. In addition, the negative impacts such as overseas labor shortage, overseas parts supply interruption, shortage of shipping resources, uncontrollable shipping cycle and increased project costs continue, which have an adverse impact on the operation of the Company's existing overseas business.

Response measures: Innovate market development approaches and methods, and make full use of local resources such as overseas subsidiaries and local partners to strengthen the development of target markets. Facing difficulties in departures, we will strengthen contacts with domestic general contractors, design institutes, and trading companies by making effective use of "cloud platform", and drive foreign trade with domestic resources; at the same time, we will continue to improve overseas marketing models and explore expansion in overseas market participation model. We will establish a long-term tracking mechanism for market project information, thereby effectively maintaining relationships with customer, and policy insurance mechanisms such as Sinasure will be used to control the risk of payment collection after the project is implemented.

#### 6. Industrial structure adjustment risks

Due to historical reasons, parts 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 resource sufficiency posed various difficulties and risks for the industrial structure transformation of the Company.

Response measures: The Company has established a special institution to research on the reform plan in the rail transportation sector. According to the principle of adopting different strategies for different sectors and through methods including business restructuring, capacity shrinking, inspire the dynamisms of the Company, gradually build a structure of resource sharing and win-win mutual development, promote deeper integration from "physical changes" to "chemical changes" for enterprises that were restructured and integrated, so that the reform can give full play to its effectiveness, and continue to optimize the deployment of rail transportation resources, thus achieving the maximization of resource efficiency and interests of the Company.



# CORPORATE GOVERNANCE

## I. BRIEF INTRODUCTION TO GENERAL MEETING

Session of meeting	Convening date	Query index of the designated website where the resolutions were published	Disclosure date of the published resolutions	Resolutions of the meeting
2021 annual general meeting of CRRC Corporation Limited	16 June 2022	<a href="http://www.sse.com.cn">www.sse.com.cn</a> <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>	17 June 2022	Poll results of the 2021 Annual General Meeting of CRRC Corporation Limited

## II. CHANGE IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company did not have any change in Directors, Supervisors and senior management during the reporting period.

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

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

## IV. SHARE OPTION SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME AND OTHER STAFF INCENTIVE MEASURES OF THE COMPANY AND THEIR IMPACTS

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

## V. EMPLOYEES OF THE COMPANY AND THEIR REMUNERATION AND TRAINING

As of the end of the reporting period, there were no significant changes in the total number, remuneration and training plan of the employees of the Company.



## VI. CORPORATE GOVERNANCE

During the reporting period, the Company carried out corporate governance work in strict compliance with requirements of laws and regulations such as the Company Law, the Securities Law and the Code of Corporate Governance for Listed Companies as well as relevant requirements of the SSE and the Stock Exchange and established the modern corporate governance structure featuring “General Meeting, the Board, the Supervisory Committee and the Management”. Through the establishment of an effective corporate governance mechanism, corporate governance and operation management continuously improved such that the corporate governance of the Company is further perfected.

### (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.

Code provision C.1.6 of the Corporate Governance Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of the shareholders. Due to other engagements, Mr. Shi Jianzhong and Mr. Ngai Ming Tak, independent non-executive directors of the Company, were unable to attend the annual general meeting of the Company held on 16 June 2022. However, there were sufficient directors (comprising executive directors, non-executive director and independent executive directors) present at the annual general meeting to ensure that the Board was able to develop a balanced understanding of the views of shareholders.

### (II) Securities Transactions by Directors and Supervisors

The Company has adopted the Management Method Regarding the Shareholding of Directors, Supervisors and Senior Management on terms no less exacting than the required standards of securities transactions set out in the Model Code. Relevant employees who are likely to learn inside information in relation to the securities of the Company are also subject to the rules required under such document.

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 transactions by the Directors and Supervisors. The Company also imposed similar requirements on those key personnel who may have knowledge of inside information. The Company has confirmed that, during the reporting period, all the Directors and Supervisors have complied with the requirements for securities transactions mentioned above.

### (III) Review of the Interim Report by the Audit and Risk Management Committee

The Audit and Risk Management Committee has reviewed the Company's unaudited interim condensed consolidated financial statements and the interim report for the six months ended 30 June 2022, and has agreed on their submission to the Board for consideration and approval.

# SIGNIFICANT EVENTS

## I. PERFORMANCE OF UNDERTAKINGS

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

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, 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》) to Times New Material 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 the Company. In order to resolve such competition with Times New Material, in accordance with relevant laws and regulations, the Company 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.). The term of the undertakings is 5 years commencing from the date of the letter of undertaking. On 9 July 2020, the term has been extended to 31 December 2022.	31 December 2022	Yes	Yes	-	-





Background	Type	Covenants	Undertakings	Validity period	Whether performed in a timely manner			If not performed in a timely manner, describe plans in next steps
					Whether duration specified	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	
	Resolution of same industry competitions	CRRC	<p>Non-competition undertaking with Times Electric: on 5 August 2015, CRRC issued the Letter of Undertaking of Non-competition with Zhuzhou CSR Times Electric Co., Ltd. (《關於避免與株洲南車時代電氣股份有限公司同業競爭的承諾函》) in order to resolve the issue of competition between CRRC and Times Electric after the merger between CSR and CNR. The specific undertakings are as follows: the current operations of CRRC in fields such as transmission control systems, network control systems, traction power supply system, braking system, track construction machinery, electronic components and vacuum sanitation system compete with the operations of Times Electric, which is indirectly controlled by the Company. To safeguard the interests of Times Electric in its future development, in accordance with relevant laws and regulation, CRRC undertook that with respect to the operations of CRRC that compete with the operations of Times Electric: (1) CRRC will grant Times Electric a call option, pursuant to which Times Electric will be entitled to elect, at its own discretion, when to request CRRC to sell the competing businesses of CRRC to Times Electric; (2) CRRC will further grant Times Electric a pre-emptive right, pursuant to which if CRRC proposes to sell the competing business to an independent third party, CRRC shall offer to Times Electric the competing business first on the same terms and conditions, and the sale to an independent third party may only be effective after Times Electric refuses to purchase the competing business; (3) the decision of Times Electric to exercise the aforesaid call option and the pre-emptive right shall be made by the independent non-executive directors of Times Electric; (4) the exercise of the aforesaid call option and the pre-emptive right as well as other effective methods to resolve this competition matter will be subject to the applicable regulatory 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.</p>	Undertakings dated 5 August 2015, the term of which 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	-	-

## SIGNIFICANT EVENTS

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
	Resolution of same industry competitions	CRRCG	<p>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 (which has completed restructuring and been renamed as CRRCG) and CRRC after completion of merger of CNRG with CSR. Pursuant to the Letter of Undertaking: (1) CRRCG undertook that CRRCG itself will not engage, and will, through legal procedures, procure its wholly-owned and non-wholly-owned subsidiaries to not engage in any businesses which might directly compete with the current operating businesses of CRRC; (2) subject to the aforesaid undertaking (1), if CRRCG (including its wholly-owned subsidiaries and non-wholly-owned subsidiaries or other related entities) provides any products or services that might be in competition with the principal products or services of CRRC in the future, CRRCG will agree to grant CRRC pre-emptive right to acquire the assets or its entire equity interests in such subsidiaries related to such products or services from CRRCG; (3) subject to the aforesaid undertaking (1), CRRCG may develop advanced and lucrative projects in the future which fall within the business scope of CRRC, but it should preferentially transfer any achievement on such projects to CRRC for its own operation on equal terms of transfer; and (4) CRRCG should compensate CRRC for its actual losses arising from any failure to comply with the aforesaid undertakings.</p>	Undertakings dated 5 August 2015, during the course of performance	No	Yes	-	-



Background	Type	Covenants	Undertakings	Validity period	Whether strictly performed in a timely manner		If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
					Whether duration specified	If not performed in a timely manner, describe the specific reasons		
	Others	CRRCG	Undertaking to maintain the independence of CRRC: CNRG issued the Letter of Undertaking to Maintain the Independence of CRRC Corporation Limited (《關於保持中國中車股份有限公司獨立性的承諾函》) on 5 August 2015 in order to ensure that CNRG (has completed restructuring and renamed as CRRCG) will not interfere with the independence of CRRC after completion of the merger of CNRG with CSRG. Pursuant to the Letter of Undertaking: CRRCG undertook to be separate from CRRC in respect of areas such as assets, personnel, finance, organization and business and will, in strict compliance with the relevant requirements on the independence of a listed company imposed by the CSRC, not to use its position as the controlling shareholder to violate the standardized operation procedures of a listed company to intervene in the operating decisions of CRRC and to damage the legitimate interests of CRRC and other shareholders. CRRCG and other companies under its control undertook not to, by any means, use the funds of CRRC and companies under its control.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	-	-

## SIGNIFICANT EVENTS

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
	Resolution of related-party transactions	CRRCG	Undertaking for regulating related-party transactions with CRRC: in order to regulate related-party transactions entered into between CNRG (which have completed the restructuring and renamed as CRRCG) and CRRC after the merger between CNRG and CSRG, CNRG issued the Letter of Undertaking to Regulate the Related-party Transactions with CRRC Corporation Limited (《關於規範與中國中車股份有限公司關聯交易的承諾函》) on 5 August 2015, pursuant to which CRRCG and other companies controlled by CRRCG will endeavor not to enter into or reduce the related-party transactions with CRRC and other companies in which it holds a controlling interest. For related-party transactions that are inevitable or reasonable, CRRCG will continue to perform the obligations under the related-party transaction framework agreements entered into between CRRCG and CRRC, and will comply with the approval procedures and information disclosure obligations in accordance with the relevant laws and regulations as well as the provisions under the Articles of Association of CRRC. Prices of the related-party 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	-	-



Background	Type	Covenants	Undertakings	Validity period	Whether strictly performed in a timely manner		If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
					Whether duration specified	Whether strictly performed in a timely manner		
Undertakings in relation to the initial public issuance	Others	CRRCG	Undertakings on property ownership issues: CSR (has completed restructuring and renamed as CRRCG) 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 of 30 June 2022, there are still 3 properties with a total gross floor area of 1,788.67 square meters which failed to apply for property ownership certificates due to historical reasons. 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 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 undertake 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 CRRCG) has made a written undertaking. Pursuant to the undertaking: CRRCG will compensate the relevant wholly-owned subsidiaries of CRRC for the loss caused as a result of the state-owned land use certificate not specifying the land use terms or termination date for the authorized land.	Undertakings dated 10 December 2009, during the course of performance	No	Yes	-	-

## SIGNIFICANT EVENTS

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

## II. BANKRUPTCY AND REORGANIZATION

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

## III. MATERIAL LITIGATION AND ARBITRATION

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



## IV. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

### (I) Trusteeship, contracting and leasing matters

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

### (II) Material guarantees performed and not yet completed during the reporting period

Unit: '000 Currency: RMB

Guarantor	Relationship between the guarantor and the listed company		Guaranteed amount	Date of guarantee (date of signing agreement)		Commencement date	Maturity date	Guarantee type	Whether the guarantee has been fulfilled	Whether the guarantee is overdue or not	Outstanding amount of guarantee overdue	Counter guarantee	Whether the guarantee is provided to a related party or not	Related relationship
	Guarantor	Guaranteed		Date of guarantee (date of signing agreement)	Commencement date									
CRRC Corporation Limited, Suzhou CRRC Construction Engineering Co., Ltd. (蘇州中車建設工程有限公司), 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 non-wholly-owned subsidiary	Wuhu Yunda Rail Transport Construction and Operation Limited (蕪湖市運達軌道交通建設運營有限公司)	1,973,149	27 April 2017	20 June 2017	20 June 2047	Joint and several liability guarantee	No	No	-	No	No	-	
CRRC Zhuzhou Locomotive Co., Ltd.	Wholly-owned subsidiary	CRRC E-LOCO SUPPLY (PTY) LTD	1,192,671	21 March 2014	17 March 2014	Date of completion of project execution	Performance Guarantee	No	No	-	Yes	Yes	Subsidiary of the controlling shareholder of the listed company	
			411,123	24 March 2014	24 March 2014									
			205,561	21 April 2015	21 April 2015									
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)													3,782,504	
Guarantees provided by the Company in favour of its subsidiaries														
Total guarantee amount provided to the Company's subsidiaries during the reporting period													4,465,844	
Total guarantee balance provided to the Company's subsidiaries at the end of the reporting period (B)													51,309,676	

## SIGNIFICANT EVENTS

Guarantor	Relationship between the guarantor and the listed company	Guaranteed amount	Date of guarantee			Guarantee type	Whether the guarantee has been fulfilled	Whether the guarantee is overdue or not	Outstanding amount of guarantee	Counter guarantee	Whether the guarantee is provided to a related party or not	Related relationship
			(date of signing agreement)	Commencement date	Maturity date							
Guarantees provided by the Company to external parties (excluding guarantees provided by the Company in favour of its subsidiaries)												
Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favour of its subsidiaries)												
Total guarantee amount (A+B)												55,092,180
Percentage of total guarantee amount to net assets of the Company (%)												37.68
In which:												
Provision of guarantee to shareholders, ultimate controller and their respective related persons (C)												1,809,355
Amount of guarantees directly or indirectly provided in favour of parties with gearing ratios over 70% (D)												34,581,182
The total amount of guarantees provided which exceeds 50% of the net assets (E)												-
Total amount of the three above-stated guarantees (C+D+E)												36,390,537
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 = amount of guarantees/owner's equity attributable to the parent company. The balance of guarantee as of 30 June 2022 was RMB55.092 billion, accounting for 37.68% of net assets, among which,  The balance of guarantee for wholly-owned subsidiaries is RMB21.143 billion; the balance of guarantee for non-wholly-owned subsidiaries is RMB30.167 billion, the balance of guarantee for Wuhu Yunda Rail Transit Construction and Operation Company Limited is RMB1.973 billion, and the balance of guarantee for CRRC E-LOCO SUPPLY (PTY) LTD is RMB1.809 billion.  As far as guarantee type is concerned, RMB2.614 billion was provided for bank acceptance bills, RMB3.209 billion was provided for loans and medium-term notes, and RMB49.069 billion was provided for letters of guarantee, letters of credit and credit facilities.  There were guarantees provided by the Company for the controlling shareholder, the actual controller and their related persons, as detailed in the Related Transaction Announcement in relation to Entrusted Assets dated 18 July 2021 published by the Company. As of the end of the period, the guarantees provided by the Company for its wholly-owned and non-wholly-owned subsidiaries with gearing ratios exceeding 70% have all been approved by the Board and the shareholders' meeting in accordance with the Articles of Association.

### (III) Other material contracts

As of the date of this report, the Company signed a number of sales contracts. For details, please refer to announcements dated 11 March 2022, 6 June 2022 and 21 July 2022 published by the Company on the websites of the SSE and the Stock Exchange.





# CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

## I. CHANGES IN SHARE CAPITAL

### (I) Changes in shares

#### 1. Changes in shares

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

#### 2. Public float

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

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

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

## II. PARTICULARS OF SHAREHOLDERS

### (I) Total number of shareholders:

Total number of holders of ordinary shares as of the end of the reporting period (shareholder) <sup>Note</sup> 693,282

Note: As of the end of the reporting period, the Company had 690,579 holders of A shares and 2,703 registered holders of H shares.

## CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

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

Unit: share

Name of shareholder (full name)	Change during the reporting period	Shareholdings of the top ten shareholders			Shares pledged, marked or frozen		
		Number of shares held at the end of the reporting period	Percentage (%)	Number of shares held subject to trading moratorium	Pledged, marked or frozen	Number	Nature of shareholder
CRRCG <sup>Note 1</sup>	0	14,558,389,450	50.73	0	Nil	-	State-owned legal person
HKSCC NOMINEES LIMITED <sup>Note 2</sup>	-587,150	4,357,881,053	15.18	0	Unknown	-	Overseas legal person
China Securities Finance Corporation Limited	0	605,663,637	2.11	0	Unknown	-	State-owned legal person
Hong Kong Securities Clearing Company Limited	23,738,401	336,189,776	1.17	0	Unknown	-	Overseas legal person
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	298,064,400	1.04	0	Unknown	-	State-owned legal person
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan (博時基金–農業銀行–博時中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan (易方達基金–農業銀行–易方達中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities and Financial Assets Management Plan (大成基金–農業銀行–大成中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
Harvest Fund – Agricultural Bank of China – Harvest China Securities and Financial Assets Management Plan (嘉實基金–農業銀行–嘉實中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan (廣發基金–農業銀行–廣發中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
Zhong'ou Asset – Agricultural Bank of China – Zhong'ou China Securities and Financial Assets Management Plan (中歐基金–農業銀行–中歐中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
China AMC – Agricultural Bank of China – China AMC China Securities and Financial Assets Management Plan (華夏基金–農業銀行–華夏中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan (銀華基金–農業銀行–銀華中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
China Southern Asset Management – Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan (南方基金–農業銀行–南方中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan (工銀瑞信基金–農業銀行–工銀瑞信中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown



## Shareholdings of the top ten holders of shares not subject to trading moratorium

Name of shareholder	Number of tradable shares held not subject to trading moratorium	Class and number of shares	
		Class	Number
CRRCG <sup>Note 1</sup>	14,558,389,450	Ordinary shares denominated in RMB	14,558,389,450
HKSCC NOMINEES LIMITED <sup>Note 2</sup>	4,357,881,053	Overseas listed foreign shares	4,357,881,053
China Securities Finance Corporation Limited	605,663,637	Ordinary shares denominated in RMB	605,663,637
Hong Kong Securities Clearing Company Limited	336,189,776		336,189,776
Central Huijin Asset Management Ltd (中央匯金資產管理有限責任公司)	298,064,400	Ordinary shares denominated in RMB	298,064,400
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan (博時基金–農業銀行–博時中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan (易方達基金–農業銀行–易方達中證金融資產管理計劃)			
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities and Financial Assets Management Plan (大成基金–農業銀行–大成中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Harvest Fund – Agricultural Bank of China – Harvest China Securities and Financial Assets Management Plan (嘉實基金–農業銀行–嘉實中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan (廣發基金–農業銀行–廣發中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Zhong'ou Asset – Agricultural Bank of China – Zhong'ou China Securities and Financial Assets Management Plan (中歐基金–農業銀行–中歐中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
China AMC – Agricultural Bank of China – China AMC China Securities and Financial Assets Management Plan (華夏基金–農業銀行–華夏中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan (銀華基金–農業銀行–銀華中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
China Southern Asset Management – Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan (南方基金–農業銀行–南方中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan (工銀瑞信基金–農業銀行–工銀瑞信中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
	234,982,900	Ordinary shares denominated in RMB	234,982,900
Explanations of the repurchase of special accounts among the top 10 shareholders			N/A
Explanation of the above-mentioned shareholders' entrusted voting rights, been entrusted voting rights, and waiver of voting rights			N/A
Details relating to the related relationship of the above shareholders or the parties acting in concert			N/A
Explanations on the shares and voting rights – restored of preferred shareholders			N/A

Note 1: As of the end of the reporting period, CRRCG in aggregate held 14,736,252,450 shares (including 14,558,389,450 A shares and 177,863,000 H shares), representing approximately 51.35% of the total number of issued shares of the Company. The shareholding of 177,863,000 H shares of the Company held by CRRCG were registered under the name of HKSCC NOMINEES LIMITED.

Note 2: H shares held by HKSCC NOMINEES LIMITED are held on behalf of its various clients.

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

As at 30 June 2022, the persons set out in the table below had an interest or short position in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Capacity	H shares or A share	Nature of interest	Number of H shares or A shares interested in	Percentage of H shares or A shares interested in of the total issued H shares or total issued A shares (%)	Percentage of total share capital of the Company (%)
CRRCG	Beneficial owner	A shares	Long position	14,558,389,450	59.84	50.73
	Beneficial owner	H shares	Long position	177,863,000	4.07	0.62

Save as disclosed above, as far as the Directors of the Company are aware, as at 30 June 2022, 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, pursuant to section 336 of Part XV of the SFO, required to be recorded in the register referred to therein, 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 resulting from the placing of new shares**

During the reporting period, no strategic investor or ordinary legal person became top ten shareholders resulting from the placing of new shares.

**III. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT****(I) Changes in shareholding by current and resigned Directors, Supervisors and Senior Management during the reporting period**

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

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

During the reporting period, the Company did not grant any share incentives to any of its Directors, Supervisors and Senior Management.

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

As at 30 June 2022, the following Director had interests in the A shares of the Company, relevant details of which are set out as follows:

Name	Position	Nature of Interest	Class of shares	Number of shares
Sun Yongcai	Chairman, Executive Director	Beneficial owner	A shares	111,650

Save as disclosed above, as at 30 June 2022, none of the Directors, Supervisors and chief executive of the Company had interests and short positions in any shares or underlying shares of the Company or associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be maintained under section 352 of the SFO, or were required to be notified to the Company and the Stock Exchange by the Directors and Supervisors pursuant to the Model Code.

**IV. CHANGES IN CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLER**

During the reporting period, there were no changes in the controlling shareholder or de facto controller.



# RELEVANT INFORMATION OF CORPORATE BONDS

## I. ENTERPRISE BONDS, CORPORATE BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

### (I) Corporate Bonds

#### 1. Basic information of corporate bonds

Unit: '000 Currency: RMB

Name of Bond	Short Name	Bond Code	Date of Issuance	Interest Accrual Date	Maturity Date	Bond Balance	Interest Rate (%)	Methods of Principal and Interest Repayment	Trading venues	Arrangement to Ensure the Suitability of Investors (if any)	Trading Mechanism	Risk of Termination of Listing and Trading
2013 Ten-year Corporate Bond of CSR Corporation Limited (First Tranche)	13 CSR 02	122252.SH	2013-04-22	2013-04-22	2023-04-22	1,500,000	5.00	The interest shall be paid annually, and the principal amount shall be repaid in a lump-sum payment	Shanghai Stock Exchange	A public issuance to eligible investors	Listed and traded on the centralized bidding system, block trade platform and fixed-income securities integrated electronic platform of the Shanghai Stock Exchange	No
2020 Publicly Issued Corporate Bond of CRRC Corporation Limited (First Tranche)	20 CRRC 01	163335.SH	2020-03-27	2020-04-01	2023-04-01	1,000,000	2.95	The interest shall be paid annually, and the principal amount shall be repaid in a lump-sum payment	Shanghai Stock Exchange	A public issuance to eligible investors	Listed and traded on the centralized bidding system, block trade platform and fixed-income securities integrated electronic platform of the Shanghai Stock Exchange	No

2. Execution, changes and its impacts of guarantees, repayment plans and other guarantee measures for repayment during the reporting period

Current status	Execution	Any changes	Status after changes	Reasons for changes	Whether changes have been approved by relevant authorities	Impacts of changes on equity of bond investors
The repayment of 13 CSR 02 will be financed mainly by cash flow generated from the Company's daily operations. The Company's good profitability and stable cash flow from operating activities will provide protection for the repayment of the principal and interest of the bonds, which are currently being paid normally	In execution	No	-	-	-	-
The repayment of 20 CRRC 01 will be financed mainly by cash flow generated from the Company's daily operations. The Company's good profitability and stable cash flow from operating activities will provide protection for the repayment of the principal and interest of the bonds, which are currently being paid normally	In execution	No	-	-	-	-



(II) Debt Financing Instruments of Non-financial Enterprises in the Inter-bank Bond Market

Basic information of debt financing instruments of non-financial enterprises

Unit: '000 Currency: RMB

Name of Bond	Short Name	Bond Code	Date of Issuance	Interest Accrual Date	Maturity Date	Bond Balance	Interest Rate (%)	Methods of Principal and Interest Repayment	Trading venues	Arrangement to Ensure the Suitability of Investors (if any)	Trading Mechanism	Risk of Termination of Listing and Trading
CRRCLimited's Peer No. 1 Phase III Asset-backed senior commercial note in 2022	22 Peer No. 1 ABN003 Senior	082280717.IB	2022-08-05	2022-08-10	2022-11-08	1,293,354.30	1.80	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRCLimited's Phase IV Super short-term financing bills in 2022	22 CRRC SCP004	012282695.IB	2022-08-01	2022-08-02	2022-11-30	3,000,000	1.56	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRCLimited's Phase III Super short-term financing bills in 2022	22 CRRC SCP003	012282680.IB	2022-07-28	2022-07-29	2022-09-27	3,000,000	1.40	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRCLimited's Phase II Super short-term financing bills in 2022	22 CRRC SCP002	012281967.IB	2022-05-30	2022-05-31	2022-07-29	2,000,000	1.81	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRCLimited's Phase I Super short-term financing bills in 2022	22 CRRC SCP001	012281957.IB	2022-05-27	2022-05-30	2022-06-28	0	1.75	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRCLimited's Peer No. 1 Phase II Asset-backed senior commercial note in 2022	22 Peer No. 1 ABN002 Senior	082280496.IB	2022-05-09	2022-05-12	2022-08-10	2,821,554.30	2.09	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRCLimited's Peer No. 1 Phase I Asset-backed senior commercial note in 2022	22 Peer No. 1 ABN001 Senior	082280085.IB	2022-02-08	2022-02-11	2022-05-12	0	2.35	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No

## RELEVANT INFORMATION OF CORPORATE BONDS

Name of Bond	Short Name	Bond Code	Date of Issuance	Interest Accrual Date	Maturity Date	Bond Balance	Interest Rate (%)	Methods of Principal and Interest Repayment	Trading venues	Arrangement to Ensure the Suitability of Investors (if any)	Trading Mechanism	Risk of Termination of Listing and Trading
CRRC Corporation Limited's Peer No. 1 Phase VI Asset-backed senior commercial note in 2021	21 Peer No. 1 ABN006 Senior	082101393.IB	2021-12-08	2021-12-13	2022-02-11	0	2.40	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase VI Asset-backed subordinated commercial note in 2021	21 Peer No. 1 ABN006 Subordinated	082101392.IB	2021-12-08	2021-12-13	2023-12-21	107,090	-	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase II Asset-backed subordinated commercial note in 2021	21 Peer No. 1 ABN002 Subordinated	082100129.IB	2021-03-02	2021-03-05	2023-12-21	510	-	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase I Asset-backed subordinated commercial note in 2021	21 Peer No. 1 ABN001 Subordinated	082100036.IB	2021-01-14	2021-01-20	2023-12-21	4,500	-	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase I Asset-backed subordinated commercial note in 2020	20 Peer No. 1 ABN001 Subordinated	082001051.IB	2020-12-18	2020-12-21	2023-12-21	153,000	-	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No





## (III) Key Accounting Data and Financial Indicators

Unit: '000 Currency: RMB

Key indicator	End of the reporting period	End of last year	Change between the end of the reporting period and the end of the previous year (%)
	Current ratio	1.23	1.30
Quick ratio	0.91	1.01	-9.90
Gearing ratio (%)	59.57	57.29	Increased by 2.28 ppt
	The reporting period (January to June)	Same period of the previous year	Change between the reporting period and the same period of the previous year (%)
Net profit excluding non-recurring gain and loss	1,875,154	2,799,866	-33.03
EBITDA of total debt ratio	3.50	3.82	Decreased by 0.32 ppt
Interest coverage multiple	11.98	12.74	-5.97
Cash interest coverage multiple	-2.45	-19.55	-
EBITDA interest coverage multiple	21.11	20.36	3.68
Loan repayment rate (%)	100	100	-
Interest paid coverage (%)	112.03	105.28	Increased by 6.75 ppt

The EBITDA reconciliation is calculated as follows:

	The reporting period (January to June)
Profit for the year	4,847,791
Interest expenses	441,671
Depreciation of fixed assets	3,005,022
Amortisation of intangible assets	755,479
Depreciation of right-of-use assets	211,904
Depreciation of investment properties	22,629
Long-term amortisation of amortisation charges	37,529
EBITDA	9,322,025

# CONSOLIDATED BALANCE SHEET

30 JUNE 2022

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	30 June 2022	31 December 2021
<b>Current assets:</b>			
Cash and bank balances	V.1	46,545,477	48,585,115
Held-for-trading financial assets	V.2	14,047,115	10,694,693
Bills receivable	V.3	17,974,308	23,022,568
Accounts receivable	V.4	85,016,819	72,985,213
Receivables at fair value through other comprehensive income	V.5	7,984,003	10,552,051
Prepayments	V.6	7,525,887	6,851,842
Other receivables	V.7	4,243,414	4,360,569
Inventories	V.8	76,616,007	61,420,021
Contract assets	V.9	20,646,062	19,696,717
Assets classified as held for sale		71,160	126,275
Non-current assets due within one year	V.10	13,470,404	15,821,211
Other current assets	V.11	5,161,661	5,766,355
Total current assets		299,302,317	279,882,630
<b>Non-current assets:</b>			
Loans and advances to customers	V.12	—	—
Debt investments	V.13	311,316	2,002,484
Long-term receivables	V.14	9,301,963	10,774,956
Long-term equity investments	V.15	17,759,809	17,203,832
Investments in other equity instruments	V.16	2,678,594	2,997,338
Other non-current financial assets	V.17	400,033	370,460
Investment properties	V.18	816,311	835,306
Fixed assets	V.19	58,009,893	58,919,951
Construction in progress	V.20	6,206,527	6,310,367
Right-of-use assets	V.21	1,401,872	1,493,734
Intangible assets	V.22	16,377,611	16,691,006
Development expenditures	V.23	569,470	521,506
Goodwill	V.24	275,099	272,806
Long-term deferred expenses		193,715	201,034
Deferred tax assets	V.25	3,804,868	3,731,804
Other non-current assets	V.26	29,416,798	24,617,285
Total non-current assets		147,523,879	146,943,869
Total assets		446,826,196	426,826,499



## CONSOLIDATED BALANCE SHEET

30 JUNE 2022

ITEM	Note	30 June 2022	31 December 2021
<b>Current liabilities:</b>			
Short-term borrowings	V.27	17,298,974	15,815,647
Borrowings from the central bank		686,087	997,186
Placements from banks and other financial institutions		1,450,209	–
Held-for-trading financial liabilities		5,874	–
Bills payable	V.28	20,074,018	22,830,192
Accounts payable	V.29	132,821,408	122,106,841
Receipts in advance	V.30	16,341	22,911
Contract liabilities	V.31	23,959,466	25,397,986
Deposits from banks and other financial institutions	V.32	5,629,097	4,601,620
Employee benefits payable	V.33	2,197,835	2,036,436
Taxes payable	V.34	1,800,838	2,358,706
Other payables	V.35	22,982,621	12,139,894
Non-current liabilities due within one year	V.36	10,445,692	4,612,838
Other current liabilities	V.37	4,700,372	2,636,060
Total current liabilities		244,068,832	215,556,317
<b>Non-current liabilities:</b>			
Long-term borrowings	V.38	3,492,820	7,454,276
Bonds payable	V.39	–	2,500,000
Lease liabilities	V.40	1,172,740	1,225,507
Long-term payables	V.41	34,001	24,725
Long-term employee benefits payable	V.42	3,152,551	3,228,528
Provisions	V.43	7,463,762	7,551,653
Deferred income	V.44	6,414,996	6,658,989
Deferred tax liabilities	V.25	315,380	263,506
Other non-current liabilities	V.45	62,202	71,492
Total non-current liabilities		22,108,452	28,978,676
Total liabilities		266,177,284	244,534,993
<b>Shareholders' equity:</b>			
Share capital	V.46	28,698,864	28,698,864
Capital reserve	V.47	41,465,569	41,887,193
Other comprehensive income	V.48	(1,130,567)	(1,277,255)
Special reserve	V.49	49,957	49,957
Surplus reserve	V.50	4,844,204	4,844,204
General risk reserve		667,899	654,226
Retained earnings	V.51	71,599,807	73,717,157
Total equity attributable to shareholders of the Company		146,195,733	148,574,346
Non-controlling interests		34,453,179	33,717,160
TOTAL SHAREHOLDERS' EQUITY		180,648,912	182,291,506
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		446,826,196	426,826,499

Legal representative:  
Sun Yongcai

Chief Accountant:  
Li Zheng

Person in Charge of the Accounting Department:  
Wang Jian

# THE COMPANY'S BALANCE SHEET

30 JUNE 2022

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note	30 June 2022	31 December 2021
<b>Current assets:</b>			
Cash and bank balances	XIV.1	8,718,772	11,155,317
Accounts receivable		3,071	3,150
Prepayments		100	–
Other receivables	XIV.2	12,783,382	16,833,924
Non-current assets due within one year		566,228	596,654
Other current assets		6,333	–
Total current assets		22,077,886	28,589,045
<b>Non-current assets:</b>			
Long-term receivables		9,710,713	9,250,115
Long-term equity investments	XIV.3	107,924,529	107,122,625
Investments in other equity instruments		225,000	175,000
Fixed assets		17,281	20,450
Construction in progress		74,729	73,553
Right-of-use assets		40,796	45,437
Intangible assets		110,818	122,282
Other non-current assets		379,270	778,730
Total non-current assets		118,483,136	117,588,192
Total assets		140,561,022	146,177,237
<b>Current liabilities:</b>			
Short-term borrowings		223,448	494,274
Accounts payable		258	258
Employee benefits payable		52,699	68,244
Taxes payable		198	4,541
Other payables		33,337,236	36,789,527
Non-current liabilities due within one year		6,533,146	82,659
Other current liabilities		2,003,398	–
Total current liabilities		42,150,383	37,439,503
<b>Non-current liabilities:</b>			
Long-term borrowings		–	4,003,056
Bonds payable		–	2,500,000
Lease liabilities		35,635	36,214
Total non-current liabilities		35,635	6,539,270
Total liabilities		42,186,018	43,978,773
<b>Shareholders' equity</b>			
Share capital		28,698,864	28,698,864
Capital reserve		62,810,462	62,809,651
Other comprehensive income		(21,435)	(21,414)
Surplus reserve		4,844,204	4,844,204
Retained earnings		2,042,909	5,867,159
TOTAL SHAREHOLDERS' EQUITY		98,375,004	102,198,464
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		140,561,022	146,177,237

Legal representative:  
Sun Yongcai

Chief Accountant:  
Li Zheng

Person in Charge of the Accounting Department:  
Wang Jian



# CONSOLIDATED INCOME STATEMENT

FROM JANUARY TO JUNE 2022

RMB'000

ITEM	Note	From January to June 2022	From January to June 2021
<b>I. Total operating income</b>	V.52	81,297,098	95,464,015
<b>II. Total operating costs</b>		77,766,694	90,705,020
Including: Operating costs	V.52	64,933,526	75,391,745
Taxes and surcharges	V.53	653,395	684,782
Selling expenses	V.54	2,541,015	3,267,581
Administrative expenses	V.55	5,237,192	5,943,254
Research and development expenses	V.56	4,526,701	5,086,763
Financial expenses	V.57	(125,135)	330,895
Including: Interest expenses		441,671	503,304
Interest income		367,777	374,334
Add: Other income	V.58	623,359	616,241
Investment income	V.59	(47,507)	140,016
Including: Gains from investments in associates and joint ventures		22,106	(46,767)
Income arising from derecognition of financial assets measured at amortised cost		(42,802)	(66,690)
Gains from changes in fair value	V.60	276,239	76,505
Impairment losses under expected credit loss model	V.61	(88,329)	(322,617)
Assets impairment losses	V.62	(208,919)	(124,988)
Gains on disposal of assets	V.63	549,359	502,935
<b>III. Operating Profit</b>		4,634,606	5,647,087
Add: Non-operating income	V.64	291,571	685,129
Less: Non-operating expenses	V.65	78,386	424,848
<b>IV. Total profit</b>		4,847,791	5,907,368
Less: Income tax expenses	V.66	769,842	1,049,003
<b>V. Net profit</b>		4,077,949	4,858,365
(I) Net profit classified by operating continuity			
1. Net profit from continuing operations		4,077,949	4,858,365
(II) Net profit classified by ownership			
1. Net profit attributable to shareholders of the Company		3,130,771	3,988,656
2. Net profit attributable to non-controlling interests		947,178	869,709

## CONSOLIDATED INCOME STATEMENT

FROM JANUARY TO JUNE 2022

ITEM	Note	From January to June 2022	From January to June 2021
<b>VI. Other comprehensive income, net of tax</b>	V.48	165,013	(206,460)
(I) Other comprehensive income attributable to shareholders of the Company, net of income tax		149,723	(164,901)
1. Items that will not be reclassified to profit or loss		(189,023)	(44,944)
(1) Remeasurement of the changes in net liabilities or net assets of defined benefit plan		8,203	(5,050)
(2) Changes in fair value of investments in other equity instruments		(197,226)	(39,894)
2. Items that may be reclassified to profit or loss		338,746	(119,957)
(1) Other comprehensive income that may be reclassified to profit or loss under equity method		1,224	8,344
(2) Changes in fair value of other debt investments		88,434	(1,432)
(3) Provision for credit impairments of other debt investments		(99)	(3,706)
(4) Translation differences arising from translation of foreign currency financial statements		249,187	(123,163)
(II) Other comprehensive income attributable to non-controlling interests, net of income tax		15,290	(41,559)
<b>VII. Total comprehensive income</b>		4,242,962	4,651,905
(I) Total comprehensive income attributable to shareholders of the Company		3,280,494	3,823,755
(II) Total comprehensive income attributable to minority interests		962,468	828,150
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share (RMB/share)		0.11	0.14
(II) Diluted earnings per share (RMB/share)		0.11	0.14

Legal representative:  
**Sun Yongcai**

Chief Accountant:  
**Li Zheng**

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



# THE COMPANY'S INCOME STATEMENT

FROM JANUARY TO JUNE 2022

RMB'000

ITEM	Note	From January to June 2022	From January to June 2021
<b>I. Operating Income</b>		2,611	2,611
Less: Operating costs		2,023	2,023
Taxes and surcharges		1,066	1,997
Selling expenses		–	3,664
Administrative expenses		113,760	85,398
Research and development expenses		82,330	201,066
Financial expenses		34,025	(40,752)
Including: Interest expenses		383,815	401,891
Interest income		349,281	468,579
Add: Other income		1,667	858
Investment income	XIV.4	1,567,965	1,422,906
Including: Gains from investments in associates and joint ventures		8,874	64,325
Impairment losses under expected credit loss model		2,507	4,460
Gains on disposal of assets		–	4
<b>II. Operating profit</b>		1,341,546	1,177,443
Add: Non-operating income		–	4,656
Less: Non-operating expenses		–	13
<b>III. Total profit</b>		1,341,546	1,182,086
Less: Income tax expenses		–	–
<b>IV. Net profit</b>		1,341,546	1,182,086
(I) Net profit from continuing operations		1,341,546	1,182,086
<b>V. Other comprehensive income, net of tax</b>		(21)	2,171
(I) Items that may be reclassified to profit or loss		(21)	2,171
1. Other comprehensive income recognised under equity method		(21)	2,171
<b>VI. Total comprehensive income</b>		1,341,525	1,184,257

Legal representative:  
Sun Yongcai

Chief Accountant:  
Li Zheng

Person in Charge of the Accounting Department:  
Wang Jian

# CONSOLIDATED CASH FLOW STATEMENT

FROM JANUARY TO JUNE 2022

RMB'000

ITEM	Note	From January to June 2022	From January to June 2021
<b>I. Cash flows from operating activities:</b>			
Cash receipts from the sale of goods and the rendering of services		74,650,582	74,726,029
Net increase in deposits from customers and other banks		1,027,477	–
Net increase in placements with banks and other financial institutions		1,450,209	1,000,111
Receipts of tax refunds		2,270,553	516,072
Other cash receipts relating to operating activities	V.67	1,328,913	1,869,183
Sub-total of cash inflows from operating activities		80,727,734	78,111,395
Cash payments for goods purchased and services received		60,345,100	65,741,504
Net decrease in deposits from banks and other financial institutions		–	1,474,633
Net decrease in borrowings from the central bank		311,099	–
Cash payments to and on behalf of employees		13,114,347	13,326,923
Payment of various taxes		4,161,042	3,815,755
Other cash payments relating to operating activities	V.67	4,725,233	5,323,921
Sub-total of cash outflows from operating activities		82,656,821	89,682,736
Net cash flow used in operating activities	V.68	(1,929,087)	(11,571,341)
<b>II. Cash flows from investing activities:</b>			
Cash receipts from recovery of investments		18,868,216	20,951,305
Cash receipts from investment income		320,495	389,838
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		498,587	128,889
Sub-total of cash inflows from investing activities		19,687,298	21,470,032
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		2,000,676	2,389,798
Cash payments to acquire investments		22,671,900	36,345,247
Other cash payments relating to investing activities		247	–
Sub-total of cash outflows from investing activities		24,672,823	38,735,045
Net cash flow used in investing activities		(4,985,525)	(17,265,013)
<b>III. Cash flows from financing activities:</b>			
Cash receipts from capital contributions		298,862	621,917
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		298,862	621,917
Cash receipts from borrowings		14,618,391	26,878,478
Cash receipts from bonds issuing		4,200,000	30,000,000
Cash receipts from other financing activities		–	1,140,500
Sub-total of cash inflows from financing activities		19,117,253	58,640,895
Cash repayments of borrowings		12,452,486	36,960,056
Cash payments for distribution of dividends or profits or settlement of interest expenses		833,678	858,418
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		383,463	386,308
Other cash payments relating to financing activities		876,593	262,851
Sub-total of cash outflows from financing activities		14,162,757	38,081,325
Net cash flow from financing activities		4,954,496	20,559,570
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		169,866	(96,250)
<b>V. Net decrease in cash and cash equivalents</b>	V.68	(1,790,250)	(8,373,034)
Add: Opening balance of cash and cash equivalents	V.68	43,277,994	29,840,378
<b>VI. Closing balance of cash and cash equivalents</b>	V.68	41,487,744	21,467,344

Legal representative:  
Sun Yongcai

Chief Accountant:  
Li Zheng

Person in Charge of the Accounting Department:  
Wang Jian





# THE COMPANY'S CASH FLOW STATEMENT

FROM JANUARY TO JUNE 2022

RMB'000

ITEM	Note	From January to June 2022	From January to June 2021
<b>I. Cash flows from operating activities:</b>			
Cash receipts from the sale of goods and the rendering of services		3,279	33,202
Receipts of tax refunds		1,667	1,406
Other cash receipts relating to operating activities		7,235,298	9,736,515
Sub-total of cash inflows from operating activities		7,240,244	9,771,123
Cash payments for goods purchased and services received		6,553	665
Cash payments to and on behalf of employees		78,970	83,122
Payment of various taxes		13,732	15,526
Other cash payments relating to operating activities		5,631,178	8,703,703
Sub-total of cash outflows from operating activities		5,730,433	8,803,016
Net cash flow from operating activities	XIV.5	1,509,811	968,107
<b>II. Cash flows from investing activities:</b>			
Cash receipts from recovery of investments		15,754,012	11,214,589
Cash receipts from investment income		2,659,269	2,915,145
Sub-total of cash inflows from investing activities		18,413,281	14,129,734
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,176	10,132
Cash payments to acquire investments		13,850,120	23,118,217
Sub-total of cash outflows from investing activities		13,851,296	23,128,349
Net cash flow from/(used in) investing activities		4,561,985	(8,998,615)
<b>III. Cash flows from financing activities:</b>			
Cash receipts from bonds issuing		4,000,000	30,000,000
Cash receipts from borrowings		2,000,000	23,920,000
Other cash receipts relating to financing activities		11,311,765	39,635,554
Sub-total of cash inflows from financing activities		17,311,765	93,555,554
Cash repayments of borrowings		6,770,696	40,718,964
Cash payments for distribution of dividends or profits or settlement of interest expenses		391,661	337,180
Other cash payments relating to financing activities		18,662,293	43,273,348
Sub-total of cash outflows from financing activities		25,824,650	84,329,492
Net cash flow (used in)/from financing activities		(8,512,885)	9,226,062
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
		3,929	(29,382)
<b>V. Net (decrease)/increase in cash and cash equivalents</b>	XIV.5	(2,437,160)	1,166,172
Add: Opening balance of cash and cash equivalents	XIV.5	9,653,682	463,875
<b>VI. Closing balance of cash and cash equivalents</b>	XIV.5	7,216,522	1,630,047

Legal representative:  
Sun Yongcai

Chief Accountant:  
Li Zheng

Person in Charge of the Accounting Department:  
Wang Jian

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

FROM JANUARY TO JUNE 2022

RMB'000

ITEM	From January to June 2022								Non-controlling interests	Total
	Equity attributable to owners of the Company									
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Sub-total		
I. Closing balance of the previous year	28,698,864	41,887,193	(1,277,255)	49,957	4,844,204	654,226	73,717,157	148,574,346	33,717,160	182,291,506
II. Opening balance of the current year	28,698,864	41,887,193	(1,277,255)	49,957	4,844,204	654,226	73,717,157	148,574,346	33,717,160	182,291,506
III. Changes in equity during the period	-	(421,624)	146,688	-	-	13,673	(2,117,350)	(2,378,613)	736,019	(1,642,594)
(I) Total comprehensive income	-	-	149,723	-	-	-	3,130,771	3,280,494	962,468	4,242,962
(II) Owners' contributions and reduction in capital	-	(421,624)	-	-	-	-	(70,564)	(492,188)	294,270	(197,918)
1. Capital contribution from owners	-	45,995	-	-	-	-	-	45,995	252,867	298,862
2. Others	-	(467,619)	-	-	-	-	(70,564)	(538,183)	41,403	(496,780)
(III) Profit distribution	-	-	-	-	-	13,673	(5,179,469)	(5,165,796)	(520,719)	(5,686,515)
1. Distributions to owners (or shareholders)	-	-	-	-	-	-	(5,165,796)	(5,165,796)	(519,795)	(5,685,591)
2. Appropriation for general risk reserve	-	-	-	-	-	13,673	(13,673)	-	-	-
3. Others	-	-	-	-	-	-	-	-	(924)	(924)
(IV) Transfers within owners' equity	-	-	(3,035)	-	-	-	3,035	-	-	-
1. Other comprehensive income carried forward to retained earnings	-	-	(3,035)	-	-	-	3,035	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-
1. Appropriation of special reserve	-	-	-	168,578	-	-	-	168,578	10,696	179,274
2. Amount utilised in the period	-	-	-	(168,578)	-	-	-	(168,578)	(10,696)	(179,274)
(VI) Others	-	-	-	-	-	-	(1,123)	(1,123)	-	(1,123)
IV. Closing balance of the current period	28,698,864	41,465,569	(1,130,567)	49,957	4,844,204	667,899	71,599,807	146,195,733	34,453,179	180,648,912



## CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

FROM JANUARY TO JUNE 2022

ITEM	From January to June 2021								Non-controlling interests	Total
	Equity attributable to owners of the Company									
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Sub-total		
I. Closing balance of the previous year	28,698,864	40,957,401	(1,292,910)	49,957	4,308,789	562,411	69,736,835	143,021,347	26,120,217	169,141,564
II. Opening balance of the current year	28,698,864	40,957,401	(1,292,910)	49,957	4,308,789	562,411	69,736,835	143,021,347	26,120,217	169,141,564
III. Changes in equity during the period	-	168,062	(164,901)	-	-	-	(1,163,015)	(1,159,854)	815,455	(344,399)
(I) Total comprehensive income	-	-	(164,901)	-	-	-	3,988,656	3,823,755	828,150	4,651,905
(II) Owners' contributions and reduction in capital	-	168,062	-	-	-	-	-	168,062	340,037	508,099
1. Capital contribution from owners	-	161,443	-	-	-	-	-	161,443	324,575	486,018
2. Others	-	6,619	-	-	-	-	-	6,619	15,462	22,081
(III) Profit distribution	-	-	-	-	-	-	(5,165,796)	(5,165,796)	(352,732)	(5,518,528)
1. Distributions to owners (or shareholders)	-	-	-	-	-	-	(5,165,796)	(5,165,796)	(352,732)	(5,518,528)
(IV) Special reserve	-	-	-	-	-	-	-	-	-	-
1. Appropriation of special reserve	-	-	-	124,633	-	-	-	124,633	26,373	151,006
2. Amount utilised in the period	-	-	-	(124,633)	-	-	-	(124,633)	(26,373)	(151,006)
(V) Others	-	-	-	-	-	-	14,125	14,125	-	14,125
IV. Closing balance of the current period	28,698,864	41,125,463	(1,457,811)	49,957	4,308,789	562,411	68,573,820	141,861,493	26,935,672	168,797,165

Legal representative:  
**Sun Yongcai**

Chief Accountant:  
**Li Zheng**

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

# THE COMPANY'S STATEMENT OF CHANGES IN OWNERS' EQUITY

FROM JANUARY TO JUNE 2022

RMB'000

ITEM	From January to June 2022					
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total
I. Closing balance of the previous year	28,698,864	62,809,651	(21,414)	4,844,204	5,867,159	102,198,464
II. Opening balance of the current year	28,698,864	62,809,651	(21,414)	4,844,204	5,867,159	102,198,464
III. Changes in equity during the period	-	811	(21)	-	(3,824,250)	(3,823,460)
(I) Total comprehensive income	-	-	(21)	-	1,341,546	1,341,525
(II) Owners' contributions and reduction in capital	-	811	-	-	-	811
1. Others	-	811	-	-	-	811
(III) Profit distribution	-	-	-	-	(5,165,796)	(5,165,796)
1. Distributions to owners (or shareholders)	-	-	-	-	(5,165,796)	(5,165,796)
IV. Closing balance of the current period	28,698,864	62,810,462	(21,435)	4,844,204	2,042,909	98,375,004

ITEM	From January to June 2021					
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total
I. Closing balance of the previous year	28,698,864	62,808,801	(36,654)	4,308,789	6,214,224	101,994,024
II. Opening balance of the current year	28,698,864	62,808,801	(36,654)	4,308,789	6,214,224	101,994,024
III. Changes in equity during the period	-	109	2,171	-	(3,983,710)	(3,981,430)
(I) Total comprehensive income	-	-	2,171	-	1,182,086	1,184,257
(II) Owners' contributions and reduction in capital	-	109	-	-	-	109
1. Others	-	109	-	-	-	109
(III) Profit distribution	-	-	-	-	(5,165,796)	(5,165,796)
1. Distributions to owners (or shareholders)	-	-	-	-	(5,165,796)	(5,165,796)
IV. Closing balance of the current period	28,698,864	62,808,910	(34,483)	4,308,789	2,230,514	98,012,594

Legal representative:  
**Sun Yongcai**

Chief Accountant:  
**Li Zheng**

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## I. BASIC INFORMATION ABOUT THE COMPANY

### 1. General Information

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

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

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

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

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

### 2. Scope of consolidated financial statements

Company name	Principal place of business	Registered place	Type of legal entity	Legal Representative	Business scope/ Nature of business	Unified social credit code	Paid-in capital (RMB'000)	Shareholding percentage (%)	Voting proportion (%)
CRRC Changchun Railway Vehicles Co. Ltd. ("CRRC Changchun")	China	Changchun	Company limited by shares	Wang Feng	Manufacturing	91220000735902224D	6,235,001	93.54	93.54
CRRC Zhuzhou Institute Co., Ltd. ("CRRC Zhuzhou Institute")	China	Zhuzhou	Limited liability company	Li Dongjin	Manufacturing	9143020044517525X1	8,446,840	100.00	100.00
CRRC Zhuzhou Locomotive Co., Ltd. ("CRRC Zhuzhou Locomotive")	China	Zhuzhou	Limited liability company	Zhou Qinghe	Manufacturing	914302007790310965	5,455,090	100.00	100.00
CRRC Qingdao Sifang Co., Ltd. ("CRRC Qingdao Sifang")	China	Qingdao	Company limited by shares	Tian Xuehua	Manufacturing	91370200740365750X	4,509,795	97.81	97.81
CRRC Tangshan Co., Ltd. ("CRRC Tangshan")	China	Tangshan	Limited liability company	Zhou Junnian	Manufacturing	911302216636887669	3,990,000	100.00	100.00
CRRC Dalian Co., Ltd. ("CRRC Dalian")	China	Dalian	Limited liability company	Lin Cunzeng	Manufacturing	91210200241283929E	4,345,470	100.00	100.00
CRRC Qiqihar Group Co., Ltd. ("CRRC Qiqihar Group")	China	Qiqihar	Limited liability company	Zhang Yuxiang	Manufacturing	91230200057435769W	7,200,000	100.00	100.00
CRRC Yangtze River Transportation Equipment Group Co., Ltd. ("CRRC Yangtze River Group")	China	Wuhan	Limited liability company	Hu Haiping	Manufacturing	91420115MA4KYAEH3B	5,674,459	100.00	100.00
CRRC Investment & Leasing Co., Ltd. ("CRRC Investment & Leasing")	China	Beijing	Limited liability company	Yang Ruixin	Trading and financing lease	911100007109247853	2,909,285	100.00	100.00
CRRC Qishuyan Co., Ltd. ("CRRC Qishuyan")	China	Changzhou	Limited liability company	Xu Shibao	Manufacturing	913204006638182170	2,298,020	100.00	100.00
CRRC Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd. ("CRRC Qishuyan Institute")	China	Changzhou	Limited liability company	Wang Chenglong	Manufacturing	91320400137168058A	2,158,330	100.00	100.00
CRRC Capital Management Co., Ltd. ("CRRC Capital Management")	China	Beijing	Limited liability company	Lu Jianzhou	Finance	91110108MA00314Q4L	2,500,000	100.00	100.00
CRRC Nanjing Puzhen Co., Ltd. ("CRRC Nanjing Puzhen")	China	Nanjing	Limited liability company	Li Dingnan	Manufacturing	91320191683764650N	5,055,630	100.00	100.00
CRRC Hong Kong Capital Management Co., Ltd. ("CRRC Hong Kong Capital Management")	China	Hong Kong	Limited liability company	Li Jin	Investment and capital operation	Not applicable	3,503,568	100.00	100.00
CRRC Construction Engineering Co., Ltd. ("CRRC Construction Engineering")	China	Beijing	Limited liability company	Wang Hongwei	Housing industry	91110106590663663T	1,500,000	50.00	50.00
CRRC Yongji Electric Co., Ltd. ("CRRC Yongji Electric")	China	Yongji	Limited liability company	Xing Xiaodong	Manufacturing	91140881664458751J	1,290,000	100.00	100.00



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 2. Scope of consolidated financial statements (continued)

Company name	Principal place of business	Registered place	Type of legal entity	Legal Representative	Business scope/ Nature of business	Unified social credit code	Paid-in capital (RMB'000)	Shareholding percentage (%)	Voting proportion (%)
CRRC Qingdao Sifang Institute Co., Ltd. ("CRRC Sifang Institute")	China	Qingdao	Limited liability company	Kong Jun	Manufacturing	91370200264582788W	1,703,960	100.00	100.00
CRRC Finance Co., Ltd. ("CRRC Finance")	China	Beijing	Limited liability company	Dong Xuzhang	Finance	911100000573064301	2,200,000	91.36	91.36
CRRC Zhuzhou Electric Co., Ltd. ("CRRC Zhuzhou Electric")	China	Zhuzhou	Limited liability company	Nie Ziqiang	Manufacturing	9143020076071871X7	1,342,200	100.00	100.00
CRRC Ziyang Co., Ltd. ("CRRC Ziyang")	China	Ziyang	Limited liability company	Chen Zhixin	Manufacturing	91512000786693055N	2,028,889	99.60	99.60
CRRC Beijing Nankou Co., Ltd. ("CRRC Beijing Nankou")	China	Beijing	Limited liability company	Tao Lu	Manufacturing	91110000664625580F	1,008,000	100.00	100.00
CRRC Datong Electric Locomotive Co., Ltd. ("CRRC Datong")	China	Datong	Limited liability company	Huang Qichao	Manufacturing	91140200602161186E	656,000	100.00	100.00
CRRC Dalian Institute Co., Ltd. ("CRRC Dalian Institute")	China	Dalian	Limited liability company	Liu Huiyan	Manufacturing	91210200243024402A	450,000	100.00	100.00
CRRC Sifang Co., Ltd. ("CRRC Sifang")	China	Qingdao	Limited liability company	Ma Lijun	Manufacturing	9137020016357624X1	43,095	100.00	100.00
Qingdao CRRC Sifang Rail Vehicle Co., Ltd. ("Qingdao CRRC Sifang")	China	Qingdao	Limited liability company	Lan Yuzhen	Manufacturing	91370200MA940TH3X2	300,000	100.00	100.00
CRRC Logistics Co., Ltd. ("CRRC Logistics")	China	Beijing	Limited liability company	Liu Zhencang	Logistics and trade	91110108737662982M	760,000	100.00	100.00
CRRC Industrial Institute Co., Ltd. ("CRRC Industrial Institute")	China	Beijing	Limited liability company	Gong Ming	Research and development	911101063066897448	228,000	100.00	100.00
CRRC International Co., Ltd. ("CRRC International")	China	Beijing	Limited liability company	Wu Yan	Trading	911101067109217367	700,000	100.00	100.00
CRRC Information Technology Co., Ltd. ("CRRC Information Technology")	China	Beijing	Limited liability company	Chen Kai	Software development	91110108700035941C	136,120	100.00	100.00
CRRC SA (PTY) LTD	South Africa	South Africa	Limited liability company	Han Xiaobo	Manufacturing	Not applicable	ZAR 1,000	66.00	66.00
CRRC Financial Leasing Co., Ltd. ("CRRC Financial Leasing")	China	Tianjin	Limited liability company	Xu Weifeng	Financial services	91120118MA06J91H6K	3,000,000	81.00	81.00
Zhuzhou CRRC Times Electric Co., Ltd. ("Times Electric") (Note 1)	China	Zhuzhou	Company limited by shares	Li Donglin	Manufacturing	914300007808508659	1,416,237	45.93	45.93
Zhuzhou Times New Material Technology Co., Ltd. ("Times New Material") (Note 2)	China	Zhuzhou	Company limited by shares	Peng Huawen	Manufacturing	91430200712106524U	802,798	39.55	50.87

Note 1: Times Electric is a subsidiary of CRRC Zhuzhou Institute. On 7 September 2021, Times Electric was listed on the STAR Market of the Shanghai Stock Exchange (stock code: 688187) and issued 240,760,275 new shares, so far, the shareholding percentage of Times Electric held by the Group was passively diluted from 53.19% to 44.14%, and the voting proportion was reduced from 53.19% to 44.14%. After the dilution of shareholding percentage, the Group is still able to exercise control over Times Electric. During January and June 2022, CRRC Hong Kong Capital Management, a subsidiary of the Company, purchased 25,320,000 shares of Times Electric in the open market. As at 30 June 2022, the Group's shareholding percentage in Times Electric is 45.93%.

Note 2: Times New Material is a subsidiary of Zhuzhou Institute. The equity interests of Times New Material held by the Group was 39.55%. Since CRRCG held 11.32% equity interest of Times New Material and authorised the Group to exercise its proposal rights and voting rights, therefore, the voting rights of Times New Material held by the Group became 50.87%.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### II. BASIS OF PREPARATION

#### 1. Basis of preparation

The financial statements have been prepared on the going concern basis.

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

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

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

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

#### 2. Going concern

The Group evaluated the going concern capability for the next twelve months from 30 June 2022 and found no matters or circumstances that could raise serious doubts about the going concern capability. These financial statements have been prepared on a going concern basis.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

#### 1. Statement of compliance with the ASBE

These financial statements are in compliance with the ASBE to truly and completely reflect consolidated and the Company’s financial position as at 30 June 2022, and consolidated and the Company’s operating results, changes in shareholders’ equity and cash flows for the period ended 30 June 2022.

#### 2. Accounting period

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

#### 3. Business cycle

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

#### 4. Reporting currency

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





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

#### 5. Basis of accounting and principle of measurement

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

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

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

Fair value measurements are categorised 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 either directly or indirectly observable for underlying assets and liabilities;

Level 3 inputs are unobservable inputs for the asset or liability.

#### 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.

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether acquired set of assets constitute a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met, the set of assets is determined not to be a business. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition date fair values. It is not required to apply the accounting of business combination described as below.



### 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 *(continued)*

##### (1). Business combinations involving entities under common control

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

The cost of combination is the aggregate of fair values of the assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

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

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

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



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

#### 7. Basis for preparation of consolidated financial statements

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

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

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

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

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

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

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

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

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

#### 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 equivalent

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

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

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

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

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

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

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

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

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

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

##### (1). Classification and measurement of financial assets

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

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

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



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

#### 11. Financial instruments *(continued)*

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

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

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

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

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

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

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

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



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

#### 11. Financial instruments *(continued)*

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

###### (b) Financial assets measured at FVTOCI

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

###### (c) Financial assets designated as FVTOCI

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

###### (d) Financial assets measured at FVTPL

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

##### (2). Impairment of financial assets and other items

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

The Group measures loss allowance for contract assets and receivables arising from transactions regulated by Revenue Standard, and lease receivables arising from transactions regulated by the Accounting Standards for Business Enterprises No. 21 – Leases based on the amount of lifetime ECL.

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 does not increase significantly since initial recognition, the Group recognises loss allowance based on 12-month expected credit loss of the financial instrument. Increase or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment. Except for the financial assets classified as FVTOCI, financial guarantee contract and loan commitment, credit loss allowance offsets the carrying amount of financial assets. For the financial assets classified as FVTOCI, the Group recognises credit loss allowance in other comprehensive income, which does not decrease the carrying amount of such financial assets in the balance sheet.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 11. Financial instruments *(continued)*

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

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

##### (a) Significant increases in credit risk

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

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

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

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





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

#### 11. Financial instruments *(continued)*

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

###### (b) Credit-impaired financial assets

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

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting a concession to the debtor;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- 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.

###### (c) Recognition of expected credit losses

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

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

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

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(continued)***11. Financial instruments** *(continued)***(2). Impairment of financial assets and other items** *(continued)***(c) Recognition of expected credit losses** *(continued)*

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

**(d) Write-off of financial assets**

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

**(3). Transfer of financial assets**

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

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

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

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



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

#### 11. Financial instruments *(continued)*

##### (3). Transfer of financial assets *(continued)*

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 derecognised 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 derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income; and (2) the carrying amount allocated to the part derecognised on derecognition date; is recognised in profit or loss or retained earnings.

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

##### (4). Classification of liabilities and equity

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

##### (a) Classification and measurement of financial liabilities

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

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

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

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

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

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

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

#### 11. Financial instruments *(continued)*

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

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

###### (ii) Other financial liabilities

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

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

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

###### (b) Derecognition of Financial Liabilities

The Group derecognises 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 derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised 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 a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's issuance (including refinancing), repurchase, sales or cancellation of an equity instrument shall be accounted for as a change to equity. The Group does not recognise changes in the fair value of an equity instrument. Transaction costs of an equity transaction are accounted for as a deduction from equity.

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



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

#### 11. Financial instruments *(continued)*

##### (5). Derivatives and embedded derivatives

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

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

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

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

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

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

##### (6). Convertible Bonds

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

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

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

##### (7). Offsetting financial assets and financial liabilities

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 12. Inventories

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

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

The perpetual inventory system is maintained for stock system.

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

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

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

#### 13. Assets held for sale and discontinued operations

##### (1). Assets held for sale

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

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

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

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



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

#### 13. Assets held for sale and discontinued operations *(continued)*

##### (2). Discontinued operations

The Group classifies a separate component as a discontinued operation either upon disposal of the operation or when the operation meets the criteria to be classified as held for sale if it is separately identifiable and satisfies one of the following conditions:

- It represents a separate major line of business or a separate geographical area of operations;
- It is part of a single co-ordinated plan to dispose of a separate major line of business or a separate geographical area of operations;
- It is a subsidiary acquired exclusively with a view to resale.

Where an operation is classified as discontinued in the current period, profit or loss from continuing operations and profit or loss from discontinued operations are separately presented in the income statement for the current period. Profit or loss from continuing operation in the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

#### 14. Long-term equity investments

##### (1). Judgment criteria for joint control and significant influence

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

##### (2). Determination of investment cost

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

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

### 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 recognised 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 recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

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

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





### 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 recognised in profit or loss for the period. For long-term equity investment measured under the equity method, the portion of other comprehensive income recognised before the Group had controlled over the investee under equity method or the financial assets recognition and measurement standard should be treated referring to the same fundamental of disposing related assets and liabilities.

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

#### 15. Investment properties

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

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

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

- The purpose for holding the property is changed to self-use;
- The self-use land use rights are stopped self-using, and changed to held for earning rentals or capital appreciation;
- Self-use buildings 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 a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The initial cost of self-constructed assets is measured in accordance with the policy set out in Note III. 17. Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset. Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when the fixed asset recognition criteria are met, and the carrying amount of the replaced part is derecognised. The initial costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred. Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

##### (2). Depreciation method

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

Category	Depreciation method	Depreciation period (year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	Straight-line method	10-50	3-5	1.90-9.70
Machinery and equipment	Straight-line method	3-28	3-5	3.39-32.33
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 derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period. The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at the end of each fiscal year, and makes adjustments when necessary. The Group does not make depreciation for overseas land ownership, which has no residual value.

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

#### 17. Construction in progress

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

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

For sale of products or by-products generated before a fixed asset reaches ready-to-use condition, the relevant income and cost shall be accounted for separately and included in the current profit and loss in accordance with the requirements of the Accounting Standards for Business Enterprises No. 14 – Revenue and the Accounting Standards for Business Enterprises No. 1 – Inventories.

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, amortisation of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

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

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

- Expenditures for the asset have incurred;
- 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 capitalisation period, the amount of interest to be capitalised for each accounting period shall be determined as follows:

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

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

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

#### 19. Intangible assets

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

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

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

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

#### 19. Intangible assets *(continued)*

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

The useful lives of the intangible assets are as follows:

Item	Estimated useful life
Land use rights	50-70 years
Proprietary technology, technical know-how and franchises	3-25 years
Software use rights	2-10 years
Customer relationship	7-15 years
Backlogs and technical service preferential orders	The period for rendering of services agreed in contracts

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

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

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

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

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

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

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

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

For sale of products or by-products generated during the research and development process, the relevant income and cost shall be accounted for separately and included in the current profit and loss in accordance with the requirements of the Accounting Standards for Business Enterprises No. 14 – Revenue and the Accounting Standards for Business Enterprises No. 1 – Inventories.

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



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

#### 20. Impairment of long-term assets

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

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

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

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

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

#### 21. Long-term deferred expenses

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

#### 22. Employee benefits

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

##### (1). Accounting for short-term employee benefits

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

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

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

#### 22. Employee benefits *(continued)*

##### (2). Accounting for retirement benefits

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

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

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

- (i) Service costs include current service cost, past service cost, as well as gains and losses on and settlements. Current service cost refers to the increase amount of present value of defined benefit obligation arising from service rendered in current year; past service cost refers to the change of present value of defined benefit obligation arising from modification of defined benefit plans;
- (ii) Net interest expense or income net of liabilities or assets, including interest income of planned assets, interest expenses of defined benefit plan liabilities and effect of asset ceiling;
- (iii) Changes arising from rereasurement 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. 42.

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

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

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



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

#### 23. Provisions

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

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

#### 24. Revenue

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

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

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

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

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

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

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

#### 24. Revenue *(continued)*

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

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

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

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

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

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

For a change in the scope or price of a contract that is approved by the parties to the contract, the Group accounts for the contract modification according to the following situations:

- (i) The addition of promised goods or services are distinct and the price of the contract increases by an amount of consideration reflects stand-alone selling prices of the additional promised goods or services, the Group shall account for a contract modification as a separate contract;
- (ii) If the above criteria are not met, and the remaining goods or services are distinct from the goods or services transferred on the date of the contract modification, the Group accounts for the contract modification as if it were a termination of the existing contract and the creation of a new contract;
- (iii) If the above criteria are not met, and the remaining goods or services are not distinct from the goods or services transferred on the date of the contract modification, the Group accounts for the contract modification as if it were a part of the existing contract. The effect that the contract modification has on the revenue is recognised as an adjustment to revenue in the reporting period.





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

#### 24. Revenue *(continued)*

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

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

Contract asset refers to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Accounting policies relating to the impairment of 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.

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 Notes III. 11 and 28.

#### 25. Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract that it would not have incurred if the contract had not been obtained. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- (i) the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;
- (ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (iii) the costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the "assets related to contract costs") are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

#### 25. Contract costs *(continued)*

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

- (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less
- (ii) the costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

#### 26. Government grants

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

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

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

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

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

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

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

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

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

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



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

#### 27. Deferred tax assets/Deferred tax liabilities

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

##### (1). Current income tax

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

##### (2). Deferred tax assets/deferred tax liabilities

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

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

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

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

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

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

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

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

#### 27. 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 realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

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

#### 28. Leases

##### (1). Recognition and accounting of leases under new lease standard

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

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

##### (1). As a lessee

###### (a) Allocation

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

###### (b) Right-of-use assets

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

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

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



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

#### 28. Leases *(continued)*

##### (1). Recognition and accounting of leases under new lease standard *(continued)*

###### (1). As a lessee *(continued)*

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

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

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

###### (c) *Lease liabilities*

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

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

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

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

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

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(continued)***28. Leases** *(continued)***(1). Recognition and accounting of leases under new lease standard** *(continued)***(1). As a lessee** *(continued)***(c) Lease liabilities** *(continued)*

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

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

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

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

Lease payments on short-term leases and leases of low-value assets are recognised in profit or loss or the cost of underlying assets on a straight-line basis over the lease term.

**(e) Lease modifications**

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

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

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

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



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

#### 28. Leases *(continued)*

##### (1). Recognition and accounting of leases under new lease standard *(continued)*

##### (2). As a lessor

##### (a) Allocation

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

##### (b) Classification of lease

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

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

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

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

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

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

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

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

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

#### 28. Leases *(continued)*

##### (1). Recognition and accounting of leases under new lease standard *(continued)*

##### (2). As a lessor *(continued)*

##### (c) Lease modification

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

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

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

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

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

##### (3). Sales and leaseback

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

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

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

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





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

#### 29. Other significant accounting policies and accounting estimates

##### (1). Profit distribution

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

##### (2). Production safety expenses

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

##### (3). Debt restructuring

###### Recording debt restructuring obligation as a creditor

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

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

##### (4). Related parties

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

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

#### 30. Significant accounting estimates and judgements

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

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

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(continued)***30. Significant accounting estimates and judgements** *(continued)***(1). Credit loss allowance for receivables and contract assets**

Except for that the Group recognises credit loss for receivables and contract assets that are individually significant or have credit impaired on an individually basis, the Group determines the expected credit loss of receivables and contract assets on a collectively basis using a provision matrix. For receivables and contract assets whose credit loss are determined individually, the Group determines the credit loss by estimating the expected cash flows based on reasonable and evidenced information available on the balance sheet date with forward-looking information taken into consideration. For receivables and contract assets other than the above, the Group, based on the historical collection condition, determines the proportion of corresponding loss provision for each type of receivables and contract assets with similar credit risk characteristics on a portfolio basis. The provision matrix is based on the Group's historical credit loss experience and is based on reasonable and evidence-based forward-looking information that is available without undue cost or effort. As at 31 December 2021, the Group has reassessed the historical actual credit loss rate and considered changes in forward-looking information.

**(2). Impairment of goodwill**

For goodwill arising from business combination, the Group tests it for impairment at the year end. Impairment test requires an estimate of the recoverable amount of the relevant asset group containing goodwill, that is, the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. In determining the present value of the future cash flows of the relevant asset group or the fair value of such asset group under equity method, the Group needs to properly determine the expected growth rate of future cash flow prediction of related asset group, the gross profit margin, the investment income proportion of long-term assets, average growth rate and reasonable discount rate, etc. When the market conditions change, the recoverable amount of the relevant asset group may differ from the existing estimates, which will affect the profit and loss for the period. Relevant details of impairment of goodwill are set out in Note V.24.

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

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

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

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



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

#### 30. Significant accounting estimates and judgements *(continued)*

**(5). Provision for impairment of inventories**

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

**(6). Deferred tax assets**

Besides the exceptions that have been illustrated in the Note III. 27, deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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

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

**(8). Warranties for product quality**

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

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

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

In 2022, the Group has adopted the relevant provisions and guidelines of the accounting standards issued by the MOF recently, which mainly include:

- Provisions of CAS Bulletin No.15 (Caikuai [2021] No.35) ("Bulletin No. 15") relating to the accounting treatment of sale of products or by-products generated before a fixed asset reaches ready-to-use condition or during the research and development process ("Accounting Treatment of Trial Sale");
- Provisions of Bulletin No. 15 Relating to the determination of onerous contract; and
- Notice on Issues Regarding the Scope of Application of the Provisions on the Accounting Treatment of Rent Concession Relating to the COVID-19 Epidemic (Caikuai [2022] No.13).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

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

###### (a) Provisions of Bulletin No. 15 Relating to the Accounting Treatment of Trial Sale

According to these provisions, for sale of products or by-products generated before a fixed asset reaches ready-to-use condition or during the research and development process (hereinafter referred to as "Trial Sale"), the relevant income and cost, instead of being offset against fixed asset costs or R&D expenditure after deducting relevant costs, shall be accounted for separately and included in the current profit and loss in accordance with the requirements of the Accounting Standards for Business Enterprises No. 14 – Revenue and the Accounting Standards for Business Enterprises No.1 – Inventories.

These provisions take effect from 1 January 2022. The adoption of Bulletin No. 15 does not have significant effect on the financial position and financial performance of the Group.

###### (b) Provisions of Bulletin No. 15 Relating to the determination of onerous contract

Under these provisions, in determining an onerous contract, the estimated costs to fulfil a contract shall include the incremental costs to fulfil the contract and the allocated amount of other costs relate directly to the fulfilment of the contract.

These provisions take effect from 1 January 2022. The adoption of Bulletin No. 15 does not have significant effect on the financial position and financial performance of the Group.

###### (c) Caikuai [2022] No.13

The Accounting Treatment of COVID-19 Related Rent Concessions (Caikuai [2020] No.10) provides practical expedient under certain conditions for rent concessions occurring as a direct consequence of the COVID-19 pandemic. Under the provisions of Caikuai [2022] No.13, the practical expedient specified in Caikuai [2020] No.10 can be continued to apply for concessions of lease payment payable after 30 June 2022.

The adoption of Caikuai [2022] No.13 does not have significant effect on the financial position and financial performance of the Group.

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

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



## IV. TAXES

### 1. Major categories of taxes and tax rates

#### Summary of major categories of taxes and tax rates

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

### 2. Tax incentive

#### (1). VAT

According to The Notice of the MoF and the State Administration of Taxation on the Policy of Value Added Tax on Software Products (Cai Shui [2011] No. 100), the part of the actual tax burden of VAT exceeding 3% was levied and refunded upon collection, when CRRC Information Technology, CRRC Zhuzhou Institute, CRRC Zhuzhou Locomotive and its holding subsidiaries sell their self-developed and self-produced software products in 2022.

#### (2). Enterprise income tax

As approved by relevant Provincial Department of Science and Technology, Provincial Department of Finance, Provincial Office of the State Administration of Taxation, and Provincial Local Taxation Bureau, CRRC Industrial Institute and CRRC Nanjing Puzhen obtained high-tech enterprise certificate in 2021, and is subject to an enterprise income tax at a reduced rate of 15% from 2021 to 2023.

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 obtained high-tech enterprise certificate in 2021, and is subject to an enterprise income tax at a reduced rate of 15% from 2021 to 2023.

As approved by Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and Beijing Local Taxation Bureau, CRRC Information Technology obtained high-tech enterprise certificate in 2021, and is subject to an enterprise income tax at a reduced rate of 15% from 2021 to 2023.

As approved by relevant Provincial Department of Science and Technology, Provincial Department of Finance, Provincial Office of the State Administration of Taxation, and Provincial Local Taxation Bureau, CRRC Changchun, CRRC Zhuzhou Institute, CRRC Zhuzhou Locomotive, CRRC Tangshan, CRRC Qishuyan, CRRC Qishuyan Institute, CRRC Yongji Electric, CRRC Zhuzhou Electric and CRRC Datong obtained high-tech enterprise certificate in 2020, and are subject to an enterprise income tax at a reduced rate of 15% from 2020 to 2022.

As approved by relevant Municipal Department of Science and Technology, Municipal Department of Finance, Municipal Office of the State Administration of Taxation, and Municipal Local Taxation Bureau, CRRC Qingdao Sifang, CRRC Sifang Institute and CRRC Dalian Institute obtained high-tech enterprise certificate in 2020, and are subject to an enterprise income tax at a reduced rate of 15% from 2020 to 2022.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### IV. TAXES *(continued)*

#### 2. Tax incentive *(continued)*

##### (2). Enterprise 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 1 January 2021 to 31 December 2030, the enterprise income tax on an enterprise in an encouraged industry established in western China shall be paid at the reduced rate of 15%. As approved by Sichuan State Taxation Bureau, the principal operations of CRRC Ziyang are defined as state encouraged projects which levied at a reduced rate of 15%.

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

Pursuant to the Announcement on Further Improvements to the Policy of Weighted Pre-tax Deduction for Research and Development Expenses (Announcement [2021] No. 13), which is applicable to certain subsidiaries of the Group since 1 January 2021, for research and development expenses actually incurred by manufacturing enterprises in carrying out research and development activities, where intangible assets have not been formed and included in the profit or loss of the current period, 100% of the actually incurred amount are allowed for pre-tax deduction, on the basis of actual deduction pursuant to the provisions; where intangible assets have been formed, amortisation shall be based on 200% of the costs of the intangible assets before tax.

Pursuant to the Inland Revenue (Amendment) (No. 2) Ordinance 2016 of the Hong Kong SAR, CRRC Hong Kong Capital Management meets the conditions of Qualifying Corporate Treasury Centres. The assessable profits generated from the business types specified in the Ordinance (such as part of the fund lending business, financial assets investment business, etc.) shall be applicable to the concessionary tax rate of 8.25%, and the profits derived from non-corporate treasury activities are subject to the standard tax rate of 16.5%.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Cash and bank balances

Item	RMB'000	
	Closing balance	Opening balance
Cash on hand	1,098	1,301
Bank deposits	45,590,389	47,623,259
Other cash and bank balances	953,990	960,555
<b>Total</b>	<b>46,545,477</b>	<b>48,585,115</b>
Including: Total amount deposited overseas	4,041,145	3,572,831

Other descriptions:

Restricted funds of the Group:

Item	RMB'000	
	Closing balance	Opening balance
Statutory reserve deposited by CRRC Finance at central bank	1,278,626	1,459,755
Guarantee deposits for acceptances	641,991	629,878
Guarantee deposits for letter of credit	34,062	20,725
Guarantee deposits for letter of guarantee	131,855	138,022
Pledge of bank borrowings for the Group	1,836	1,797
Other deposits subject to restrictions	175,170	228,237
<b>Total</b>	<b>2,263,540</b>	<b>2,478,414</b>

As at 30 June 2022, the term deposits that have not been pledged or restricted for use for three months or over three months is RMB2,794,193,000 (as at 31 December 2021: RMB2,828,707,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

Item	RMB'000	
	Closing balance	Opening balance
Investment in equity instruments	3,271,946	2,559,873
Derivatives	17,744	3,089
Others (Note)	10,757,425	8,131,731
Total	14,047,115	10,694,693

Note: Others are mainly short-term floating income wealth certificate of deposits as well as cash and bank balances purchased by the Group.

#### 3. Bills receivable

##### (1). Category of bills receivable

Item	RMB'000	
	Closing balance	Opening balance
Bank acceptances	2,252,474	6,066,057
Commercial acceptances	15,741,754	16,993,835
Less: Credit loss allowance	(19,920)	(37,324)
Total	17,974,308	23,022,568

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

Item	RMB'000	
	Amount pledged as at 30 June 2022	
Bank acceptances	29,099	
Commercial acceptances	519,173	
Total	548,272	





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

**3. Bills receivable** *(continued)*

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

	RMB'000
	<b>Amount not derecognised as at 30 June 2022</b>
<b>Item</b>	
Bank acceptances	1,207,291
Commercial acceptances	6,844,055
<b>Total</b>	<b>8,051,346</b>

**(4). Details of provision for credit loss allowance**

	RMB'000	
<b>Credit loss allowance</b>	12-month ECL (Non-credit impaired)	Total
Balance at 1 January 2022	37,324	37,324
Provision	12,358	12,358
Reversal	(29,762)	(29,762)
Balance at 30 June 2022	19,920	19,920

(5). As at 30 June 2022, bills receivable due from related parties are set out in Note X, 5.

**4. Accounts receivable**

**(1). Ageing analysis of accounts receivable**

	RMB'000	
<b>Ageing</b>	Closing book value	Opening book value
Within 1 year	74,933,923	68,249,459
1-2 years	8,678,713	3,832,126
2-3 years	1,682,801	1,620,749
3-4 years	1,064,376	775,989
4-5 years	1,223,391	1,112,453
Over 5 years	2,137,699	1,708,234
<b>Sub-total</b>	<b>89,720,903</b>	<b>77,299,010</b>
Less: Credit loss allowance	(4,704,084)	(4,313,797)
<b>Total</b>	<b>85,016,819</b>	<b>72,985,213</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 4. Accounts receivable (continued)

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

RMB'000

Category	Closing balance					Opening balance				
	Book value		Credit loss allowance		Carrying amount	Book value		Credit loss allowance		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Provision on individual basis	4,783,146	5.3	(2,912,125)	60.9	1,871,621	4,694,177	6.1	(2,995,798)	63.8	1,698,379
Provision on portfolio basis	84,937,157	94.7	(1,791,959)	2.1	83,145,198	72,604,833	93.9	(1,317,999)	1.8	71,286,834
Total	89,720,903	100.0	(4,704,084)	/	85,016,819	77,299,010	100.0	(4,313,797)	/	72,985,213

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

RMB'000

Item	Closing balance			Reason for provision
	Book value	Credit loss allowance	Percentage (%)	
Accounts receivable 1	213,676	(213,676)	100.0	Note
Accounts receivable 2	187,221	(120,768)	64.5	Note
Accounts receivable 3	177,790	(177,790)	100.0	Note
Accounts receivable 4	150,712	(150,712)	100.0	Note
Accounts receivable 5	89,222	(89,222)	100.0	Note
Others	3,965,125	(2,159,957)	54.5	Note
Total	4,783,746	(2,912,125)	60.9	/

Description of accounts receivable for which credit loss allowance is provided on an individual basis:

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable (continued)

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

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

RMB'000

Ageing	Expected credit loss rate (%)	Book value at 30 June 2022	Credit loss allowance	Carrying amount at 30 June 2022
Within 1 year	0.1-2.0	73,195,131	(504,082)	72,691,049
1-2 years	1.0-10.0	8,605,228	(309,105)	8,296,123
2-3 years	5.0-25.0	1,215,939	(125,980)	1,089,959
3-4 years	20.0-30.0	600,173	(132,488)	467,685
4-5 years	35.0-50.0	301,993	(108,401)	193,592
Over 5 years	60.0-70.0	1,018,693	(611,903)	406,790
Total	/	84,937,157	(1,791,959)	83,145,198

(iii) Details of provision for credit loss allowance:

RMB'000

Credit loss allowance	Lifetime ECL – Not credit impaired	Lifetime ECL – Credit impaired	Total
At 1 January 2022	1,317,999	2,995,798	4,313,797
Transfer to Phase 3	(822)	822	–
Provision	568,399	7,510	575,909
Reversal	(94,127)	(139,320)	(233,447)
Write-off	–	(2,240)	(2,240)
Other changes	510	49,555	50,065
Balance At 30 June 2022	1,791,959	2,912,125	4,704,084

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

RMB'000

Entity name	Relationship with the Group	Closing value	Proportion to total accounts receivable (%)
Top five accounts receivable	Third party	42,608,408	47.49

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 4. Accounts receivable (continued)

##### (4). Accounts receivable derecognised due to transfer of financial assets

RMB'000

Item	Ways to transfer accounts receivable	Amount derecognised in current period
CRRC Trust Assets-backed Notes	Securitisation	430,186
Accounts receivable factoring	Factoring	207,619
Total	/	637,805

Other descriptions:

As at 30 June 2022, the Group has accounts receivable with carrying amount equivalent to RMB1,339,952,000 (31 December 2021: RMB2,292,436,000) as pledge for bank loans.

(5). As at 30 June 2022, amounts due from related parties of the Group are set out in Note X, 5.

#### 5. Receivables at FVTOCI

RMB'000

Item	Closing balance	Opening balance
Bills receivable	6,517,196	9,210,441
Accounts receivable	1,466,807	1,341,610
Total	7,984,003	10,552,051

##### (1). Changes in receivables at FVTOCI and fair value movements during the period:

RMB'000

Item	Closing balance
Cost	8,119,385
Fair value	7,984,003
Fair value changes accumulated included in other comprehensive income	(135,382)

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

RMB'000

Item	Amount Pledged as at 30 June 2022
Bank acceptances	129,030
Total	129,030



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

**5. Receivables at FVTOCI** *(continued)*

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

RMB'000

Item	Amount derecognised as at 30 June 2022
Bank acceptances	4,847,300
Commercial acceptances	1,150
<b>Total</b>	<b>4,848,450</b>

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

RMB'000

Credit loss allowance	Phase 1 12-month ECL (Non-credit impaired)	Total
At 1 January 2022	98	98
Reversal	(98)	(98)
At 30 June 2022	–	–

(5) As at 30 June 2022, amounts due from related parties of the Group are set out in Note X, 5.

**6. Prepayments**

(1). Prepayments presented by ageing:

RMB'000

Ageing	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	6,086,285	80.9	5,414,367	79.0
1-2 years	284,774	3.8	419,022	6.1
2-3 years	184,020	2.4	323,318	4.7
Over 3 years	970,808	12.9	695,135	10.2
<b>Total</b>	<b>7,525,887</b>	<b>100.0</b>	<b>6,851,842</b>	<b>100.0</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 6. Prepayments (continued)

##### (2). Details of prepayments with top five closing balance

			RMB'000
Entity name	Relationship with the Group	Closing balance	Proportion to total prepayments (%)
Top 5 prepayments	Third party	1,236,319	16.43

(3). As at 30 June 2022, prepayments made to related parties of the Group are set out in Note X, 5.

#### 7. Other receivables

##### Presentation by categories

			RMB'000
Item	Closing balance	Opening balance	
Interest receivable	–	560	
Dividends receivable	50,163	59,525	
Other receivables	4,193,251	4,300,484	
Total	4,243,414	4,360,569	

##### Interest receivable

##### (1). Interest receivable by category

			RMB'000
Item	Closing balance	Opening balance	
Others	–	560	
Total	–	560	

##### Dividends receivable

##### (1). Dividends receivable

			RMB'000
Item (or investee)	Closing balance	Opening balance	
Related party	40,669	59,300	
Third party	9,494	225	
Total	50,163	59,525	



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

**7. Other receivables** *(continued)*

**Other receivables**

**(1). Analysis by ageing**

	RMB'000	
<b>Ageing</b>	<b>Closing balance</b>	<b>Opening balance</b>
Within 1 year	3,518,430	3,544,131
1-2 years	626,878	441,344
2-3 years	112,558	114,717
3-4 years	416,499	455,219
4-5 years	388,284	329,410
Over 5 years	384,320	402,459
Sub-total	<b>5,446,969</b>	<b>5,287,280</b>
Less: Credit loss allowance	<b>(1,253,718)</b>	<b>(986,796)</b>
Total	<b>4,193,251</b>	<b>4,300,484</b>

**(2). Categorised by nature**

	RMB'000	
<b>Nature</b>	<b>Closing balance</b>	<b>Opening balance</b>
Advances paid for others	999,306	923,198
Deposits and securities	537,440	551,286
Land transfer receivables	1,350	41,523
Others	2,655,155	2,784,477
Total	<b>4,193,251</b>	<b>4,300,484</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 7. Other receivables *(continued)*

##### Other receivables *(continued)*

##### (3). Details of provision for credit loss allowance

	RMB'000			
Credit loss allowance	Phase 1 12-month ECL	Phase 2 Lifetime ECL – Not credit impaired	Phase 3 Lifetime ECL – Credit impaired	Total
Balance at 1 January 2022	99,132	–	887,664	986,796
– Transfer to Phase 2	–	–	–	–
– Transfer to Phase 3	–	–	–	–
Provision	9,109	–	6,249	15,358
Reversal	(6,951)	–	(11,704)	(18,655)
Write-off	–	–	(8)	(8)
Other changes	3,082	–	267,145	270,227
Balance at 30 June 2022	104,372	–	1,149,346	1,253,718

##### (4). Details of other receivables from debtors with top 5 closing balance

		RMB'000	
Entity name	Nature	Closing balance	Proportion to total closing balance of other receivables (%)
Top 5 other receivables	Related party/Third party	763,230	14.01

(5). As at 30 June 2022, other receivables due from related parties of the Group are set out in Note X, 5.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

**8. Inventories**

**(1). Category of inventories**

RMB'000

Item	Closing balance			Opening balance		
	Book value	Provision for impairment of inventories	Carrying amount	Book value	Provision for impairment of inventories	Carrying amount
Raw materials	22,171,597	(961,954)	21,209,643	16,637,282	(905,613)	15,731,669
Work in progress	40,721,832	(907,116)	39,814,716	30,461,240	(1,053,822)	29,407,418
Finished goods	15,837,328	(583,141)	15,254,187	16,609,199	(634,754)	15,974,445
Turnover materials	269,255	(17,375)	251,880	242,715	(18,049)	224,666
Commissioned processing materials	85,598	(17)	85,581	81,840	(17)	81,823
<b>Total</b>	<b>79,085,610</b>	<b>(2,469,603)</b>	<b>76,616,007</b>	<b>64,032,276</b>	<b>(2,612,255)</b>	<b>61,420,021</b>

**(2). Provision for impairment of inventories**

RMB'000

Item	Opening balance	Increases			Decreases		Closing balance
		Provision	Others	Reversal	Write-off	Others	
Raw materials	905,613	138,047	–	5,514	66,755	9,437	961,954
Work in progress	1,053,822	46,204	–	8,495	24,535	159,880	907,116
Finished goods	634,754	49,241	–	17,065	66,089	17,700	583,141
Turnover materials	18,049	552	–	191	23	1,012	17,375
Commissioned processing materials	17	–	–	–	–	–	17
<b>Total</b>	<b>2,612,255</b>	<b>234,044</b>	<b>–</b>	<b>31,265</b>	<b>157,402</b>	<b>188,029</b>	<b>2,469,603</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 9. Contract assets

##### (1). Details of contract assets:

Item	RMB'000	
	Closing balance	Opening balance
Sale of goods related (Note 1)	39,400,033	34,995,141
Project contracting related (Note 2)	5,074,631	5,798,407
Less: Credit loss allowance on contract assets	(416,890)	(384,051)
Sub-total	44,057,774	40,409,497
Less: Contract assets presented under other non-current assets (Note V.26)	(23,411,712)	(20,712,780)
<b>Total</b>	<b>20,646,062</b>	<b>19,696,717</b>

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

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

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

As at 30 June 2022, the Group had no contract assets as collateral (31 December 2021: RMB30,302,000).

As at 30 June 2022, details of current account balances with related parties included in the balance of contract assets are set out in Note X.5.

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

Credit loss allowance	RMB'000		
	Lifetime ECL – Not credit impaired	Lifetime ECL – Credit impaired	Total
Balance at 1 January 2022	368,720	15,331	384,051
Provision	46,479	1,745	48,224
Reversal	(15,819)	(15)	(15,834)
Other changes	(189)	638	449
<b>Balance at 30 June 2022</b>	<b>399,191</b>	<b>17,699</b>	<b>416,890</b>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

**10. Non-current assets due within one year**

Item	RMB'000	
	Closing balance	Opening balance
Loans and advances due within one year (Note V.12)	8,908,258	11,246,851
Long-term receivables due within one year (Note V.14)	4,123,546	4,448,059
Debt investments due within one year (Note V.13)	228,178	126,301
Other non-current assets due within one year (Note V.26)	210,422	–
<b>Total</b>	<b>13,470,404</b>	<b>15,821,211</b>

**11. Other current assets**

Item	RMB'000	
	Closing balance	Opening balance
Withholding VAT	3,430,475	4,870,917
Large deposit certificate	1,414,950	762,000
Others	316,236	133,438
<b>Total</b>	<b>5,161,661</b>	<b>5,766,355</b>

**12. Loans and advances to customers**

Item	RMB'000	
	Closing balance	Opening balance
Loans and advances made by CRRC Finance	9,052,455	11,387,184
Less: Credit loss allowance	(144,197)	(140,333)
Sub-total	8,908,258	11,246,851
Including: Loans and advances due within one year (Note V, 10)	8,908,258	11,246,851

Credit loss allowance	Phase 1	Phase 2	Phase 3	Total
	12-month ECL	Lifetime ECL – Not credit impaired	Lifetime ECL – Credit impaired	
Balance at 1 January 2022	55,807	84,526	–	140,333
– Transfer to Phase 2	(199)	199	–	–
Provision	114,391	27,631	–	142,022
Reversal	(54,802)	(83,356)	–	(138,158)
<b>Balance at 30 June 2022</b>	<b>115,197</b>	<b>29,000</b>	<b>–</b>	<b>144,197</b>

As at 30 June 2022, the details of loans and advances (inclusive of the portion due within one year) to related parties are set out in Note X.5.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 13. Debt investments

RMB'000

Item	Closing balance			Opening balance		
	Book value	Credit loss allowance	Carrying amount	Book value	Credit loss allowance	Carrying amount
Seven-year Medium Term Notes of China Aircraft Leasing Group Holdings Limited	182,269	–	182,269	172,874	–	172,874
Related to “Built – transfer”- Nanjing Qilin Modern Tram Construction Co., Ltd.	82,248	–	82,248	82,248	–	82,248
Five-year Medium Term Notes of China Aircraft Leasing Group Holdings Limited	–	–	–	126,301	–	126,301
Five-year Bonds of Qingdao City Construction Investment (Group) Co., Ltd.	134,228	–	134,228	127,514	–	127,514
Minsheng Bank Interbank Certificates of Deposit	–	–	–	692,787	–	692,787
CITIC Bank Interbank Certificates of Deposit	–	–	–	791,010	–	791,010
Others	140,749	–	140,749	136,051	–	136,051
Sub-total	539,494	–	539,494	2,128,785	–	2,128,785
Less: Debt investment included in non-current assets due within one year (Note V, 10)	(228,178)	–	(228,178)	(126,301)	–	(126,301)
Total	311,316	–	311,316	2,002,484	–	2,002,484



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Long-term receivables

(1). Details of long-term receivables:

RMB'000

Item	Closing balance			Opening balance			Discount rate interval
	Book value	Credit loss allowance	Carrying amount	Book value	Credit loss allowance	Carrying amount	
Financing lease	12,576,334	(2,222,661)	10,353,673	14,052,414	(2,411,897)	11,640,517	4.4%-12.7%
Sales by instalments and others	3,004,375	(565,023)	2,439,352	3,314,647	(579,753)	2,734,894	1%-4.9%
Construction payment and Bullit-transfer receivables	870,719	(238,235)	632,484	1,085,814	(238,210)	847,604	4.73%-5.27%
Total	16,451,428	(3,025,919)	13,425,509	18,452,875	(3,229,860)	15,223,015	/
Less: Long-term loans due within one year (Note V, 10)	/	/	(4,123,546)	/	/	(4,448,059)	/
Long-term receivables due after one year	/	/	9,301,963	/	/	10,774,956	/

(2). Provision for credit loss allowance:

RMB'000

Credit loss allowance	Phase 2 Lifetime ECL – Not credit impaired	Phase 3 Lifetime ECL – Credit impaired	Total
Balance at 1 January 2022	695,774	2,534,086	3,229,860
Provision	2,003	8,895	10,898
Reversal	(30,651)	(215,320)	(245,971)
Other changes	–	31,132	31,132
Balance at 30 June 2022	667,126	2,358,793	3,025,919

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

**14. Long-term receivables** *(continued)*

**(3). Financing lease receivable**

	RMB'000	
Item	Closing balance	Opening balance
The minimum amount of the lease receivable:		
1st year after the balance sheet date	5,986,104	6,562,428
2nd year after the balance sheet date	2,988,972	3,511,254
3rd year after the balance sheet date	1,666,699	2,055,557
4th year after the balance sheet date	1,528,250	1,758,240
5th year after the balance sheet date	676,334	721,879
Years afterwards	1,731,512	1,764,911
Total of the minimum amount of the lease receivable	14,577,871	16,374,269
Less: Unrealised financing income	(2,001,537)	(2,321,855)
Credit loss allowance	(2,222,661)	(2,411,897)
Financing lease receivable	10,353,673	11,640,517
Including: Financing lease receivable due within one year	3,675,738	3,840,963
Financing lease receivable due after one year	6,677,935	7,799,554

As at 30 June 2022, the Group has long-term receivables with carrying amount equivalent to RMB2,430,740,000 (31 December 2021: RMB2,348,132,000) as pledge for the Group to obtain bank loans.

As at 30 June 2022, 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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 15. Long-term equity investments

RMB'000

Investee	Opening balance	Increasing investment	Decreasing investment	Movements during the period					Others	Closing balance
				Investment gains or losses under equity method	Adjustment of other comprehensive income	Other equity movements (Note 1)	Announcement of cash dividends or profits	Provision for impairment loss		
<b>I. Joint ventures</b>										
Wuhu Yunda Rail Transit Construction and Operation Co., Ltd. ("Wuhu Yunda")	1,490,249	-	-	(1,340)	-	-	-	-	-	1,488,909
Dalian Toshiba Locomotive Electric Equipment Co., Ltd.	414,485	-	-	15,811	-	-	(29,994)	-	-	400,302
Changchun Bombardier Railway Vehicles Company Ltd.	313,131	-	-	(19,179)	-	-	(5,000)	-	-	288,952
Zhuzhou Times Mitsubishi Transportation Equipment Co., Ltd.	170,990	-	-	870	-	-	(36,000)	-	-	135,860
Zhuzhou CRRC Times High-tech Investment & Trusting Co., Ltd.	273,393	-	-	5,525	-	-	-	-	-	278,918
Qingdao Sifang Faiveley Railway Brake Co., Ltd.	98,761	-	-	12,196	-	-	-	-	-	110,957
Others	1,309,366	47,705	-	(41,371)	3,566	-	(3,107)	-	-	1,316,159
Sub-total	4,070,375	47,705	-	(27,488)	3,566	-	(74,101)	-	-	4,020,057
<b>II. Associates</b>										
China United Insurance Holding Company ("China United Insurance")	5,312,262	-	-	29,743	(21)	-	(10,000)	-	-	5,331,984
CRRC Times Electric Vehicle Co., Ltd.	1,128,054	-	-	(26,977)	-	-	-	-	-	1,101,077
Jinan-Qingdao High-speed Railway Co., Ltd.	1,180,588	-	-	-	-	-	-	-	-	1,180,588
Beijing Time New Park Property Management Co., Ltd.	449,528	-	-	(7,834)	-	-	-	-	-	441,694
CRRC Foshan Investment Development Co., Ltd.	253,538	-	-	-	-	-	-	-	-	253,538
Tianjin Electric Locomotive Co., Ltd.	324,426	-	-	(21,518)	-	857	-	-	-	303,765
CRRC Tianjin Jinpu Industrial Park Management Co., Ltd.	656,756	-	-	(2,839)	-	-	-	-	-	653,917
Shanghai Alstom Transport Electrical Equipment Co., Ltd.	223,887	-	-	19,612	-	-	-	-	-	243,499
Huaneng Tieling Daxing Wind Power Co., Ltd.	158,333	-	-	9,821	1,518	-	-	-	-	169,672
Others	3,446,085	310,659	-	49,586	(3,780)	74,273	(27,339)	-	210,534	4,060,018
Sub-total	13,133,457	310,659	-	49,594	(2,283)	75,130	(37,339)	-	210,534	13,739,752
<b>Total</b>	<b>17,203,832</b>	<b>358,364</b>	<b>-</b>	<b>22,106</b>	<b>1,283</b>	<b>75,130</b>	<b>(111,440)</b>	<b>-</b>	<b>210,534</b>	<b>17,759,809</b>

Note 1: The main reason for other equity changes is that the share of investment in the investee owned by the Group is increased by the non-proportional capital increase by other investors of the investee.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 16. Investments in other equity instruments

##### (1). Details of investment in other equity instruments:

Item	RMB'000	
	Closing balance	Opening balance
Listed equity instrument investments	979,186	1,143,978
Unlisted equity instrument investments	1,699,408	1,853,360
Total	2,678,594	2,997,338

##### (2). Details of non-tradable equity instrument investments

Item	RMB'000					
	Dividend income recognised in this period	Accumulative gains	Accumulative losses	Amount of other comprehensive income transferred to retained earnings	Reason for being designated at FVTOCI	Reason of other comprehensive income transferred to retained earnings
Listed equity instrument investments	751	89,899	820,058	-	Note	/
Unlisted equity instrument investments	10,534	151,595	40,025	3,035	Note	/
Total	11,285	241,494	860,083	3,035	/	/

Other descriptions:

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.





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 17. Other non-current financial assets

Item	RMB'000	
	Closing balance	Opening balance
Financial assets investments: such as preference shares	400,033	370,460
Total	400,033	370,460

#### 18. Investment properties

Item	RMB'000		
	Buildings	Land use rights	Total
I. Cost			
1. Opening balance	1,081,230	125,781	1,207,011
2. Increases	8,613	–	8,613
(1) Transfer from fixed assets (Note V, 19)	822	–	822
(2) Additions	7,791	–	7,791
3. Decreases	8,935	1,007	9,942
(1) Transfer to fixed assets (Note V, 19)	5,601	–	5,601
(2) Sales and retirement	3,334	1,007	4,341
4. Closing balance	1,080,908	124,774	1,205,682
II. Accumulated depreciation and amortisation			
1. Opening balance	330,572	29,104	359,676
2. Increases	21,402	1,239	22,641
(1) Provision or amortisation	21,390	1,239	22,629
(2) Transfer from fixed assets (Note V, 19)	12	–	12
3. Decreases	4,731	244	4,975
(1) Transfer to fixed assets (Note V, 19)	1,911	–	1,911
(2) Sales and retirement	2,820	244	3,064
4. Closing balance	347,243	30,099	377,342
III. Provision for impairment			
1. Opening balance	12,029	–	12,029
2. Closing balance	12,029	–	12,029
IV. Carrying amount			
1. Carrying amount at the end of the period	721,636	94,675	816,311
2. Carrying amount at the beginning of the period	738,629	96,677	835,306

#### 19. Fixed assets

##### Presented by item

Item	RMB'000	
	Closing balance	Opening balance
Fixed assets	57,975,777	58,895,250
Disposal of fixed assets	34,116	24,701
Total	58,009,893	58,919,951

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

### 19. Fixed assets (continued)

#### Fixed assets

#### (1). Details of fixed assets:

							RMB'000
Item	Land assets	Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total	
I. Cost							
1. Opening balance	264,639	50,970,900	52,652,067	2,731,625	6,793,321	113,412,552	
2. Increases	5,611	625,656	1,767,563	236,439	171,076	2,806,345	
(1) Additions	-	12,562	243,735	58,543	58,506	373,346	
(2) Transfer from construction in progress (Note V, 20)	-	556,717	1,508,595	177,454	109,374	2,352,140	
(3) Transfer from investment properties (Note V, 18)	-	5,601	-	-	-	5,601	
(4) Translation differences arising from translation of foreign currency financial statements	5,611	50,776	15,233	442	3,196	75,258	
3. Decreases	2,862	366,351	820,534	34,150	66,718	1,290,615	
(1) Disposal or retirement	-	93,088	600,783	30,243	54,852	778,966	
(2) Disposal of subsidiaries	-	198,067	160,876	1,317	4,158	364,418	
(3) Transfer to construction in progress (Note V, 20)	-	47,978	20,030	1,946	133	70,087	
(4) Transfer to investment properties (Note V, 18)	-	822	-	-	-	822	
(5) Translation differences arising from translation of foreign currency financial statements	2,862	26,396	38,845	644	7,575	76,322	
4. Closing balance	267,388	51,230,205	53,599,096	2,933,914	6,897,679	114,928,282	
II. Accumulated depreciation							
1. Opening balance	-	15,570,281	31,616,432	1,978,253	4,739,980	53,904,946	
2. Increases	-	883,430	1,697,936	95,488	342,422	3,019,276	
(1) Provision	-	877,197	1,691,671	95,345	340,809	3,005,022	
(2) Transfer from investment properties (Note V, 18)	-	1,911	-	-	-	1,911	
(3) Translation differences arising from translation of foreign currency financial statements	-	4,322	6,265	143	1,613	12,343	
3. Decreases	-	93,184	379,463	29,917	49,421	551,985	
(1) Disposal or retirement	-	12,448	206,011	27,232	39,624	285,315	
(2) Disposal of subsidiaries	-	56,826	131,883	1,213	3,926	193,848	
(3) Transfer to construction in progress (Note V, 20)	-	17,295	13,851	915	129	32,190	
(4) Transfer to investment properties (Note V, 18)	-	12	-	-	-	12	
(5) Translation differences arising from translation of foreign currency financial statements	-	6,603	27,718	557	5,742	40,620	
4. Closing balance	-	16,360,527	32,934,905	2,043,824	5,032,981	56,372,237	



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Fixed assets (continued)

Fixed assets (continued)

(1). Details of fixed assets: (continued)

Item	Land assets	Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
III. Provision for impairment						
1. Opening balance	-	65,394	486,635	44,531	15,796	612,356
2. Decreases	-	2	31,406	489	191	32,088
(1) Disposal or retirement	-	2	3,204	489	32	3,727
(2) Disposal of subsidiaries	-	-	27,505	-	-	27,505
(3) Transfer to construction in progress (Note V, 20)	-	-	202	-	-	202
(4) Translation differences arising from translation of foreign currency financial statements	-	-	495	-	159	654
4. Closing balance	-	65,392	455,229	44,042	15,605	580,268
IV. Carrying amount						
1. Carrying amount at the end of the period	267,388	34,804,286	20,208,962	846,048	1,849,093	57,975,777
2. Carrying amount at the beginning of the period	264,639	35,335,225	20,549,000	708,841	2,037,545	58,895,250

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

Item	RMB'000
	Carrying amount at the end of the period
Machinery and equipment	165,097
Motor vehicles	91,839
Office and other equipment	1,102
Total	258,038

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 19. Fixed assets (continued)

Fixed assets (continued)

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

RMB'000

Item	Carrying amount	Reasons for having not to obtain the property right certificates
Plant & Buildings	3,177,071	In process

#### Disposal of fixed assets

RMB'000

Item	Closing balance	Opening balance
Buildings	9,306	8,644
Machinery and equipment	19,062	12,885
Motor vehicles	291	480
Office and other equipment	5,457	2,692
Total	34,116	24,701

Other descriptions:

As at 30 June 2022, the Group has buildings and machinery and equipment with carrying amount equivalent to RMB218,130,000 (31 December 2021: RMB207,447,000) 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 2022.

#### 20. Construction in progress

Presented by item

RMB'000

Item	Closing balance	Opening balance
Construction in progress	6,172,678	6,248,409
Materials for construction of fixed assets	33,849	61,958
Total	6,206,527	6,310,367



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

**20. Construction in progress (continued)**

**Construction in progress**

**(1). Details of construction in progress:**

RMB'000

Item	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Construction in progress	6,177,724	(5,046)	6,172,678	6,265,502	(17,093)	6,248,409
Total	6,177,724	(5,046)	6,172,678	6,265,502	(17,093)	6,248,409

**(2). Changes in significant construction in progress for the period:**

RMB'000

Item	Budget	Opening balance	Increases	Transfer to fixed assets	Transfer to intangible assets	Transfer to investment properties	Transfer from fixed assets	Others	Closing balance	Percentage of actual cost to budget (%)	Project progress (%)	Cumulative capitalisation of interests	Including: capitalisation of interests for the period	Capitalisation rate of interest (%)	Sources of funding
Construction of new plant in Shajingyi	1,700,000	1,305,571	62,416	(99,451)	-	-	-	-	1,268,536	93.00	93.00	119,754	11,972	5.40	Loan
Lishui project	5,671,380	911,618	60,005	(41,874)	-	-	-	3,192	932,941	78.96	78.96	20,000	-	-	Loan
R&D and manufacturing technology transformation project of key parts of AC transmission locomotive with heavy axle load	850,000	353,665	82,092	(19,286)	-	-	-	-	416,471	82.00	82.00	32,865	1,446	5.25	Loan
Overall relocation construction project of Changchun CRRC Railway Vehicles Co., Ltd.	788,291	276,990	114,958	-	(10,768)	-	-	-	361,180	48.36	48.36	-	-	-	Self-raised
Construction project of CRRC Songyuan New Energy Equipment Industry Base	696,690	-	195,289	-	-	-	-	-	195,289	49.00	49.00	138	138	2.55	Loan
Automobile component supporting construction project	3,337,700	623,253	304,510	(746,748)	(5,986)	-	-	-	175,019	92.00	95.00	-	-	-	Self-raised
Project on high-voltage IGBT chip production line transformation and medium and low-voltage module production line expansion	505,000	124,032	35,471	-	-	-	-	-	159,503	89.00	95.00	-	-	-	Government grant, Self-raised
Chencang Base project	600,000	72,831	49,099	-	-	-	-	-	121,930	20.32	20.32	-	-	-	Self-raised
CRRC Big Data Centre Construction Project	168,950	24,138	45,359	-	-	-	-	-	69,497	41.13	41.13	-	-	-	Self-raised
CRH high power electric locomotive maintenance project (phase II)	170,000	48,977	15,261	(826)	-	-	-	-	63,412	37.30	37.30	-	-	-	Self-raised
Others	14,286,770	2,524,427	1,1447,061	(1,443,955)	(154,695)	-	37,695	(16,587)	2,393,946	/	/	107,579	6,294	/	Loan, Self-raised
Total	28,774,781	6,265,502	2,411,521	(2,352,140)	(171,459)	-	37,695	(13,395)	6,177,724	/	/	280,336	19,850	/	/

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 20. Construction in progress (continued)

##### Materials for construction of fixed assets

RMB'000

Item	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Specialised materials	–	–	–	4	–	4
Specialised equipment	33,353	–	33,353	61,458	–	61,458
Others	496	–	496	496	–	496
<b>Total</b>	<b>33,849</b>	<b>–</b>	<b>33,849</b>	<b>61,958</b>	<b>–</b>	<b>61,958</b>

#### 21. Right-of-use assets

RMB'000

Item	Plant & buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
<b>I. Cost</b>					
1. Opening balance	2,073,235	178,873	67,380	19,550	2,339,038
2. Increases	125,661	12,573	5,468	787	144,489
(1) Newly rented	123,974	12,573	5,429	764	142,740
(2) Translation differences arising from translation of foreign currency financial statements	1,687	–	39	23	1,749
3. Decreases	177,948	10,802	2,720	2,959	194,429
(1) Expiry of lease contract	73,593	7,137	1,858	2,459	85,047
(2) Translation differences arising from translation of foreign currency financial statements	104,355	3,665	862	500	109,382
4. Closing balance	2,020,948	180,644	70,128	17,378	2,289,098
<b>II. Accumulated depreciation</b>					
1. Opening balance	759,919	29,690	37,681	18,014	845,304
2. Increases	171,019	31,770	6,779	3,176	212,744
(1) Provision	170,230	31,770	6,738	3,166	211,904
(2) Translation differences arising from translation of foreign currency financial statements	789	–	41	10	840
3. Decreases	152,537	11,603	1,833	4,849	170,822
(1) Expiry of lease contract	52,020	8,971	1,519	4,390	66,900
(2) Translation differences arising from translation of foreign currency financial statements	100,517	2,632	314	459	103,922
4. Closing balance	778,401	49,857	42,627	16,341	887,226
<b>III. Carrying amount</b>					
1. Carrying amount at the end of the period	1,242,547	130,787	27,501	1,037	1,401,872
2. Carrying amount at the beginning of the period	1,313,316	149,183	29,699	1,536	1,493,734



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 22. Intangible assets

##### (1). Details of intangible assets

RMB'000

Item	Land use rights	Proprietary technology, technical know-how and franchises	Software licences	Customer relationship	Backlog orders and service contracts	Total
I. Cost						
1. Opening balance	17,113,220	5,050,803	3,655,120	341,759	54,371	26,215,273
2. Increases	176,131	87,457	252,188	16,741	-	532,517
(1) Transfer from construction in progress (Note V, 20)	43,138	-	128,321	-	-	171,459
(2) Additions	132,993	78,628	123,867	16,741	-	352,299
(3) Transfer from development expenditure (Note V, 23)	-	8,829	-	-	-	8,829
3. Decreases	95,639	51,992	7,983	(2,983)	-	152,631
(1) Disposal	67,576	25,054	-	-	-	92,630
(2) Translation differences arising from translation of foreign currency financial statements	845	26,938	3,064	(2,983)	-	27,864
(3) Disposal of subsidiaries	27,218	-	4,919	-	-	32,137
4. Closing balance	17,193,712	5,086,268	3,899,325	361,483	54,371	26,595,159
II. Accumulated amortisation						
1. Opening balance	3,741,774	2,822,100	2,501,380	221,788	54,371	9,341,413
2. Increases	198,940	290,088	260,634	5,817	-	755,479
(1) Provision	198,940	290,088	260,634	5,817	-	755,479
3. Decreases	20,424	42,446	9,070	(5,035)	-	66,905
(1) Disposal	13,538	17,885	-	-	-	31,423
(2) Translation differences arising from translation of foreign currency financial statements	-	24,561	4,776	(5,035)	-	24,302
(3) Disposal of subsidiaries	6,886	-	4,294	-	-	11,180
4. Closing balance	3,920,290	3,069,742	2,752,944	232,640	54,371	10,029,987
III. Provision for impairment						
1. Opening balance	-	65,913	1,856	115,085	-	182,854
2. Increases	-	-	-	5,818	-	5,818
(1) Translation differences arising from translation of foreign currency financial statements	-	-	-	5,818	-	5,818
3. Decreases	-	-	1,111	-	-	1,111
(1) Write-off	-	-	486	-	-	486
(2) Disposal of subsidiaries	-	-	625	-	-	625
4. Closing balance	-	65,913	745	120,903	-	187,561
IV. Carrying amount						
1. Carrying amount at the end of the period	13,273,422	1,950,613	1,145,636	7,940	-	16,377,611
2. Carrying amount at the beginning of the period	13,371,446	2,162,790	1,151,884	4,886	-	16,691,006

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 22. 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 obtained the property right certificates
Project land	204,340	In progress

Other descriptions:

As at 30 June 2022, carrying amount of the Group's intangible assets is RMB826,868,000 (31 December 2021: RMB721,497,000) as collateral for the Group to obtain bank loans.

#### 23. Development expenditures

RMB'000

Item	Opening balance	Increases		Decreases		Closing balance
		Internal development	Others	Recognised as intangible assets	Transfer to profit or loss	
Development expenditures	521,506	4,569,183	14,311	8,829	4,526,701	569,470

#### 24. Goodwill

##### (1). Book value of goodwill

RMB'000

Name of investee	Opening balance	Increases	Decreases	Changes in foreign exchange rates	Closing balance
CRRC Zhuzhou Locomotive and its subsidiaries	56,934	-	-	-	56,934
CRRC Tangshan and its subsidiaries	36,379	-	-	-	36,379
CRRC Zhuzhou Institute and its subsidiaries	1,269,563	-	-	6,942	1,276,505
Others	21,519	-	(7,670)	-	13,849
Total	1,384,395	-	(7,670)	6,942	1,383,667

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

RMB'000

Name of investee or events from which goodwill arose	Opening balance	Decreases	Changes in foreign exchange rates	Closing balance
CRRC Zhuzhou Locomotive and its subsidiaries	20,156	-	-	20,156
CRRC Ziyang and its subsidiaries	1,814	(1,814)	-	-
CRRC Zhuzhou Institute and its subsidiaries	1,089,619	-	(1,207)	1,088,412
Total	1,111,589	(1,814)	(1,207)	1,108,568





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

**25. Deferred tax assets/deferred tax liabilities**

**(1). Deferred tax assets before offsetting:**

RMB'000

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Expected warranty provisions	7,755,110	1,181,103	7,869,385	1,214,246
Provision for impairment of assets	1,924,726	358,384	2,058,622	399,322
Provision for credit losses	3,024,449	564,060	2,997,486	521,442
Unrealised profit from internal transactions	1,905,031	347,808	1,624,039	276,087
Estimated losses	608,291	101,992	719,509	110,642
Government grants	2,153,867	354,742	2,313,343	357,203
Accrued expenses	1,179,109	233,324	1,162,951	210,018
Unpaid employee salaries	317,509	49,309	189,880	30,401
Deductible tax losses	2,668,541	413,105	2,586,343	387,951
Changes in fair value of investments in other equity instruments	605,905	109,184	605,514	109,053
Changes in fair value of receivables at FVTOCI	46,278	8,113	178,369	31,270
Others	1,211,026	271,876	1,264,589	277,325
<b>Total</b>	<b>23,399,842</b>	<b>3,993,000</b>	<b>23,570,030</b>	<b>3,924,960</b>

**(2). Deferred tax liabilities before offsetting:**

RMB'000

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Adjustment on fair value of acquisition of subsidiaries	354,702	67,394	395,045	75,058
Depreciation difference due to inconsistency of depreciation period between tax law and accounting	846,502	143,905	820,522	139,489
Changes in fair value of investments in other equity instruments	393,928	68,937	413,614	72,383
Gains on changes in fair value during the holding period of the financial assets at fair value through profit or loss	523,766	130,941	324,210	81,053
Others	543,144	92,335	521,643	88,679
<b>Total</b>	<b>2,662,042</b>	<b>503,512</b>	<b>2,475,034</b>	<b>456,662</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 25. Deferred tax assets/deferred tax liabilities (continued)

##### (3). Deferred tax assets/liabilities after offsetting:

Item	RMB'000			
	Amount of offsetting of deferred tax assets and liabilities at the end of the period	Balances of deferred tax assets or liabilities after offsetting at the end of the period	Amount of offsetting of deferred tax assets and liabilities at the beginning of the period	Balances of deferred tax assets or liabilities after offsetting at the beginning of the period
Deferred tax assets	188,132	3,804,868	193,156	3,731,804
Deferred tax liabilities	188,132	315,380	193,156	263,506

##### (4). Details of unrecognised deferred tax assets

Item	RMB'000	
	Closing balance	Opening balance
Deductible temporary differences	12,985,464	12,260,793
Deductible tax losses	16,747,044	15,943,474
Total	29,732,508	28,204,267

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

Year	RMB'000	
	Closing balance	Opening balance
2022	795,508	813,746
2023	3,513,836	3,588,163
2024	2,144,139	2,229,329
2025	1,908,232	1,924,267
2026	2,030,179	2,071,555
2027	1,551,016	1,297,733
2028	874,258	970,668
2029	1,135,055	1,136,623
2030	854,267	869,533
2031	1,041,857	1,041,857
2032	898,697	–
Total	16,747,044	15,943,474



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 26. Other non-current assets

Item	RMB'000	
	Closing balance	Opening balance
Contract assets (Note V, 9)	23,411,712	20,712,780
Prepayment of intangible assets	824,348	696,622
Prepayment for engineering equipment	605,084	506,476
Large deposit certificate	2,827,760	1,540,081
Others	1,958,316	1,161,326
Sub-total	29,627,220	24,617,285
Less: Other non-current assets due within one year	210,422	–
<b>Total</b>	<b>29,416,798</b>	<b>24,617,285</b>

As at 30 June 2022, prepayments made to related parties of the Group in the balance of other non-current assets are set out in Note X, 5.

As at 30 June 2022, carrying amount of the Group's other non-current assets is RMB347,528,000 (31 December 2021: RMB352,657,000) as collateral for the Group to obtain bank loans.

#### 27. Short-term borrowings

##### (1). Category of short-term borrowings:

Item	RMB'000	
	Closing balance	Opening balance
Pledged loans	2,176,594	2,797,613
Credit loans	15,122,380	13,018,034
<b>Total</b>	<b>17,298,974</b>	<b>15,815,647</b>

Description of short-term borrowings classification:

As at 30 June 2022, the annual interest rate of short-term borrowings ranged from 0.12%-9.57% (31 December 2021: 0.12% – 9.57%).

As at 30 June 2022, short-term borrowings from related party of the Group are set out in Note X,5.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 28. Bills payable

Item	RMB'000	
	Closing balance	Opening balance
Bank acceptances bills	18,435,783	22,464,626
Commercial acceptance bills	1,638,235	365,566
Total	20,074,018	22,830,192

As at 30 June 2022, details of related party bills payable due to related parties are set out in Note X, 5.

#### 29. Accounts payable

##### (1). Details of accounts payable:

Item	RMB'000	
	Closing balance	Opening balance
Related parties	5,193,690	4,368,091
Third parties	127,627,718	117,738,750
Total	132,821,408	122,106,841

##### (2). Ageing analysis of accounts payable:

Ageing	RMB'000	
	Closing balance	Opening balance
Within 1 year	126,814,849	115,070,002
1-2 years	3,310,854	3,549,291
2-3 years	1,152,684	1,635,316
Over 3 years	1,543,021	1,852,232
Total	132,821,408	122,106,841

Other descriptions:

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

##### (3). As at 30 June 2022, details of accounts payable due to related parties are set out in Note X, 5.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 30. Receipts in advance

##### (1). Details of receipts in advance:

Item	RMB'000	
	Closing balance	Opening balance
Related parties	2,000	–
Third parties	14,341	22,911
<b>Total</b>	<b>16,341</b>	<b>22,911</b>

Other descriptions:

As at 30 June 2022, details of receipts payable due to related parties are set out in Note X, 5.

#### 31. Contract liabilities

##### (1). Details of contract liabilities

Item	RMB'000	
	Closing balance	Opening balance
Sale of goods related (Note 1)	22,480,705	23,496,785
Project contracting services related (Note 2)	1,488,263	1,911,080
Sub-total	23,968,968	25,407,865
Less: Contract liabilities presented under other non-current liabilities (Note V.45)	(9,502)	(9,879)
<b>Total</b>	<b>23,959,466</b>	<b>25,397,986</b>

Note 1: As at 30 June 2022, 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 2022, the Group's contract liabilities related to the project contracting service contracts represented the excess of the settled amount over revenue recognised based on the progress of construction.

As at 30 June 2022, details of current account balances with related parties included in the balance of contract liabilities are set out in Note X, 5.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 32. Deposits from banks and other financial institutions

Item	RMB'000	
	Closing balance	Opening balance
Customer deposits of CRRC Finance	5,629,097	4,601,620
Total	5,629,097	4,601,620

As at 30 June 2022, details of deposits from banks and other financial institutions with related parties are set out in Note X, 5.

#### 33. Employee benefits payable

##### (1). Details of employee benefits payable:

Item	RMB'000			
	Opening balance	Increases	Decreases	Closing balance
I. Short-term employee benefits	1,772,785	11,177,407	10,992,473	1,957,719
II. Post-employment benefits-Defined contribution plan	76,516	1,950,750	1,930,172	97,094
III. Labour expenditures	2,299	646,647	646,916	2,030
IV. Post-employment benefits due within one year-Net liabilities in defined benefit plan (Mainland China)	180,522	27,915	68,530	139,907
V. Post-employment benefits due within one year-Net liabilities in defined benefit plan (other countries and regions)	4,314	3,197	6,426	1,085
Total	2,036,436	13,805,916	13,644,517	2,197,835



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 33. Employee benefits payable (continued)

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

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
I. Salaries, bonuses, allowances and subsidies	378,060	8,252,950	7,985,111	645,899
II. Welfare benefits	393,379	518,414	517,634	394,159
III. Social insurances	119,168	947,802	943,340	123,630
Including: Medical insurance	114,688	854,523	852,588	116,623
Work-related injury insurance	4,767	72,105	69,993	6,879
Maternity insurance	(287)	21,174	20,759	128
IV. Housing funds	37,753	1,035,356	1,030,232	42,877
V. Employee union funds and staff education funds	339,903	243,773	194,534	389,142
VI. Others	504,522	179,112	321,622	362,012
<b>Total</b>	<b>1,772,785</b>	<b>11,177,407</b>	<b>10,992,473</b>	<b>1,957,719</b>

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

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
1. Basic pension insurance	43,870	1,446,880	1,426,260	64,490
2. Unemployment insurance	1,792	58,841	56,238	4,395
3. Enterprise annuity	30,854	445,029	447,674	28,209
<b>Total</b>	<b>76,516</b>	<b>1,950,750</b>	<b>1,930,172</b>	<b>97,094</b>

Other descriptions:

Employees of the Group are required to participate in defined contribution schemes which are administered and operated by the local municipal government. The Group contributes funds which are calculated on certain percentage as agreed by the local municipal government to the scheme. The Group's contributions to the defined contribution plan, including the social pension insurance schemes and the annuity plan, are recognised as expenses when incurred. As of 30 June 2022 and 31 December 2021, there are no forfeited contributions that may be used by the Company and its subsidiaries to reduce the existing level of contribution (as of 30 June 2021 and 31 December 2020: nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 34. Tax payable

Item	RMB'000	
	Closing balance	Opening balance
VAT	933,359	1,211,250
Enterprise income tax	618,317	565,746
Individual income tax	22,217	278,492
City maintenance and construction tax	49,950	79,111
Education surcharges	35,284	54,007
Property tax	39,183	52,241
Land use tax	26,400	25,681
Others	76,128	92,178
<b>Total</b>	<b>1,800,838</b>	<b>2,358,706</b>

#### 35. Other payables

##### Presented by item

Item	RMB'000	
	Closing balance	Opening balance
Interest payable	12,447	11,276
Dividends payable	5,865,045	518,336
Other payables	17,105,129	11,610,282
<b>Total</b>	<b>22,982,621</b>	<b>12,139,894</b>

##### Interest payable

##### (1) Presented by category

Item	RMB'000	
	Closing balance	Opening balance
Loan interests	12,447	11,276
<b>Total</b>	<b>12,447</b>	<b>11,276</b>





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

**35. Other payables** *(continued)*

**Dividends payable**

**(1) Presented by category**

	RMB'000	
Item	Closing balance	Opening balance
Related parties	2,667,506	73,870
Third parties	3,197,539	444,466
<b>Total</b>	<b>5,865,045</b>	<b>518,336</b>

**Other payables**

**(1) Details of other payables by nature are as follows:**

	RMB'000	
Item	Closing balance	Opening balance
Borrowings from CRRC Group	4,811,320	1,811,320
Collections on behalf other parties	5,482,557	3,299,908
Payments for equipment and projects	1,531,789	1,478,358
Deposits and securities, housing fund, and public facilities maintenance funds	1,496,657	1,405,306
Technology royalties and research expenditures	508,799	555,335
Utilities, repair and transportation expenses	295,923	390,166
Others	2,978,084	2,669,889
<b>Total</b>	<b>17,105,129</b>	<b>11,610,282</b>

As at 30 June 2022, details of other payables due to related parties are set out in Note X, 5.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

Item	RMB'000	
	Closing balance	Opening balance
Long-term loans due within one year (Note V.38)	5,322,310	1,763,490
Bonds payable due within one year (Note V.39)	2,517,857	70,662
Long-term payables due within one year (Note V.41)	1,265	1,265
Lease liabilities due within 1 year (Note V. 40)	351,752	395,188
Provisions due within one year (Note V. 43)	2,184,216	2,381,071
Other non-current liabilities due within one year (Note V.45)	68,292	1,162
<b>Total</b>	<b>10,445,692</b>	<b>4,612,838</b>

Other descriptions:

As at 30 June 2022, details of current account balances with related parties included in the balance of non-current liabilities due within one year are set out in Note X, 5.

#### 37. Other current liabilities

Item	RMB'000	
	Closing balance	Opening balance
Super short-term financing bills	2,204,303	–
Output VAT tax to be transferred and received VAT in advance	2,496,069	2,636,060
<b>Total</b>	<b>4,700,372</b>	<b>2,636,060</b>

The movements of short-term debentures payable:

Name of bonds	RMB'000									
	Par value	Issuing date	Maturity period (days)	Issuance amount	Opening balance	Issuance during the period	Accrued interest at par value	Amortisation of premium or discounts	Repayment during the period	Closing balance
CRRC's Phase I Super short-term financing bills in 2022	2,000,000	27 May 2022	29	2,000,000	–	2,000,000	2,819	–	(2,002,819)	–
CRRC's Phase II Super short-term financing bills in 2022	2,000,000	30 May 2022	59	2,000,000	–	2,000,000	3,398	–	–	2,003,398
Zhuzhou Times New Material Technology Co., Ltd.'s Phase I Super short-term financing bills in 2022	200,000	29 April 2022	90	200,000	–	200,000	905	–	–	200,905
<b>Total</b>	/	/	/	4,200,000	–	4,200,000	7,122	–	(2,002,819)	2,204,303



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

**38. Long-term borrowings**

**(1). Long-term borrowings by category**

Item	RMB'000	
	Closing balance	Opening balance
Credit loans	6,312,198	6,913,459
Pledged loans	2,321,843	2,123,086
Mortgage loans	181,089	181,221
Total	8,815,130	9,217,766
Less: Long-term loans due within one year (Note V.36)	(5,322,310)	(1,763,490)
Including: Credit loans	(4,366,287)	(970,822)
Pledged loans	(928,122)	(768,140)
Mortgage loans	(27,901)	(24,528)
Long-term loans due after one year	3,492,820	7,454,276
Including: Credit loans	1,945,911	5,942,637
Pledged loans	1,393,721	1,354,946
Mortgage loans	153,188	156,693

Other descriptions, including range of interest rates:

Analysis of long-term borrowings due after one year is as follows:

Subsequent to the balance sheet date	Closing balance	Opening balance
1-2 years	463,501	4,862,785
2-5 years	826,973	342,111
Over 5 years	2,202,346	2,249,380
Total	3,492,820	7,454,276

As at 30 June 2022, the annual interest rate of long-term borrowings ranged from 0.12%-6.27% (31 December 2021: 0.20%-6.27%).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 39. Bonds payable

##### (1). Bonds payable

Item	RMB'000	
	Closing balance	Opening balance
Corporate bonds	2,517,857	2,570,662
Total	2,517,857	2,570,662
Less: Bonds payable due within one year (Note V.36)	(2,517,857)	(70,662)
Bonds payable due after one year	–	2,500,000

##### (2). Movement of bonds payable (excluding other financial instruments classified as financial liabilities, such as preference shares and perpetual bonds):

Name of bonds	RMB'000									
	Par value	Issuing date	Maturity period	Issuing amount	Opening balance	Issuance during the period	Accrued interest at par value	Amortisation of premium or discounts	Repayment during the period	Closing balance
CSR 2013 Corporate Bonds (Phase I) (Ten-year Term)	100 RMB Each	22/04/2013	10 years	1,500,000	1,548,436	–	37,072	–	(75,004)	1,510,504
CRRC 2020 Phase I Corporate Bonds	100 RMB Each	01/04/2020	3 years	1,000,000	1,022,226	–	14,628	–	(29,501)	1,007,353
Total	/	/	/	2,500,000	2,570,662	–	51,700	–	(104,505)	2,517,857
Less: Bonds payable due within one year (Note V.36)	/	/	/	/	(70,662)	/	/	/	/	(2,517,857)
Bonds payable due after one year	/	/	/	/	2,500,000	/	/	/	/	–



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Lease liabilities

	RMB'000	
Item	Closing balance	Opening balance
Lease liabilities	1,524,492	1,620,695
Less: Lease liabilities included in non-current liabilities due within one year (Note V.36)	(351,752)	(395,188)
Lease liabilities due over one year	<u>1,172,740</u>	<u>1,225,507</u>

Other descriptions:

As at 30 June 2022, the lease liability (including the one-year maturity) due to the related parties are set out in Note X, 5.

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

	RMB'000
Subsequent to the balance sheet date:	Closing balance
1-2 years	322,922
2-5 years	593,638
Over 5 years	606,594
Total undiscounted payments	1,523,154
Less: Unrecognised finance charges	(350,414)
Lease liabilities due over one year	<u>1,172,740</u>

41. Long-term payables

Presented by item

	RMB'000	
Item	Closing balance	Opening balance
Long-term payables	34,001	24,725
Special payables	1,265	1,265
Total	35,266	25,990
Less: Non-current liabilities due within one year (Note V. 36)	(1,265)	(1,265)
Long-term payables due over one year	<u>34,001</u>	<u>24,725</u>

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

**41. Long-term payables** *(continued)*

Presented by item *(continued)*

**(1). Long-term payables**

Item	RMB'000	
	Closing balance	Opening balance
Purchase of fixed assets by instalment	34,001	24,725
Less: long-term payables due within one year	–	–
Long-term payables due over one year	34,001	24,725

**(2). Special payables**

Item	RMB'000			
	Opening balance	Increases	Decreases	Closing balance
Research & development of the overall solution and prototype system of embedded system of the rail transit equipment	614	–	–	614
Others	651	–	–	651
Total	1,265	–	–	1,265
Less: Special payables due within one year	(1,265)	–	–	(1,265)
Special payables due after one year	–	–	–	–

**42. Long-term employee benefits payable**

**(1). Table of long-term employee benefits payable**

Item	RMB'000	
	Closing balance	Opening balance
I. Post-employment benefits-liabilities in defined benefit plan (Mainland China) (Note 1)	1,521,167	1,443,043
II. Post-employment benefits-liabilities in defined benefit plan (Other countries and regions) (Note 2)	1,118,357	1,146,169
III. Other long-term employee benefits	513,027	639,316
Total	3,152,551	3,228,528

**V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS** *(continued)***42. Long-term employee benefits payable** *(continued)***(2). Changes in defined benefit plan (Mainland China)**

Present value of the defined benefit plan obligation:

Item (Note 1)	RMB'000	
	Current period	Prior period
I. Opening balance	1,623,565	1,846,809
II. Defined benefit cost recognised in profit or loss	24,154	26,419
1. Net interest	20,770	26,419
2. Cost of service in the current period	318	–
3. Cost of service in prior periods	3,066	–
III. Other changes	13,355	(76,405)
1. Benefits paid	13,355	(76,405)
IV. Closing balance	1,661,074	1,796,823
Less: Post-employment benefits due within one year		
– liabilities in defined benefit plan (Note V. 33)	(139,907)	(145,992)
V. Post-employment benefits due after one year		
– liabilities in defined benefit plan	1,521,167	1,650,831

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.

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. Towers Watson (Shenzhen) Consulting Co., Ltd. is an actuarial institution with professional certification qualifications and a member of the American Academy of Actuaries. The undersigned actuary, Haichuan Wu, is member of the Society of Actuaries and China Association of Actuaries. 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.

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

**42. Long-term employee benefits payable** *(continued)*

**(2). Changes in defined benefit plan (Mainland China)** *(continued)*

As at 30 June 2022, the average period of defined benefit plan obligations is 5-8 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 2022 (%)	31 December 2021 (%)
Discount rate	2.75	2.75
Average growth rate of medical cost	7.00/12.00/8.00	7.00/12.00/8.00

**(3). Changes in defined benefit plan (Other countries and regions):**

Present value of the defined benefit plan obligation:

Item	RMB'000	
	Current period	Prior period
I. Opening balance	1,233,644	1,398,316
II. Defined benefit cost recognised in profit or loss	6,499	13,525
1. Net interest	7,934	7,972
2. Cost of service in the current period	1,511	5,553
3. Cost of service in prior periods	(2,946)	–
III. Defined benefit cost recognised in other comprehensive income	(34,039)	(65,016)
1. Actuarial (gains)/losses	(13,124)	13,861
2. Translation differences arising from translation of foreign currency financial statements	(20,915)	(78,877)
IV. Other changes	(6,426)	(19,011)
1. Benefits paid	(6,426)	(19,011)
V. Closing balance	1,199,678	1,327,814
Less: Post-employment benefits due within one year-liabilities in defined benefit plan (other countries and regions) (Note V.33)	(1,085)	–
VI. Post-employment benefits due after one year-liabilities in defined benefit plan (other countries and regions)	1,198,593	1,327,814

Planned assets:

Item	Current period	Prior period
I. Opening balance	83,161	84,905
II. Additions during the period	–	–
III. Reductions during the period	(491)	–
IV. Translation differences arising from translation of foreign currency financial statements	(2,434)	(3,585)
V. Closing balance	80,236	81,320





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

**42. Long-term employee benefits payable** *(continued)*

**(3). Changes in defined benefit plan (Other countries and regions):** *(continued)*

Net liabilities of defined benefit plans:

Item (Note 2)	Current period	Prior period
Present value of the defined benefit plan obligations	1,198,593	1,327,814
Less: Planned assets	(80,236)	(81,320)
Net liabilities of defined benefit plans	1,118,357	1,246,494

Note 2: Post-employment benefits-net liabilities in defined benefit plan (other countries or regions) are based on the liabilities recognised in the pension plan provided by the Group's subsidiary, German Rubber and Plastics Business ("Germany BOGE") and Blue Engineering Co., Ltd. and its subsidiaries ("Blue Group"), and Vossloh Locomotives GmbH and its subsidiaries ("Vossloh AG") to their employees.

The principal pension plan of Germany BOGE provides a defined benefit plan for all eligible employees in Germany. For Germany BOGE, the actuarial valuation of the present value of the defined benefit plan obligations for the most recent period (i.e. the period ended 31 December 2021) was estimated and determined by the third-party evaluation agency, Mercer Deutschland GmbH, based on the expected cumulative benefit unit method. Mercer Deutschland GmbH is an actuarial institution with professional certification qualifications in Germany and a member of the German Association of Actuaries. As at 30 June 2022, the defined benefit plan is in the net liability position of RMB1.067 billion (31 December 2021: net liability of RMB1.092 billion). 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.

Germany BOGE paid 10,580,000 Euros and 939,000 Euros to the third-party escrow account in 2019 and 2021, respectively, for the plan asset, which is a restricted asset and its fair value at period-end is approximate to its book value. As at 30 June 2022, fair value of the plan asset of Germany BOGE was RMB80,236,000 (31 December 2021: RMB83,161,000).

As at 30 June 2022, obligations under these defined benefit plans of Germany BOGE are 7.00% (31 December 2021: 7.08%) covered by the plan assets.

No material surplus or deficiency was noted for the abovementioned plan assets.

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

**42. Long-term employee benefits payable** *(continued)*

**(3). Changes in defined benefit plan (Other countries and regions):** *(continued)*

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). For Blue Group, the actuarial valuation of the present value of the defined benefit plan obligations for the most recent period (i.e. the period ended 31 December 2021) was estimated and determined by the third-party evaluation agency, MANAGERS & PARTNERS – ACTUARIAL SERVICES S.P.A, based on the expected cumulative benefit unit method. MANAGERS & PARTNERS – ACTUARIAL SERVICES S.P.A is an actuarial institution with professional certification qualifications in Italy and a member of the Italian Society of Actuaries.

The principal pension plan of Vossloh Group provides a defined benefit plan for all eligible employees in German, including normal and early retirement benefits and benefits for survivors of deceased employees. For Vossloh Group, the actuarial valuation of the present value of the defined benefit plan obligations for the most recent period (i.e. the period ended 31 December 2021) was estimated and determined by the third-party evaluation agency, Deutsche Pensions Group GmbH, based on the expected cumulative benefit unit method. Deutsche Pensions Group GmbH is an actuarial institution with professional certification qualifications in Germany and a member of the German Association of Actuaries.

As at 30 June 2022, the average period of defined benefit plan obligations is 22 years.

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 2022 (%)	31 December 2021 (%)
Discount rate	0.98-1.35	0.98-1.35
Expected increase in wages and salaries	0.50-3.00	0.50-3.00
Increase in pension	1.70-2.81	1.70-2.81
Volatility	1.00-6.00	1.00-6.00

The expected increase in wages and salaries depends primarily on factors such as inflation, salary standards and the company's operating conditions.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

**43. Provisions**

RMB'000

Item	Closing balance	Opening balance	Reason
Warranties for product quality	8,997,682	9,143,215	Agreement on after-sales service
Others	650,296	789,509	Estimated liquidated damages and onerous contracts to be executed etc.
<b>Total</b>	<b>9,647,978</b>	<b>9,932,724</b>	<b>/</b>
Less: Provisions expected to due within one year (Note V.36)	(2,184,216)	(2,381,071)	/
Provisions due after one year	7,463,762	7,551,653	/

**44. Deferred income**

**Details of deferred income**

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
Government grants related to assets	5,023,815	77,884	193,308	4,908,391
Government grants related to income	1,635,174	151,285	279,854	1,506,605
<b>Total</b>	<b>6,658,989</b>	<b>229,169</b>	<b>473,162</b>	<b>6,414,996</b>

**Items related to government grants:**

RMB'000

Liability	Opening balance	Additional subsidies in the period	Amount recognised in non-operating income during the period	Amount recognised in other income during the period	Other decreases	Closing balance	Related to assets/income
Fund of science and technology projects and innovation enterprise awards	2,011,969	159,994	571	266,376	29,307	1,875,709	Assets/Income
Compensation for demolition	2,470,706	25,252	76,151	15,104	-	2,404,703	Assets/Income
Land subsidy refund	1,028,458	-	5,514	2,726	-	1,020,218	Assets/Income
Infrastructure subsidies	631,117	-	13,724	26,888	-	590,505	Assets/Income
Discount on imported products	14,955	-	-	1,807	-	13,148	Income
Others	501,784	43,923	11,574	20,614	2,806	510,713	Assets/Income
<b>Total</b>	<b>6,658,989</b>	<b>229,169</b>	<b>107,534</b>	<b>333,515</b>	<b>32,113</b>	<b>6,414,996</b>	<b>/</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 45. Other non-current liabilities

Item	RMB'000	
	Closing balance	Opening balance
Contract liabilities (Note V.31)	9,502	9,879
Others	120,992	62,775
Less: Other non-current liabilities due within one year (Note V. 36)	(68,292)	(1,162)
<b>Total</b>	<b>62,202</b>	<b>71,492</b>

#### 46. Share capital

	Opening balance	Changes during the year (+/-)		Closing balance
		Issuance of new shares	Sub-total	
Total shares	28,698,864	–	–	28,698,864
Shares without restrictions for sales				
1. RMB ordinary shares	24,327,798	–	–	24,327,798
2. Overseas listed ordinary shares	4,371,066	–	–	4,371,066

#### 47. Capital reserve

Item	Opening balance	RMB'000		Closing balance
		Increases	Decreases	
Share premium	40,482,504	–	–	40,482,504
Other capital reserves (Note)	1,404,689	45,995	467,619	983,065
<b>Total</b>	<b>41,887,193</b>	<b>45,995</b>	<b>467,619</b>	<b>41,465,569</b>

Note: Changes in other capital reserves were mainly due to increases or decreases in capital by non-controlling shareholders of the Company's subsidiaries and the Group's other equity changes in joint ventures and associates.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 48. Other comprehensive income

RMB'000

Item	Opening balance	Amount incurred for the period					Less: Previously recognised amount transferred to retained earnings	Closing balance
		Before-tax amount	Less: Previously recognised amount transferred to profit or loss	Less: Income tax expense	Net-of-tax amount attributable to shareholders of the Company	Net-of-tax amount attributable to non-controlling interests		
I. Items that will not be reclassified to profit or loss	(884,741)	(187,896)	-	(3,769)	(189,023)	4,896	3,035	(1,076,799)
Including: Remeasurement of defined benefit plan	(390,084)	13,124	-	-	8,203	4,921	-	(381,881)
Changes in fair value of investments in other equity instruments	(494,657)	(201,020)	-	(3,769)	(197,226)	(25)	3,035	(694,918)
II. Items that may be reclassified to profit or loss	(392,514)	360,891	-	11,751	338,746	10,394	-	(53,768)
Including: Other comprehensive income recognised under equity method	(24,152)	1,283	-	-	1,224	59	-	(22,928)
Changes in fair value of other debt investments	(149,964)	135,827	-	11,750	88,434	35,643	-	(61,530)
Credit losses of other debt investments	398	(98)	-	1	(99)	-	-	299
Translation differences arising from translation of foreign currency financial statements	(218,796)	223,879	-	-	249,187	(25,308)	-	30,391
Total other comprehensive income	(1,277,255)	172,995	-	7,982	149,723	15,290	3,035	(1,130,567)

#### 49. Special reserve

RMB'000

Item	Opening balance	Increases during the period	Decreases during the period	Closing balance
safety funds	49,957	168,578	168,578	49,957

#### 50. Surplus reserve

RMB'000

Item	Opening balance	Increases during the period	Decreases during the period	Closing balance
Statutory surplus reserve	4,844,204	-	-	4,844,204
Total	4,844,204	-	-	4,844,204

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 51. Retained earnings

Item	RMB'000	
	Current period	Prior period
Retained earnings at the beginning of the period	73,717,157	69,736,835
Add: Net profit attributable to shareholders of the Company in the current period	3,130,771	3,988,656
Less: Appropriation for general risk reserve	(13,673)	–
Ordinary share dividends payable	(5,165,796)	(5,165,796)
Other comprehensive income carried forward to retained earnings	3,035	–
Others	(71,687)	14,125
Retained earnings at the end of the period	71,599,807	68,573,820

Note 1: The Company's profit distribution plan for 2021 was approved at the 2021 Annual General Meeting of Shareholders held on 16 June 2022. Based on the total Company's share capital of 28,698,864,000 shares as at 31 December 2021, the annual dividends for 2021 were distributed to all shareholders, and a cash dividend of RMB0.18 (including tax) per share was distributed, totalling approximately RMB5,165,796,000.

Note 2: As at 30 June 2022, the balance of the Group's retained earnings included the surplus reserve already appropriated by the subsidiaries of RMB17,051,135,000 (31 December 2021: RMB17,051,135,000).

#### 52. Revenue and operating costs

##### (1). Details of revenue and operating costs

Item	RMB'000			
	Current period		Prior period	
	Income	Cost	Income	Cost
Principal operating activities	79,349,447	63,514,785	93,720,328	74,260,338
Other operating activities	1,947,651	1,418,741	1,743,687	1,131,407
Total	81,297,098	64,933,526	95,464,015	75,391,745

##### (2). Category of revenue and operating costs by business type

Item	RMB'000			
	Current period		Prior period	
	Income	Cost	Income	Cost
Sale of goods	63,231,818	50,738,676	76,061,418	59,722,321
Rendering of services	17,333,258	14,048,144	18,518,903	15,458,904
Sub-total	80,565,076	64,786,820	94,580,321	75,181,225
Interest income	227,326	39,579	255,741	38,924
Lease income	504,696	107,127	627,953	171,596
Total	81,297,098	64,933,526	95,464,015	75,391,745



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 52. Revenue and operating costs *(continued)*

##### (3). Details of revenue from contracts

	RMB'000	
	Current period	Prior period
<b>Rail transit equipment and extended products and services</b>		
Categorised by sales region		
Mainland China	71,961,851	85,256,805
Other countries and regions	8,603,225	9,323,516
Total	80,565,076	94,580,321

##### (4). Description on performance obligations

###### (i) Revenue from sales of goods (revenue recognised at a certain time point)

The goods sold by the Group are mainly rail transit equipment and its extended products. The Group recognises 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 recognised within a certain period of time)

The Group's revenue from rendering of services is mainly extended services of railway transportation equipment. The Group recognises 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.

#### 53. Taxes and surcharges

	RMB'000	
Item	Current period	Prior period
City maintenance and construction tax	134,029	155,239
Education surcharges	93,803	108,506
Property tax	182,026	183,173
Land use tax	125,304	136,475
Vehicle and vessel use tax	579	587
Stamp duty	78,060	76,845
Others	39,594	23,957
Total	653,395	684,782

#### 54. Selling expenses

	RMB'000	
Item	Current period	Prior period
Expected warranty provisions	956,084	1,269,267
Employee benefits	864,203	876,554
Travel expenses	85,493	109,126
Others	635,235	1,012,634
Total	2,541,015	3,267,581

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 55. Administrative expenses

Item	RMB'000	
	Current period	Prior period
Employee benefits	3,248,969	3,565,049
Depreciation of fixed assets	379,644	404,749
Amortisation of intangible assets	331,835	296,444
Others	1,276,744	1,677,012
<b>Total</b>	<b>5,237,192</b>	<b>5,943,254</b>

#### 56. Research and development expenses

Item	RMB'000	
	Current period	Prior period
Employee benefits	1,974,044	2,115,697
Depreciation charge	254,678	281,310
Amortisation of intangible assets	113,352	113,594
Others	2,184,627	2,576,162
<b>Total</b>	<b>4,526,701</b>	<b>5,086,763</b>

#### 57. Financial expenses

Item	RMB'000	
	Current period	Prior period
Interest expenses	430,260	505,561
Less: Capitalisation of interest	(19,850)	(34,815)
Interest expense on lease liabilities	31,261	32,558
Interest income	(367,777)	(374,334)
Exchange gains or losses	(287,305)	71,201
Handling charge of financial institutions	107,767	133,340
Actuarial interest adjustment	34,050	39,463
Others	(53,541)	(42,079)
<b>Total</b>	<b>(125,135)</b>	<b>330,895</b>

#### 58. Other income

Item	RMB'000	
	Current period	Prior period
VAT Refund	75,963	75,626
Scientific and technological projects fund	307,767	319,964
Others	239,629	220,651
<b>Total</b>	<b>623,359</b>	<b>616,241</b>





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 59. Investment income

	RMB'000	
Item	Current period	Prior period
Income from long-term equity investment accounted for under equity method (Note V.15)	22,106	(46,767)
Investment losses from disposal of subsidiaries	(154,869)	–
Dividend income from investments in other equity instruments during the holding period	11,285	12,122
Investment income from debt investments during the holding period	6,561	245
Investment income from disposal of debt investments	15,903	35,438
Investment income from disposal of held-for-trading financial assets	28,232	5,920
Investment income from changes in the fair value	27,972	88,761
Loss from derecognition of financial assets measured at amortised cost	(42,802)	(66,690)
Gains on debt restructuring	43,440	108,318
Others	(5,335)	2,669
Total	(47,507)	140,016

#### 60. Gains from changes in fair value

	RMB'000	
Sources of gains from changes in fair value	Current period	Prior period
Held-for-trading financial assets	272,046	76,505
Including: Gains on fair value changes of derivative financial instruments	14,655	244
Gains from changes in fair value of investments in equity instruments	157,758	67,950
Others	99,633	8,311
Other non-current financial assets	10,067	–
Held-for-trading financial liabilities	(5,874)	–
Including: Gains on fair value changes of derivative financial instruments	(5,874)	–
Total	276,239	76,505

#### 61. Impairment losses under expected credit loss model

	RMB'000	
Item	Current period	Prior period
Losses on bad debts of bills receivable	(17,404)	(4,225)
Losses on bad debts of accounts receivable	342,462	116,876
Losses on bad debts of other receivables	(3,297)	(2,413)
Losses of credit impairment on receivables at FVTOCI	(98)	(7,077)
Losses of credit impairment on long-term receivables	(235,073)	222,410
Losses of credit impairment on loans and advances	3,864	(641)
Others	(2,125)	(2,313)
Total	88,329	322,617

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 62. Assets impairment losses

Item	RMB'000	
	Current period	Prior period
Loss on decline in value of inventories	202,779	86,871
Impairment losses of long-term equity investments	–	392
Impairment losses of contract assets	32,390	54,051
Others	(26,250)	(16,326)
<b>Total</b>	<b>208,919</b>	<b>124,988</b>

#### 63. Gains on disposal of assets

Item	RMB'000	
	Current period	Prior period
Gains on disposal of fixed assets	220,563	166,176
Gains on disposal of intangible assets	328,796	336,759
<b>Total</b>	<b>549,359</b>	<b>502,935</b>

#### 64. Non-operating income

Item	RMB'000		Amount recognised in non-recurring profit or loss for the period
	Current period	Prior period	
Government grants	149,998	478,755	149,998
Liquidated damages, fines and compensation	37,891	49,172	37,891
Unpayable amount	15,447	2,751	15,447
Gains on retirement of assets	6,148	8,980	6,148
Income claim	30,647	93,440	30,647
Others	51,440	52,031	51,440
<b>Total</b>	<b>291,571</b>	<b>685,129</b>	<b>291,571</b>

#### Government grants included in profit or loss

Item	RMB'000		Related to assets/ Related to income
	Current period	Prior period	
Compensation for demolition	76,151	408,731	Assets/Income
Land subsidy return	5,514	8,105	Assets
Infrastructure subsidy	13,724	17,762	Assets
Others	54,609	44,157	Assets/Income
<b>Total</b>	<b>149,998</b>	<b>478,755</b>	/



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

**65. Non-operating expenses**

RMB'000

Item	Current period	Prior period	Amount recognised in non-recurring profit or loss for the period
Liquidated damages and penalty expenses	12,215	15,987	12,215
Relocation expenditure	13,777	325,324	13,777
Losses on retirement of assets	5,950	17,388	5,950
Donation expenditure	18,761	15,378	18,761
Flood control fund	5,831	6,471	5,831
Others	21,852	44,300	21,852
<b>Total</b>	<b>78,386</b>	<b>424,848</b>	<b>78,386</b>

**66. Income tax expenses**

**(1). Table of income tax expenses**

RMB'000

Item	Current period	Prior period
Current income tax expenses	799,014	1,185,550
Deferred income tax expenses	(29,172)	(136,547)
<b>Total</b>	<b>769,842</b>	<b>1,049,003</b>

**(2). Reconciliation of accounting profits and income tax expenses**

RMB'000

Item	Current period	Prior period
Profit before tax	4,847,791	5,907,368
Income tax expenses at statutory tax rate (25%)	1,211,948	1,476,842
Effect of different tax rates applied by subsidiaries	(321,084)	(485,152)
Effect of adjustment of income tax in the previous year	1,111	87,843
Effect of income free of tax	(2,821)	(3,031)
Effect of joint ventures and associates	(5,527)	11,692
Effect of non-deductible costs, expense and losses	36,885	39,141
Effect of using deductible losses for which no deferred tax assets were recognised for the prior period	(101,536)	(72,744)
Effect of deductible temporary differences or deductible losses for which no deferred tax assets were recognised in the current period	355,779	425,686
Other tax incentives (Note)	(404,913)	(431,274)
<b>Income tax expenses</b>	<b>769,842</b>	<b>1,049,003</b>

Note: Other tax incentives are mainly weighted deduction performed on technology research and development expenditures.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 67. Items in the cash flow statement

##### (1). Other cash receipts relating to operating activities

Item	RMB'000	
	Current period	Prior period
Government grants	500,506	606,500
Interest income	291,872	236,487
Others	536,535	1,026,196
Total	1,328,913	1,869,183

##### (2). Other cash payments relating to operating activities

Item	RMB'000	
	Current period	Prior period
Development and design expenses of products	2,175,070	2,572,293
Transportation, packing and insurance expenses of products	524,980	532,557
Marketing expenses	351,521	366,665
Expenditures on warranty provisions	248,226	216,990
Administrative office expenditure	225,910	265,469
Expenditure on water, electricity and energy, etc.	60,313	62,852
Others	1,139,213	1,307,095
Total	4,725,233	5,323,921



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

**68. Supplementary information to the cash flow statement**

**(1). Supplementary information to the cash flow statement**

	RMB'000	
Supplementary information	Current period	Prior period
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	4,077,949	4,858,365
Add: Assets impairment losses	208,919	124,988
Credit losses	88,329	322,617
Depreciation of fixed assets and amortization of investment properties	3,027,651	3,104,859
Depreciation of right-of-use assets	211,904	225,666
Amortisation of intangible assets	755,479	468,081
Amortisation of long-term deferred expenses	37,529	36,146
Gains from disposal of fixed assets, intangible assets, and other long-term assets	(549,557)	(494,527)
Gains from changes in fair value	(276,239)	(76,505)
Financial expenses	143,188	440,558
Investment losses/(income)	47,507	(140,016)
Changes in deferred tax assets and deferred tax liabilities	(29,172)	(136,547)
Increase in gross inventories	(15,169,383)	(11,971,128)
Increase in operating receivables	(6,724,371)	(28,743,638)
Increase in operating payables	12,221,180	20,409,740
Net cash outflow from operating activities	(1,929,087)	(11,571,341)
<b>2. Net changes in cash and cash equivalents:</b>		
Closing balance of cash and cash equivalents	41,487,744	21,467,344
Less: Opening balance of cash and cash equivalents	43,277,994	29,840,378
Net decrease in cash and cash equivalents	(1,790,250)	(8,373,034)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### +V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 68. Supplementary information to the cash flow statement (continued)

##### (2). Composition of cash and cash equivalents

Item	RMB'000	
	Closing balance	Opening balance
I. Cash	41,487,744	43,277,994
Including: Cash on hand	1,098	1,301
Bank deposits available on demand	41,486,646	43,276,693
III. Closing balance of cash and cash equivalents	41,487,744	43,277,994

#### 69. Assets with restrictive ownership title or right of use

Item	RMB'000	
	Carrying amount as at the end of the period	Reason for restriction
Cash at bank and on hand	2,263,540	Note V.1
Bills receivable	8,599,618	Note V.3
Accounts receivable	1,339,952	Note V.4
Receivables at FVTOCI	129,030	Note V.5
Long-term receivables	2,430,740	Note V.14
Fixed assets	218,130	Note V.19
Intangible assets	826,868	Note V.22
Other non-current assets	347,528	Note V.26
Total	16,155,406	–



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

V. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

70. Foreign-currency monetary items

(1). Foreign-currency monetary items

RMB'000			
Item	Foreign currency balance as at the end of the period	Exchange rate	Translated RMB balance as at the end of the period
Cash at bank and on hand			
Including: USD	469,517	6.7114	3,151,119
EUR	198,805	7.0084	1,393,304
HKD	1,051,418	0.8552	899,162
AUD	70,169	4.6145	323,793
MXN	476,296	0.3332	158,723
Others	/	/	940,417
Held-for-trading financial assets			
Including: USD	37,717	6.7114	253,132
EUR	472	7.0084	3,311
Accounts receivable			
Including: USD	255,363	6.7114	1,713,842
EUR	143,823	7.0084	1,007,968
HKD	161,818	0.8552	138,385
AUD	75,117	4.6145	346,628
MXN	530,625	0.3332	176,828
Others	/	/	185,013
Other receivables			
Including: USD	4,858	6.7114	32,607
EUR	5,274	7.0084	36,961
HKD	56,569	0.8552	48,377
AUD	3,143	4.6145	14,504
MXN	11,727	0.3332	3,908
Others	/	/	98,926
Other current assets			
Including: USD	410	6.7114	2,749
Others	/	/	5,941
Other non-current financial assets			
Including: USD	30,927	6.7114	207,567
Debt investments (including those due within one year)			
Including: USD	80,385	6.7114	539,494
Long-term receivables (including those due within one year)			
Including: USD	44,368	6.7114	297,771
EUR	1,273	7.0084	8,922

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

### 70. Foreign-currency monetary items (continued)

#### (1). Foreign-currency monetary items (continued)

RMB'000

Item	Foreign currency balance as at the end of the period	Exchange rate	Translated RMB balance as at the end of the period
Short-term borrowings			
Including: USD	578,630	6.7114	3,883,420
EUR	167,759	7.0084	1,175,723
HKD	723,000	0.8552	618,302
AUD	40,192	4.6145	185,466
Others	/	/	313,074
Accounts payable			
Including: USD	155,633	6.7114	1,044,513
EUR	147,512	7.0084	1,033,824
HKD	358,896	0.8552	306,924
AUD	55,922	4.6145	258,052
MXN	929,306	0.3332	309,686
Others	/	/	516,243
Other payables			
Including: USD	124,989	6.7114	838,848
EUR	25,718	7.0084	180,240
HKD	36,747	0.8552	31,426
AUD	41,444	4.6145	191,245
MXN	11,727	0.3332	3,908
Others	/	/	352,284
Long-term borrowings (including those due within one year)			
Including: USD	33,470	6.7114	224,631
EUR	26,951	7.0084	188,880
Long-term payables (including those due within one year) (except for special payables)			
Including: JPY	1,426	0.0554	79
Lease liabilities (including those due within one year)	—	—	—
Including: USD	3,374	6.7114	22,644
EUR	52,789	7.0084	369,967
Others	/	/	70,088





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 70. Foreign-currency monetary items *(continued)*

- (2). Notes to overseas business entity including disclosures of significant principal place of business, functional currency and basis for determining the functional currency as well as reasons for changes in functional currency for those significant overseas business entity

Name of overseas business entity	Principal place of business	Functional currency
CSR NEW MATERIAL TECHNOLOGIES GMBH	Germany	EUR
Specialist Machine Developments	Britain	GBP

### VI. CHANGE IN CONSOLIDATION SCOPE

#### 1. Change in consolidation scope due to other reason

On 8 March 2022, Ziyang Intermediate People's Court in Sichuan Province (hereinafter referred to as the "Court") issued a "Civil Ruling" ((2022) Chuan 20 Po Shen No.5) and ruled that it accepted the case regarding the application for bankruptcy liquidation submitted by Sichuan CRRC Yuchai Engine Co., Ltd. (hereinafter referred to as "CRRC Yuchai"); on 24 May 2022, the court issued a "Decision" ((2022) Chuan 20 Po No.1) and appointed Sichuan Senho Law Firm as the administrator of CRRC Yuchai. Since CRRC Yuchai has been fully taken over by the bankruptcy administrator, it is not included in the consolidation scope during this period.

### VII. INTERESTS IN OTHER ENTITIES

#### 1. Interests in subsidiaries

- (1). Significant non-wholly owned subsidiaries

Name of the Subsidiary	Proportion of non-controlling interest (%)	Net profit or loss attributable to non-controlling interests	Dividends distributed to non-controlling interests	Non-controlling interests at 30 June 2022
Times Electric	54.07	482,946	344,592	18,336,416
Times New Material	60.45	58,487	390,633	3,575,132
CRRC Changchun	6.46	62,947	91,560	2,481,862

RMB'000

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## VII. INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in subsidiaries (continued)

#### (2). Key financial information of significant non-wholly owned subsidiaries

RMB'000

Name of the Subsidiary	Balance at the end of the period						At the beginning of the year					
	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	35,078,284	10,883,799	45,962,083	10,831,317	1,530,722	12,362,039	34,642,982	9,507,763	44,150,745	9,151,242	1,706,858	10,858,100
Times New Material	12,368,401	5,032,491	17,400,892	9,449,458	2,251,909	11,701,367	11,223,227	5,073,382	16,296,609	8,440,732	2,867,183	11,307,915
CRRC Changchun	43,996,608	13,924,881	57,921,489	32,851,956	1,706,006	34,557,962	46,654,698	14,044,896	60,699,594	37,007,076	1,559,504	38,566,580

Name of the Subsidiary	January – June 2022				January – June 2021			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Times Electric	6,526,911	879,087	918,159	(527,694)	5,298,120	702,973	697,258	(2,133,689)
Times New Material	7,134,032	128,962	73,294	(1,075,175)	7,626,659	153,207	108,689	(287,633)
CRRC Changchun	8,017,521	757,382	756,497	(6,023,235)	14,843,981	1,422,663	1,428,213	(3,802,581)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

**VII. INTERESTS IN OTHER ENTITIES** *(continued)*

**2. Equity in associates or joint ventures**

**(1). Significant associates or joint ventures**

RMB'000

Name of joint venture or associate	Principal place of business	Registered place	Nature of business	Shareholding proportion (%)		Accounting methods for investment in joint ventures or associates
				Direct	Indirect	
China United Insurance	Beijing	Beijing	Finance	13.0633	-	Equity method

The Group holds 13.0633% voting power of China United Insurance. The Group has the right to assign 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.

**(2). Key financial information of significant associates**

RMB'000

	Balance at the end of the period/Amount for the current period	Balance at the beginning of the period/Amount for the prior period
Total assets	111,306,207	90,471,843
Total liabilities	91,156,603	70,493,972
Non-controlling interests	2,163,188	2,142,427
Equity attributable to owners of the parent company	17,986,416	17,835,444
Group's share of net assets	2,349,619	2,329,897
Goodwill	2,982,365	2,982,365
Carrying amount of equity investments in associates	5,331,984	5,312,262
Operating income	31,096,462	27,522,201
Net profit	267,350	524,734
Net profit attributable to shareholders of the parent company	227,686	472,805
Other comprehensive income attributable to shareholders of the parent company	(163)	16,618
Total comprehensive income attributable to shareholders of the parent company	227,523	489,423
Dividends received from associates in the current period	10,000	10,000

## VII. INTERESTS IN OTHER ENTITIES *(continued)*

### 2. Equity in associates or joint ventures *(continued)*

#### (3). Financial information of insignificant joint ventures and associates

RMB'000

	Balance at the end of the period/Amount for the current period	Balance at the beginning of the period/Amount for the prior period
Joint ventures:		
Total carrying amount of investments	4,020,057	4,070,375
Total amount calculated based on the shareholding proportion		
– Net profit	(27,488)	(6,585)
– Other comprehensive income	3,566	6,422
– Total comprehensive income	(23,922)	(163)
Associates:		
Total carrying amount of investments	8,407,768	7,821,195
Total amount calculated based on the shareholding proportion		
– Net profit	19,851	(101,946)
– Other comprehensive income	(2,262)	(249)
– Total comprehensive income	17,589	(102,195)

### 3. Interests in structured entities not included in the consolidated financial statements

Other descriptions about Interests in structured entities that are not included in consolidated financial statements:

On 30 June 2022, 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 2022, the structured entity has total assets of RMB3,134,850,000. The Group didn't provide financial support to the structured entity.

## VIII. RISK RELATED TO FINANCIAL INSTRUMENTS

The Group's main financial instruments include cash and bank balances, held-for-trading financial assets, bills receivable, accounts receivable, receivables at FVTOCI, a part of other receivables, a part of non-current assets due within one year, a part of other current assets, loans and advances to customers, debt investments, long-term receivables, equity instruments at FVTOCI, other non-current financial assets, other non-current assets, short-term borrowings, borrowings from the central bank, deposits from banks and other financial institutions, bills payable, accounts payable, a part of employee benefits, other payables, a part of non-current liabilities due within one year, long-term borrowings, bonds payable, lease liabilities, a part of long-term payables. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group adopts sensitivity analysis technique to analyse how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

**VIII. RISK RELATED TO FINANCIAL INSTRUMENTS** *(continued)*

**1. Category of financial instruments**

**(1). Carrying amount of financial assets**

RMB'000

Item	30 June 2022				Total
	At FVTPL	At amortised cost	Classified as at FVTOCI	Designated as at FVTOCI	
Cash at bank and on hand	–	46,545,477	–	–	46,545,477
Held-for-trading financial assets	14,047,115	–	–	–	14,047,115
Bills receivable	–	17,974,308	–	–	17,974,308
Accounts receivable	–	85,016,819	–	–	85,016,819
Receivables at FVTOCI	–	–	7,984,003	–	7,984,003
Other receivables (except for the portion of government subsidies and advance to staffs)	–	4,020,632	–	–	4,020,632
Other current assets (Large deposit certificate)	–	1,414,950	–	–	1,414,950
Loans and advances to customers (including due within one year)	–	8,908,258	–	–	8,908,258
Debt investments (including due within one year)	–	539,494	–	–	539,494
Long-term receivables (including due within one year) (except for finance lease)	–	3,071,836	–	–	3,071,836
Investments in other equity instruments	–	–	–	2,678,594	2,678,594
Other non-current financial assets	400,033	–	–	–	400,033
Other non-current assets	–	2,827,760	–	–	2,827,760
<b>Total</b>	<b>14,447,148</b>	<b>170,319,534</b>	<b>7,984,003</b>	<b>2,678,594</b>	<b>195,429,279</b>

**VIII. RISK RELATED TO FINANCIAL INSTRUMENTS** *(continued)*

1. **Category of financial instruments** *(continued)*

(2). **Carrying amount of financial liabilities**

RMB'000

Item	30 June 2022		Total
	Financial liabilities at FVTPL	Other financial liabilities	
Short-term borrowings	–	17,298,974	17,298,974
Borrowings from the central bank	–	686,087	686,087
Deposits from banks and other financial institutions	–	5,629,097	5,629,097
Placements from banks and other financial institutions	–	1,450,209	1,450,209
Held-for-trading financial liabilities	5,874	–	5,874
Bills payable	–	20,074,018	20,074,018
Accounts payable	–	132,821,408	132,821,408
Employee benefits payable (except for defined benefit plan)	–	2,056,843	2,056,843
Other payables	–	22,982,621	22,982,621
Other current liabilities (super short-term financing bills)	–	2,204,303	2,204,303
Lease liabilities (including due within one year)	–	1,524,492	1,524,492
Long-term borrowings (including due within one year)	–	8,815,130	8,815,130
Bonds payable (including due within one year)	–	2,517,857	2,517,857
Long-term payables (including due within one year)(except for special payables)	–	34,001	34,001
<b>Total</b>	<b>5,874</b>	<b>218,095,040</b>	<b>218,100,914</b>



## VIII. RISK 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 2022, the Group's maximum exposure to credit risk which will cause losses of financial assets, contract assets and lease accounts receivables to the Group due to failure to discharge an obligation by the counterparties is arising from:

- (i) The carrying amount of the respective recognised 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 recognised and reputable third parties. According to the Group's policies, for all the customers that require to make transactions on credit, the Group needs to review the credit of the customers and determines the manner of sales on the basis of customers' credit grading, credit line and credit period. For sales on credit, the payment period and the amount on credit need to be specified in the sales contract, with the payment period not exceeding credit period, and the accumulated amount of credit sales shall not exceed the credit line. For cash on delivery, the goods are not shipped until all the collection procedures are completed, so as to ensure the Group will not be exposed to significant credit loss.

The specific method used by the Group to assess whether the credit risk of financial instruments has increased significantly since initial recognition and the basis for determining that the financial assets are impaired, as well as the policies of immediate write-off of financial assets etc. are set out in Note III.11.

The Group's credit risk exposure to any single financial instrument is limited because the bank deposits are deposited with banks with high credit ratings.

China State Railway Group Co., Ltd. is one of the major customers for the Group (including the China State Railway Group Co., Ltd. it belongs to and other subsidiaries, together as "State Railway Group") accounts for a larger proportion of the Group's revenue, accordingly, the accounts receivable from such customer also account for a larger proportion. The Group's management believes that the customer is of reliable and good reputation, therefore the Group has no significant credit risk in respect of the receivables from this customer. Except for this customer, the Group has no other significant concentration of credit risk.

The Group's major operating activities and corresponding concentration of operating risk are located in Mainland China.

As at 30 June 2022, included in the Group's accounts receivable, the accounts receivable from the top one and top five customers respectively account for 42.1% (31 December 2021: 43.6%) and 47.5% (31 December 2021: 49.0%).

As at 30 June 2022, 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 5.3% (31 December 2021: 4.0%) and 24.7% (31 December 2021: 18.4%) respectively.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### VIII. RISK 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	Carrying amount at 30 June 2022			Total
		12-month ECL	Lifetime ECL (No credit loss occurred)	Lifetime ECL (Credit loss occurred)	
<b>Financial assets measured at amortised cost:</b>					
Cash at bank and on hand	1	46,545,477	–	–	46,545,477
Bills receivable	3	17,994,228	–	–	17,994,228
Accounts receivable	4	–	84,768,709	4,952,194	89,720,903
Other receivables	7	4,026,941	–	1,419,313	5,446,254
Other current assets	11	1,414,950	–	–	1,414,950
Loans and advances to customers (including due within one year)	12	8,898,063	154,392	–	9,052,455
Debt investments (including due within one year)	13	539,494	–	–	539,494
Long-term receivables (except for finance lease receivable) (including due within one year)	14	–	1,607,695	2,267,399	3,875,094
<b>Financial assets classified as at FVTOCI:</b>					
Receivables at FVTOCI	5	7,984,003	–	–	7,984,003
<b>Other items:</b>					
Contract assets (including non-current portion)	9	–	43,107,637	1,367,027	44,474,664
Long-term receivables – Finance lease receivable (including due within one year)	14	–	7,697,359	4,878,975	12,576,334

Note 1: For accounts receivable and contract assets formed under revenue standards as well as financing lease receivables formed under lease standards, the Group adopts simple method to measure the amount of lifetime ECL.

The movements of loss allowance for the Group's bills receivable, accounts receivable, receivables at FVTOCI, other receivables, contract assets, loans and advances to customers, debt investments and long-term receivables are detailed in Note V.3, Note V.4, Note V.5, Note V.7, Note V.9, Note V.12, Note V.13 and Note V.14.





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### VIII. RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

#### 3. Liquidity risk

Liquidity risk represents the risk that the entity encounters shortage of funds when performing the obligation relating to financial liabilities. The Group's objective is to maintain the balance between the continuity and flexibility of financing by comprehensively using multiple financing measures such as settlement with notes, bank borrowing, short-term financing bonds and corporate bonds etc. and adopting proper combination of long-term and short-term financing as well as the method of optimizing financing structure. The Group has obtained bank credit from several commercial banks to meet its need of working capital and capital expenditures. The management has been monitoring the Group's liquidity so as to ensure the Group has sufficient liquidity to repay all the due debts and get maximum benefits from its financial resources.

#### (1). Maturity analysis of non-derivative financial liabilities and lease liabilities based on undiscounted contract cash flows

RMB'000

Item	30 June 2022				Total
	Within 1 year (inclusive)	1-2 years (inclusive)	2-5 years (inclusive)	Over 5 years	
Short-term borrowings	17,298,974	–	–	–	17,298,974
Deposits from banks and other financial institutions	5,629,097	–	–	–	5,629,097
Bills payable	20,074,018	–	–	–	20,074,018
Accounts payable	132,821,408	–	–	–	132,821,408
Other payables	22,982,621	–	–	–	22,982,621
Other current liabilities	2,207,233	–	–	–	2,207,233
Long-term borrowings (including due within one year)	5,484,756	609,820	1,211,781	2,644,593	9,950,950
Bonds payable (including due within one year)	2,582,851	–	–	–	2,582,851
Long-term payables (including due within one year)(except for special payables)	–	79	38,770	1,234	40,083
Lease liabilities (including due within one year)	351,752	322,922	593,638	606,594	1,874,906
<b>Total</b>	<b>209,432,710</b>	<b>932,821</b>	<b>1,844,189</b>	<b>3,252,421</b>	<b>215,462,141</b>

**VIII. RISK 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 capitalisation of borrowing costs considered) under the assumption that all the other variables held constant.

Item	January – June 2022		January – June 2021	
	Increased by 25 basis points	Decreased by 25 basis points	Increased by 25 basis points	Decreased by 25 basis points
Rate of variable-rate borrowings				
(Decrease)/increase in net profit (RMB'000)	(34,173)	34,173	(21,622)	21,622

**(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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### VIII. RISK 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 2022	31 December 2021
Foreign currency financial assets:		
Cash at bank and on hand	6,866,518	6,592,473
Held-for-trading financial assets	256,443	245,095
Accounts receivable	3,035,169	2,421,400
Other receivables	226,258	273,823
Other current assets	8,690	–
Debt investments (including due within one year)	539,494	518,686
Long-term receivables (including due within one year)	288,383	274,081
Other non-current financial assets	207,567	197,647
<b>Total</b>	<b>11,428,522</b>	<b>10,523,205</b>
Foreign currency financial liabilities:		
Short-term borrowings	6,175,985	3,083,909
Accounts payable	3,469,242	3,067,186
Other payables	1,597,951	1,527,707
Long-term borrowings (including due within one year)	413,511	211,814
Long-term payables (including due within one year) (except for special payables)	79	525
Lease liabilities (including due within one year)	462,699	423,864
<b>Total</b>	<b>12,119,467</b>	<b>8,315,005</b>

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.

## VIII. RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 4. Market risk *(continued)*

#### (3). Currency risk *(continued)*

##### (i) Foreign currency financial assets and financial liabilities *(continued)*

EUR	30 June 2022		31 December 2021	
	Against RMB	Increased by 3.72%	Decreased by 3.72%	Increased by 9.53%
(Decrease)/increase in net profit (RMB'000)	(17,274)	17,274	(32,154)	32,154

USD	30 June 2022		31 December 2021	
	Against RMB	Increased by 5.70%	Decreased by 5.70%	Increased by 2.36%
(Decrease)/Increase in net profit (RMB'000)	(14,393)	14,393	21,474	(21,474)

### 5. Transfer of financial assets

At 30 June 2022, the Group endorsed receivables at FVTOCI of RMB3,488,128,000 (31 December 2021: RMB11,324,313,000) to its suppliers to pay the accounts payable; discounted bills receivable of RMB1,360,322,000 (31 December 2021: RMB4,876,277,000) 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 derecognised 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 2022, 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 2022, the Group endorsed bills receivable of RMB6,810,163,000 (31 December 2021: RMB7,380,028,000) to its suppliers to pay the accounts payable; discounted bills receivable of RMB1,241,183,000 (31 December 2021: RMB311,669,000) 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 recognise 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 2022, the Group transferred accounts receivable of RMB207,619,000 (January to June 2021: RMB643,283,000) to bank to obtain currency funds. The Group believes that it has transferred substantially all the risks and rewards of ownership of such accounts receivable, therefore derecognised such accounts receivable. The Group's losses arising from derecognition of such accounts receivable are included in investment income amounting to RMB4,690,000 (January to June 2021: RMB42,636,000).

From January to June 2022, the Group securitised accounts receivable of RMB430,186,000 (January to June 2021: RMB350,828,000). In this business, the Group, as assets service institution, only provides collection service according to the agreement and does not charge service fee. The Group believes that it has transferred substantially all the risks and rewards of ownership of such accounts receivable, therefore derecognised such accounts receivable. The Group's losses arising from derecognition of such accounts receivable are included in investment income amounting to RMB4,763,000 (January to June 2021: RMB18,827,000).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (continued)

#### 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 2022 and 31 December 2021, the asset-liability proportion are as follows:

	30 June 2022	31 December 2021
Asset-liability proportion (%)	59.57	57.29

### 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 2022				Valuation techniques and inputs	Significant unobservable inputs
	Level 1 Fair value measurement	Level 2 Fair value measurement	Level 3 Fair value measurement	Total		
(I) Held-for-trading financial assets	-	10,775,169	3,271,946	14,047,115		
1. Derivative financial assets	-	17,744	-	17,744	Note 1	/
2. Structured deposit	-	10,757,425	-	10,757,425	Note 3	/
3. Unlisted equity instrument investments	-	-	3,271,946	3,271,946	Note 4	Note 4
(II) Receivables at FVTOCI	-	7,984,003	-	7,984,003	Note 3	/
(III) Investments in other equity instruments	979,186	-	1,699,408	2,678,594		
1. Listed equity instrument investments	979,186	-	-	979,186	Note 2	/
2. Unlisted equity instruments investments	-	-	1,699,408	1,699,408	Note 5	Note 5
(IV) Other non-current financial assets	400,033	-	-	400,033		
1. Financial assets investments: such as preference shares	400,033	-	-	400,033	Note 1	/
<b>Total assets measured at fair value on a recurring basis</b>	<b>1,379,219</b>	<b>18,759,172</b>	<b>4,971,354</b>	<b>25,109,745</b>		
(V) Held-for-trading financial liabilities	-	5,874	-	5,874		
1. Derivative financial liabilities	-	5,874	-	5,874	Note 1	/
<b>Total liabilities measured at fair value on a recurring basis</b>	<b>-</b>	<b>5,874</b>	<b>-</b>	<b>5,874</b>		

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### IX. DISCLOSURE OF FAIR VALUE *(continued)*

#### 1. Closing fair value of assets and liabilities measured at fair value *(continued)*

Note 1: Discounted cash flow method. Future cash flows are based on forward exchange rate (sourced from the forward exchange rate observed at financial statement date) and estimated contractual forward exchange rate, and discounted using the discounting rate reflecting the credit risk of counterparty.

Note 2: Quoted price (unadjusted) in active market.

Note 3: Discounted cash flow method. Future cash flows are estimated based on expected return and discounted using the discounting rate reflecting the credit risk of counterparty.

Note 4: Discounted cash flow method. Unobservable inputs include revenue growth and system risk factor. The revenue growth is based on the estimate of the management of the investee. The system risk factor is based on the system risk factor of historical stock price of comparative companies.

Note 5: Comparative listed company comparing method and dividends discounting model. The unobservable inputs of the comparative listed company comparing method include liquidity discount. The unobservable inputs of dividends discounting model include expected growth rate and discounting rate.

#### 2. Reconciliation from the opening balances to the closing balances, and sensitivity analysis on unobservable inputs for items measured at recurring Level 3 fair value measurements

RMB'000

ITEM	Held-for-trading financial assets (unlisted equity instrument investments)	Investments in other equity instruments (unlisted equity instrument investments)
1 January 2022	2,559,873	1,853,360
Additions	568,500	64,480
Disposals	(14,373)	(9,860)
Transfers out	–	(210,534)
Profits	157,946	1,962
Included in profit or loss	157,946	–
Included in other comprehensive income	–	1,962
Changes in foreign exchange rates	–	–
30 June 2022	<u>3,271,946</u>	<u>1,699,408</u>

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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### IX. DISCLOSURE OF FAIR VALUE (continued)

#### 3. 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 amortised 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 2022	31 December 2021	30 June 2022	31 December 2021
Fixed-rate debt investments	311,316	2,002,484	250,804	1,804,422
Fixed-rate long-term receivables	9,301,963	10,774,956	8,824,021	10,550,586
Fixed-rate long-term borrowings	2,116,814	2,334,377	2,089,652	1,646,536
Fixed-rate corporate bonds payable	2,500,000	2,500,000	2,422,703	2,488,016

The listed bonds in debt investments are publicly traded in active market and attributable to level 1 fair value measurement; the fair value of debt investments (exclusive of listed bonds), 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 PARTIES AND RELATED PARTY TRANSACTIONS

#### 1. Parent of the Company

RMB'000

Company name	Registered place	Nature of business	Registered capital	Proportion of ownership interest held by the parent company (%)	Proportion of voting power held by the parent company (%)
CRRC Group	Beijing	Manufacturing	23,000,000	51.35	51.35

The ultimate controlling party of the Company is State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC").

#### 2. Subsidiaries of the Company

The Company's subsidiaries are detailed in Note I.2

**X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** (continued)

**3. Joint ventures and associates of the Company**

Please see Note VII.2(1) for information of important joint ventures and associates of the Company

The joint ventures and associates that have transactions with the Company in the current or prior period are as follows:

Name of joint ventures or associates	Relationship with the Company
Shentong CRRC (Shanghai) Rail Transit Vehicle Maintenance Co., Ltd.	Joint ventures
Shentong Changke (Shanghai) Rail Transit Vehicle Maintenance Co., Ltd.	Joint ventures
Shenyang CRRC Westinghouse Railway Brake Technology Co., Ltd.	Joint ventures
Changzhou RuiYang Transmission Technology Co., Ltd	Joint ventures
Dalian Toshiba Locomotive Electric Equipment Co., Ltd.	Joint ventures
Shenzhen CRRC Railway Vehicles Co., Ltd.	Joint ventures
Shenyang CRRC Rail Transit Equipment Co., Ltd.	Joint ventures
Jiangsu Leadrun Manden Casting Co., Ltd.	Joint ventures
Changchun Changke Alstom Rail Vehicle Co., Ltd	Joint ventures
Xi'an Sifang Rail Traffic Equipment Co., Ltd.	Joint ventures
Wenzhou Times Lanpu Electrical Equipment Co., Ltd.	Joint ventures
Shanxi Jinlong Sifang Railway Vehicle Equipment Co., Ltd.	Joint ventures
Guangzhou Sifang Rail Transit Equipment Co., Ltd.	Joint ventures
Qingdao Sifang Sri Intellectual Technology Co., Ltd.	Joint ventures
Zhuzhou Times Mitsubishi Transportation Equipment Co., Ltd.	Joint ventures
Changshu Zhishui Environmental Protection Water Co., Ltd.	Joint ventures
Beijing Sifang Tongchuang Rail Transit Equipment Co., Ltd.	Joint ventures
Qingdao Sifang Kawasaki Vehicle Technology Co., Ltd.	Joint ventures
Changchun Changke Rail Environmental Protection Equipment Co., Ltd.	Joint ventures
Zhengzhou Times Traffic Electrical Equipment Co., Ltd.	Joint ventures
Jinan Sirui Rail Transit Equipment Technology Co., Ltd.	Joint ventures
Wuhu Yunda Rail Transit Construction and Operation Co., Ltd.	Joint ventures
Qingdao Sifang Faiveley Railway Brake Co., Ltd.	Joint ventures
Shanghai Alstom Transport Electrical Equipment Co., Ltd.	Associates
Chengdu Changke Xinzhu Rail Transportation Equipment Co., Ltd.	Associates
Tianjin Electric Locomotive Co., Ltd.	Associates
Qingdao Alstom Railway Equipment Co., Ltd.	Associates
Xinyang Amsted Tonghe Wheels Co., Ltd.	Associates
Guangzhou Electric Locomotive Co., Ltd.	Associates
Beijing Nankou SKF Railway Bearing Co., Ltd.	Associates
CRRC Ziyang Transmission Co., Ltd.	Associates
Zhuzhou National Innovation Railway Technology Co., Ltd.	Associates
Inner Mongolia Yiji Group Like Rubber & Plastic Products Co., Ltd.	Associates
CRRC Datong Semco Railway Traffic Co., Ltd.	Associates
China Railway Shenyang Railway Equipment Co., Ltd.	Associates
Hangcai Guochuang (Qingdao) High-speed Rail Materials Research Institute Co., Ltd.	Associates
ABB Datong Traction Transformers Co., Ltd.	Associates
CRRC Foshan Investment Development Co., Ltd.	Associates
Hunan Motor Vehicle Inspection Technology Co., Ltd.	Associates
Datong Faiveley Railway Vehicle Equipment Company Limited	Associates
Guangzhou Junfa Electric Co., Ltd.	Associates
Zhuzhou Times Engineering Plastics Technology Co., Ltd.	Associates
Beijing Beijiufang Science and Trade Co., Ltd.	Associates
Jiangsu CRRC Digital Technology Co., Ltd.	Associates
Zhuzhou Times Electric Insulation Co., Ltd.	Associates
Sichuan CRRC Tietou Rail Transit Co., Ltd.	Associates



**X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** *(continued)***3. Joint ventures and associates of the Company** *(continued)*

Name of joint ventures or associates	Relationship with the Company
Xi'an Alstom Yongji Electrical Equipment Co., Ltd.	Associates
Knorr-Bremse Nankou Air Supply Unit (Beijing) Co., Ltd.	Associates
Hunan CRRC Westinghouse Rail Transit Technology Co., Ltd.	Associates
Qingdao Metro Rail Transit Intelligent Maintenance Co., Ltd.	Associates
Chongqing Dongtuo Rail Transit Equipment Co., Ltd.	Associates
Baweitong Technology Co., Ltd.	Associates
Wuxi times Intelligent Transportation Research Institute Co., Ltd.	Associates
CRRC Zhuzhou Rail Transit Periodical Press Co., Ltd.	Associates
Sichuan CSR Sharing Foundry Co., Ltd.	Associates
Qiqihar EEE Forging Equipment Co., Ltd.	Associates
Hunan Maglev Transportation Development Co., Ltd.	Associates
Jiangxi Shanghua Shengyilun Motor Co., Ltd.	Associates
Zhuzhou Siemens Traction Equipment Co., Ltd.	Associates
Hunan Honghui Technology Co., Ltd.	Associates
Vertex Railcar Corporation	Associates
Hebei CRRC Luxing Anti-loose Technology Co., Ltd.	Associates
Shanghai Nanji Track Equipment Technology Development Co., Ltd.	Associates
Foshan Gaoming Modern Rail Transit Construction & Investment Co., Ltd.	Associates
Jinan-Qingdao High-speed Railway Co., Ltd.	Associates
Wuxi CRRC Hofer Powertrain Co., Ltd.	Associates
Shanghai CRRC Voith Transmission Technology Co., Ltd.	Associates
Dalian Haipeng Railway Equipment Co., Ltd.	Associates
Zhuzhou Time Huaxin New Material Technology Co., Ltd.	Associates
Huaneng Tieling Daxing Wind Power Co., Ltd.	Associates
CRRC CUJEC Railway Equipment Co., Ltd.	Associates
Huaneng Panjin Wind Power Co., Ltd.	Associates
CRRC (Beijing) Transformation and Upgrading Fund Management Co., Ltd.	Associates
Taizhou Taizhong Rail Transit Co., Ltd.	Associates
CRRC Times Electric Vehicle Co., Ltd.	Associates

**X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** (continued)

4. Related party transactions

(1). Purchases and sales of goods, rendering and receipt of services

**Purchases of goods/receipt of services**

RMB'000

Related party	Content of related party transaction	RMB'000	
		Current period	Prior period
Joint ventures	Purchase of goods	40,512	31,336
Associates	Purchase of goods	403,366	284,405
CRRC Group and subsidiaries	Purchase of goods	230,321	211,527
Joint ventures and associates of CRRC Group and subsidiaries	Purchase of goods	3,047	3,371
Joint ventures	Receipt of service	81	5,726
Associates	Receipt of service	4,336	14,825
CRRC Group and subsidiaries	Receipt of service	16,653	20,275
Joint ventures and associates of CRRC Group and subsidiaries	Receipt of service	564	–
Total	/	698,880	571,465

**Sales of goods/rendering of services**

RMB'000

Related party	Content of related party transaction	RMB'000	
		Current period	Prior period
Joint ventures	Sale of goods	221,502	355,657
Associates	Sale of goods	763,460	747,772
CRRC Group and subsidiaries	Sale of goods	475,014	219,399
Joint ventures and associates of CRRC Group and subsidiaries	Sale of goods	52,327	9,240
Joint ventures	Rendering of services	4,007	7,653
Associates	Rendering of services	8,163	56,884
CRRC Group and subsidiaries	Rendering of services	16,426	10,005
Joint ventures and associates of CRRC Group and subsidiaries	Rendering of services	2,777,114	1,572,796
Total	/	4,318,013	2,979,406



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

**X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** *(continued)*

**4. Related party transactions** *(continued)*

**(2). Leases with related parties**

The Company as the lessor:

		RMB'000	
Name of lessee	Type of assets leased	Lease income recognised in the current period	Lease income recognised in the prior period
Associates	Fixed assets	1,305	570
CRRC Group and subsidiaries	Fixed assets	–	143
Joint ventures and associates of CRRC Group and subsidiaries	Fixed assets	776	776
<b>Total</b>	/	<b>2,081</b>	<b>1,489</b>

The Company as the lessee:

		RMB'000	
Name of lessor	Type of assets leased	Lease payment recognised in the current period	Lease payment recognised in the prior period
CRRC Group and subsidiaries	Fixed assets	62,055	33,023
<b>Total</b>	/	<b>62,055</b>	<b>33,023</b>

**(3). Guarantees with related parties**

**The Company as the guarantor**

		RMB'000	
The guarantee company		Closing balance	Opening balance
Wuhu Yunda		1,973,149	1,973,149
CRRC E – LOCO SUPPLY (PTY) LTD.		1,809,355	1,752,881
<b>Total</b>		<b>3,782,504</b>	<b>3,726,030</b>

**The Company as the guarantee holder**

		RMB'000	
Name of guarantor	Content of related party transaction	Closing balance	Opening balance
CRRC Group	Debt guarantee	1,500,000	1,500,000
<b>Total</b>	/	<b>1,500,000</b>	<b>1,500,000</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

#### 4. Related party transactions *(continued)*

##### (4). Funding from related party

RMB'000

Related party	Amount of borrowing/loan	Inception date	Maturity date	Note
Funds received				
CRRC Group	148,590	29/07/2021	28/07/2022	/
CRRC Group	312,960	19/11/2021	18/11/2022	/
CRRC Group	1,100,000	15/12/2021	14/12/2022	/
CRRC Group	249,770	28/12/2021	27/12/2022	/
CRRC Group	3,000,000	31/03/2022	30/03/2023	/
Total	4,811,320	/	/	/

##### (5). Assets transfer/debt restructuring with related parties

RMB'00

Related party	Content of related party transaction	Current period	Prior period
CRRC Group and its subsidiaries	Newly added long-term equity investments	202,990	-
Total	/	202,990	-

##### (6). Remuneration of key management personnel

RMB'000

ITEM	Current period	Prior period
Remuneration of key management personnel	4,149	4,868

##### (7). Other related party transactions

RMB'000

Related party	Content of related party transaction	Current period	Prior period
Joint ventures	Financial service and interest income	1,761	-
Associates	Financial service and interest income	-	4,394
CRRC Group and its subsidiaries	Financial service and interest income	136,668	124,705
Joint ventures	Interest expense	646	60
Associates	Interest expense	9	219
CRRC Group and its subsidiaries	Interest expense	76,381	61,925
Joint ventures and associates of CRRC Group and its subsidiaries	Interest expense	12	6
Total	/	215,477	191,309



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

**X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** *(continued)*

**5. Amounts due from/to related parties**

**(1). Receivables**

ITEM	Related party	30 June 2022		31 December 2021	
		Book value	Provision for bad and doubtful debts	Book value	Provision for bad and doubtful debts
Bills receivable	Joint ventures	–	–	6,071	–
Bills receivable	Associates	81,430	412	58,430	457
Bills receivable	CRRC Group and its subsidiaries	37,520	12	14,275	13
Accounts receivable	Joint ventures	848,023	92,697	684,678	84,995
Accounts receivable	Associates	973,694	96,768	416,342	90,278
Accounts receivable	CRRC Group and its subsidiaries	1,209,543	38,702	838,656	26,915
Accounts receivable	Joint ventures and associates of CRRC Group and its subsidiaries	136,673	10,772	391,394	15,035
Receivables at fair value through other comprehensive income	Joint ventures	4,793	–	6,185	6,116
Receivables at fair value through other comprehensive income	Associates	100,195	–	57,007	8,313
Receivables at fair value through other comprehensive income	CRRC Group and its subsidiaries	75,178	–	73,304	1,094
Prepayments	Joint ventures	148,398	–	143,374	50
Prepayments	Associates	97,487	–	103,936	–
Prepayments	CRRC Group and its subsidiaries	7,406	371	7,613	229
Other receivables	Joint ventures	2,893	21	714	8
Other receivables	Associates	20,964	570	38,540	645
Other receivables	CRRC Group and its subsidiaries	701,333	15,717	668,464	15,294
Contract assets	Joint ventures	3,328	42	3,485	25
Contract assets	Associates	372,585	2,547	836,141	13,709
Contract assets	CRRC Group and its subsidiaries	170,202	12,055	195,346	12,098
Contract assets	Joint ventures and associates of CRRC Group and its subsidiaries	14,975	150	9,509	–
Non-current assets due within one year	Joint ventures	241,351	6,947	27,991	975
Non-current assets due within one year	CRRC Group and its subsidiaries	8,600,748	113,998	11,021,754	115,926
Long-term receivables	Associates	600,175	556,269	572,353	528,447
Other non-current assets	Joint ventures	14,845	152	16,553	156
Other non-current assets	Associates	260,847	3,569	290,047	4,086
Other non-current assets	CRRC Group and its subsidiaries	95,178	93	58,793	102
Other non-current assets	Joint ventures and associates of CRRC Group and its subsidiaries	78,158	779	728,712	728
<b>Total</b>		<b>14,897,922</b>	<b>952,643</b>	<b>17,269,667</b>	<b>925,694</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

#### 5. Amounts due from/to related parties *(continued)*

##### (2). Payables

		RMB'000	
Item	Related party	30 June 2022	31 December 2021
Customer deposits and deposits from banks and other financial institutions	Joint ventures	119,090	19,949
Customer deposits and deposits from banks and other financial institutions	Associates	9,538	2,574
Customer deposits and deposits from banks and other financial institutions	CRRC Group and its subsidiaries	5,471,297	4,534,516
Customer deposits and deposits from banks and other financial institutions	Joint ventures and associates of CRRC Group and its subsidiaries	29,172	44,580
Bills payable	Joint ventures	361,723	199,738
Bills payable	Associates	112,928	25,017
Bills payable	CRRC Group and its subsidiaries	20,232	56,350
Bills payable	Joint ventures and associates of CRRC Group and its subsidiaries	3,000	3,966
Accounts payable	Joint ventures	1,460,685	1,263,042
Accounts payable	Associates	1,234,893	1,266,115
Accounts payable	CRRC Group and its subsidiaries	2,473,185	1,770,531
Accounts payable	Joint ventures and associates of CRRC Group and its subsidiaries	24,927	68,403
Advance payments received	CRRC Group and its subsidiaries	2,000	-
Contract liabilities	Joint ventures	758	2,344
Contract liabilities	Associates	77,982	78,152
Contract liabilities	CRRC Group and its subsidiaries	383,449	463,888
Contract liabilities	Joint ventures and associates of CRRC Group and its subsidiaries	1,790	193,584
Other payables	Joint ventures	2,897	2,137
Other payables	Associates	55,324	37,292
Other payables	CRRC Group and its subsidiaries	7,619,357	1,952,607
Other payables	Joint ventures and associates of CRRC Group and its subsidiaries	2,762	3,596
Non-current liabilities due within one year	Joint ventures	1	2
Non-current liabilities due within one year	Associates	2,632	4,596
Non-current liabilities due within one year	CRRC Group and its subsidiaries	56,781	56,626
Lease liabilities	CRRC Group and its subsidiaries	35,081	54,353
<b>Total</b>		<b>19,561,484</b>	<b>12,103,958</b>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

**X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** *(continued)*

**6. Related party commitments**

		RMB'000	
Item	Related party	30 June 2022	31 December 2021
Sale of goods to the related parties	Joint ventures	11,402	5,975
Sale of goods to the related parties	Associates	171,870	62,125
Sale of goods to the related parties	CRRC Group and its subsidiaries	4,607	–
Purchase of goods from the related parties	Joint ventures	185	–
Purchase of goods from the related parties	Associates	1,839	4,488
Purchase of goods from the related parties	CRRC Group and its subsidiaries	2,811	6,091
Purchase of goods from the related parties	Joint ventures and associates of CRRC Group and its subsidiaries	1,839	33
Total		194,553	78,712

**XI. COMMITMENTS AND CONTINGENCIES**

**1. Significant commitments**

		RMB'000	
ITEM		30 June 2022	31 December 2021
Construction in progress, fixed assets and land use rights		1,675,426	2,596,395
Other intangible assets		14,389	11,034
Investment commitments		256	–
Total		1,690,071	2,607,429

**2. Contingencies**

**(1). External guarantee**

Related unit	Warrantee	Amount of guarantee	Type of guarantee
The Company	Wuhu Yunda	1,973,149	Guarantee for performance, financing and profit or loss
CRRC Zhuzhou Locomotive	CRRC E-LOCO SUPPLY (PTY) LTD.	1,809,355	Guarantee for performance



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### XI. COMMITMENTS AND CONTINGENCIES *(continued)*

#### 2. Contingencies *(continued)*

##### (2). Others

The thirtieth meeting of the second session of the Board of Directors held on 18 July 2021 resolved that, CRRC Zhuzhou Locomotive, a wholly-owned subsidiary of the Company, entered into the Entrustment Agreement (the “Entrustment Agreement”) and a series of related agreements with Zhuzhou Locomotive Industrial, a wholly-owned subsidiary of CRRC Group, which shall entrust Zhuzhou Locomotive Industrial to manage the 100% equity interest of CRRC ZELC SA PTY LTD (“the Target Company”), and entrust Zhuzhou Locomotive Industrial to exercise all shareholders’ rights from the date of the Entrustment Agreement. Based on the Entrustment Agreement, during the Entrustment Period, all operating income or operating losses of the Target Company shall be enjoyed or borne by Zhuzhou Locomotive Industrial, and the rewards and risk of changes in the overall value of the Target Company’s interests shall also be enjoyed or borne by Zhuzhou Locomotive Industrial. CRRC Zhuzhou Locomotive shall relinquish all shareholders’ rights from the date of the Entrustment Agreement and the Target Company will cease to be consolidated in the consolidated financial statements of the Company and the Target Company will cease to be a subsidiary of the Group. Prior to the Entrustment Agreement, in respect of the performance obligations of the Target Company and its subsidiaries under the Locomotive Supply Contracts, CRRC Zhuzhou Locomotive has provided performance guarantee (“the Guarantee”) for the Target Company’s subsidiary. Accordingly, CRRC Zhuzhou Locomotive will continue to provide the performance guarantee for the Target Company’s subsidiary upon the effective date of the Entrustment Agreement. CRRC Group will provide the Counter Guarantee for the obligations of CRRC Zhuzhou Locomotive, in respect of the guarantee or potential guarantee obligations in any form provided by CRRC Zhuzhou Locomotive for the Target Company’s subsidiary, including but not limited to any guarantee agreement and project performance guarantee, CRRC GROUP will provide guarantee for CRRC Zhuzhou Locomotive in full in the form of a counter guarantee. The Counter Guarantee Agreement was signed by CRRC Group and CRRC Zhuzhou Locomotive. As at 30 June 2022, the guarantee for performance provided by CRRC Zhuzhou Locomotive to the Target Company totalled RMB1.81 billion.

### XII. EVENTS AFTER THE BALANCE SHEET DATE

#### 1. Description of subsequent events

As at the disclosure date of this report, the Company also issued the following Super Short-term Financing Bills:

On 28 July 2022, the Company issued 2022 Third Tranche of Super Short-term Financing Bills in a total amount of RMB3 billion, due on 27 September 2022, not settled yet.

On 1 August 2022, the Company issued 2022 Fourth Tranche of Super Short-term Financing Bills in a total amount of RMB3 billion, due on 30 November 2022, not settled yet.

As at the reporting date of this report, the Company also issued the following Asset-back senior commercial note:

On 28 July 2022, the Company issued Peer No. 1 Phase III Asset-back senior commercial note in 2022 in amount of RMB1.29 billion, due on 8 November 2022, not settled yet.





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### XIII. OTHER SIGNIFICANT ITEMS

#### 1. Debt restructuring

As a creditor, the Group performed debt restructuring with certain debtors from January to June 2022 in the following manner:

Type of debt restructuring	ITEM	Debt restructured	
		Book Value	Gains/(losses) from debt restructuring
Debt restructuring by transferring assets other than financial assets (Note)	Long-term receivables (inclusive of those due within 1 year)	291,228	43,066
Debt restructuring by transferring financial assets	Accounts payable	2,866	374
Total	/		43,440

Note: From January to June 2022, the Group's certain debtors repaid the debts held by the Group with buildings. The relevant assets are initially recognised at the fair value of the debts relinquished and other costs such as taxes attributable to the relevant assets.

#### 2. 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.

##### (2). Financial information of reporting segment

###### (i) External revenue

ITEM	RMB'000	
	Current period	Prior period
Products and services information: Rail transportation equipment and extended products and services	81,297,098	95,464,015
Total	81,297,098	95,464,015
Geographic information: Mainland China	72,660,086	86,074,309
Other countries and regions	8,637,012	9,389,706
Total	81,297,098	95,464,015

### XIII. OTHER SIGNIFICANT ITEMS *(continued)*

#### 2. Segment information *(continued)*

##### (2). Financial information of reporting segment *(continued)*

##### (ii) Specified non-current assets

	RMB'000	
ITEM	30 June 2022	31 December 2021
Mainland China	119,796,599	119,291,864
Other countries and regions	11,236,363	7,774,963
Total	<u>131,032,962</u>	<u>127,066,827</u>

The non-current assets are attributable to the regions where the assets are located, and exclude financial assets, financing lease receivable and deferred tax assets.

##### (iii) Information about major customers

The Group's operating income from major customer China State Railway Group is RMB22,689,659,000 (January-June 2021: RMB33,960,627,000). The Group has no other single customer from which the revenue accounts for over 10% of the Group's operating income.

#### 3. Net current assets and total assets less current liabilities

##### (1). Net current assets

	RMB'000	
ITEM	30 June 2022	31 December 2021
Current assets	299,302,317	279,882,630
Less: Current liabilities	244,068,832	215,556,317
Net current assets	<u>55,233,485</u>	<u>64,326,313</u>

##### (2). Total assets less current liabilities

	RMB'000	
ITEM	30 June 2022	31 December 2021
Total assets	446,826,196	426,826,499
Less: Current liabilities	244,068,832	215,556,317
Total assets less current liabilities	<u>202,757,364</u>	<u>211,270,182</u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### XIII. OTHER SIGNIFICANT ITEMS *(continued)*

#### 4. Calculation process of basic earnings per share and diluted earnings per share

##### (1). Basic earnings per share

The basic earnings per share is calculated by dividing the current net profit attributable to the common shareholders of the company by the weighted average number of common shares issued:

ITEM	Current period	Prior period
Net profit of the period attributable to ordinary shareholders (RMB'000)	3,130,771	3,988,656
Number of ordinary shares issued in the current period (thousand shares)	28,698,864	28,698,864
Basic earnings per share (RMB/share)	0.11	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.

ITEM	From January to June 2022	From January to June 2021
Net profit of the year attributable to ordinary shareholders (RMB'000)	3,130,771	3,988,656
Add: Impact of convertible bonds (RMB'000)	–	(14,939)
Net profit used to calculate diluted earnings per share (RMB'000)	3,130,771	3,973,717
Number of ordinary shares issued in the current period (thousand shares)	28,698,864	28,698,864
Add: Impact of convertible bonds (thousand shares)	–	106,232
Number of ordinary shares issued in the current period to calculate diluted earnings per share (thousand share)	28,698,864	28,805,096
Diluted earnings per share (RMB/share)	0.11	0.14

Assuming that all the convertible bonds issued by the Group are converted into ordinary shares on the issuance date, the earnings per share will be reduced, and the convertible bonds are diluted.

### XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

#### 1. Cash at bank and on hand

##### (1). Cash at bank and on hand

ITEM	RMB'000	
	30 June 2022	31 December 2021
Cash on hand	–	–
Deposits with banks	8,217,966	10,655,270
Other monetary funds	500,806	500,047
Total	8,718,772	11,155,317

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

#### 1. Cash at bank and on hand (continued)

##### (2). Cash at bank and on hand with restrictive ownership title or right of use

Category	RMB'000	
	30 June 2022	31 December 2021
Bank acceptance bills deposit	500,806	500,047
Total	500,806	500,047

As at 30 June 2022, the term deposits that have not been pledged or restricted for use for three months or over three months is RMB1,000,000,000 (as at 31 December 2021: RMB1,000,000,000).

#### 2. Other receivables

##### Presentation by item

ITEM	RMB'000	
	30 June 2022	31 December 2021
Interest receivable	–	–
Dividends receivable	2,438,203	3,172,821
Other receivables	10,345,179	13,661,103
Total	12,783,382	16,833,924

##### (1). Disclosure by ageing analysis

Ageing	RMB'000	
	30 June 2022	31 December 2021
Within 1 year	9,191,218	13,134,958
1-2 years	684,419	92,765
2-3 years	289,041	271,860
After 3 years	189,614	173,390
Sub-total	10,354,292	13,672,973
Less: Credit loss allowance	(9,113)	(11,870)
Total	10,345,179	13,661,103



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

**XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS** (continued)

**2. Other receivables** (continued)

(2). Categories of other receivables by nature

Nature of other receivables	RMB'000	
	30 June 2022	31 December 2021
Transactions between subsidiaries	9,916,598	13,581,596
Others	428,581	79,507
<b>Total</b>	<b>10,345,179</b>	<b>13,661,103</b>

(3). Dividends receivable

Item (or investee)	RMB'000	
	30 June 2022	31 December 2021
Dividends receivable from subsidiaries	2,437,983	3,172,821
Dividends receivable from joint ventures	220	–
<b>Total</b>	<b>2,438,203</b>	<b>3,172,821</b>

(4). Top five entities with the largest balances of other receivables

Name of enterprise	RMB'000		
	Book value at 30 June 2022	Proportion to total closing balance of other receivables (%)	Balance of loss allowance at 30 June 2022
Top 5 other receivables	5,874,305	56.73	5,874

**3. Long-term equity investments**

ITEM	30 June 2022			31 December 2021		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Investments in subsidiaries	101,674,659	–	101,674,659	100,872,199	–	100,872,199
Investments in joint ventures and associates	6,249,870	–	6,249,870	6,250,426	–	6,250,426
<b>Total</b>	<b>107,924,529</b>	<b>–</b>	<b>107,924,529</b>	<b>107,122,625</b>	<b>–</b>	<b>107,122,625</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

#### 3. Long-term equity investments (continued)

##### (1). Investments in subsidiaries

RMB'000

Investee	1 January 2022	Additions during the period	Decrease during the period	30 June 2022
CRRC Changchun	11,538,846	399,460	–	11,938,306
CRRC Zhuzhou Institute	11,222,572	–	–	11,222,572
CRRC Zhuzhou Locomotive	5,702,786	–	–	5,702,786
CRRC Qingdao Sifang	5,078,365	–	–	5,078,365
CRRC Tangshan	8,437,469	–	–	8,437,469
CRRC Dalian	6,337,241	–	–	6,337,241
CRRC Qiqihar Group	7,894,071	200,000	–	8,094,071
CRRC Yangtze River Group	5,674,459	–	–	5,674,459
CRRC Investment & Leasing	3,214,106	–	–	3,214,106
CRRC Qishuyan	2,411,044	–	–	2,411,044
CRRC Qishuyan Institute	2,244,296	–	–	2,244,296
CRRC Capital Management	2,511,188	–	–	2,511,188
CRRC Nanjing Puzhen	5,085,667	–	–	5,085,667
CRRC Hong Kong Capital Management	3,180,486	–	–	3,180,486
CRRC Construction Engineering	845,372	–	–	845,372
CRRC Yongji Electric	2,272,988	–	–	2,272,988
CRRC Sifang Institute	3,133,977	–	–	3,133,977
CRRC Finance	2,434,613	–	–	2,434,613
CRRC Zhuzhou Electric	1,355,677	–	–	1,355,677
CRRC Ziyang	1,061,086	–	–	1,061,086
CRRC Beijing Nankou	524,412	203,000	–	727,412
CRRC Datong	1,313,207	–	–	1,313,207
CRRC Dalian R&D	196,206	–	–	196,206
CRRC Dalian Institute	813,907	–	–	813,907
CRRC Logistics	630,196	–	–	630,196
CRRC Industrial Institute	228,000	–	–	228,000
CRRC International	682,337	–	–	682,337
CRRC Information Technology	205,295	–	–	205,295
CRRC Financial Leasing	2,430,000	–	–	2,430,000
Other subsidiaries	2,212,330	–	–	2,212,330
<b>Total</b>	<b>100,872,199</b>	<b>802,460</b>	<b>–</b>	<b>101,674,659</b>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

**XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS** *(continued)*

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

**(2). Investments in joint ventures and associates**

RMB'000

Name of investee	1 January 2022	Increase in investments	Decrease in investments	Changes for the period Investment income or loss under equity method	Adjustment of other comprehensive income	Other equity movements	Cash dividend or profits declared	30 June 2022
I. Joint ventures								
Wuhu Yunda	138,704	-	-	(125)	-	-	-	138,579
Sub-total	138,704	-	-	(125)	-	-	-	138,579
II. Associates								
China United Insurance	5,312,262	-	-	29,743	(21)	-	(10,000)	5,331,984
Others	799,460	-	-	(20,744)	-	811	(220)	779,307
Sub-total	6,111,722	-	-	8,999	(21)	811	(10,220)	6,111,291
Total	6,250,426	-	-	8,874	(21)	811	(10,220)	6,249,870

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

#### 4. Investment income

ITEM	RMB'000	
	Current period	Prior period
Income from long-term equity investments accounted for using cost method	1,559,091	1,358,581
Income from long-term equity investments accounted for using equity method	8,874	64,325
Total	1,567,965	1,422,906

#### 5. Supplement to cash flow statement

##### (1). Supplement to cash flow statement

Supplementary information	Current period	Prior period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	1,341,546	1,182,086
Credit losses	(2,507)	(4,460)
Depreciation of fixed assets	3,169	2,667
Depreciation of right-of-use assets	6,274	6,267
Amortisation of intangible assets	11,464	9,934
Gains on disposal of fixed assets, intangible assets and other long-term assets	–	(4)
Financial expenses/(income)	31,679	(32,597)
Investment income	(1,567,965)	(1,422,906)
Decrease in operating receivables	525,656	512,108
Increase in operating payables	1,160,495	715,012
Net cash flow generated from operating activities	1,509,811	968,107
2. Net changes in cash and cash equivalents		
Closing balance of cash and cash equivalents	7,216,522	1,630,047
Less: Opening balance of cash and cash equivalents	9,653,682	463,875
Net (decrease)/increase in cash and cash equivalents	(2,437,160)	1,166,172

##### (2). Composition of cash and cash equivalents

ITEM	30 June 2022	31 December 2021
I. Cash	7,216,522	9,653,682
Including: Cash on hand	–	–
Bank deposits available on demand	7,216,522	9,653,682
II. Cash equivalents	–	–
III. Closing balance of cash and cash equivalents	7,216,522	9,653,682





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### XV. SUPPLEMENTARY INFORMATION

#### 1. Breakdown of non-recurring gain or loss

ITEM	RMB'000	
	Amount	Note
Profit or loss on disposal of non-current assets	549,359	/
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)	695,717	/
Gains or losses from debt restructuring	43,440	/
Restructuring costs, such as staff compensation cost and integration expenses	(9,787)	/
Changes in fair value of financial assets and liabilities held for trading and derivative financial assets and liabilities, and disposal of financial assets and liabilities held for trading, derivative financial assets and liabilities and other debt investments, other than those held for effective hedging related to normal operations	304,471	/
Reversal of provision for impairment of receivables for which credit loss allowance is provided on an individual basis	366,344	/
Other non-operating income and expenses besides items above	63,186	/
Other profit and loss items that meet the definition of non-recurring profit and loss	(154,869)	/
Less: Tax effect	(363,395)	/
Effects attributable to minority interests (after tax)	(238,849)	/
<b>Total</b>	<b>1,255,617</b>	<b>/</b>

#### 2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary equity shareholders	2.08	0.11	0.11
Net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	1.25	0.07	0.07

Chairman of the Board: Sun Youngcai  
Reporting date approved by the Board of Directors: 26 August 2022

## DEFINITIONS

CNR	former China CNR Corporation Limited (中國北車股份有限公司)
CNRG	former China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司)
Corporate Governance Code	Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules
CRRC or Company	CRRC Corporation Limited (中國中車股份有限公司)
CRRC Changchun	CRRC Changchun Railway Vehicles Co., Ltd. (中車長春軌道客車股份有限公司)
CRRC Financial and Securities	CRRC Financial and Securities Investment Co., Ltd. (中車金證投資有限公司)
CRRC Sifang	CRRC Qingdao Sifang Co., Ltd. (中車青島四方機車車輛股份有限公司)
CRRC ZELRI	CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd. (中車株洲電力機車研究所有限公司)
CRRC Zhuzhou	CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司)
CRRCG or CRRC GROUP	CRRC GROUP Co., Ltd. (中國中車集團有限公司)
CSR	former CSR Corporation Limited (中國南車股份有限公司)
CSR and CNR	CSR and CNR
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
CSRG	former CSR Group (中國南車集團公司)
Finance Company	CRRC Finance Co., Ltd. (中車財務有限公司)
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
SASAC	State-owned Asset Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
SFO	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	Shanghai Stock Exchange
State Railway Group	China State Railway Group Co., Ltd. (中國國家鐵路集團有限公司)
Stock Exchange	The Stock Exchange of Hong Kong Limited
Times Electric	Zhuzhou CRRC Times Electric Co., Ltd. (株洲中車時代電氣股份有限公司)
Times New Material	Zhuzhou Times New Material Technology Co., Ltd. (株洲時代新材料科技股份有限公司)

